



The Republic of Colombia

Freedom and Order

**MINISTRY for SOCIAL
PROTECTION**



Ministry for Social Protection
The Republic of Colombia

Social Protection System Background, advancement and challenges

Second International Workshop on Conditioned
Cash Transfers (CCT)

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Social and Economic Context 2003

- Population: 43,463,000 persons
- Economically active population: 20,669,000
- Unemployment Rate: 12.3% (-3.3 points 2002)
- Underemployment: 31.1% (-1.0 points 2002)
- Growth of GDP: 3.74% (p.c. +1.8 2002)
- Inflation: 6.49% (-0.5); Fiscal Deficit: 2.8%
- Poverty according to NBI: 20%
- Poverty Line: 66% (+11 de 1997)

Background on the Colombian Social Protection System

- Recession had a critical negative impact on the population; the poorest segments were severely affected in terms of largest losses of income and well-being, and also due to reduced investments on human capital.
- The need became apparent to design a Social Risk System and to promote a Social Support Network. (Conpes 3144 for 2001 and 3187 for 2002)
- Simultaneously, the benefits brought forth by the orchestration of structural efforts aimed at integration led into rethinking the conceptual frame for social protection in a world of profound economic and cultural changes.

Impacts sustained as a result of the last crisis in Colombia (1996-2000)

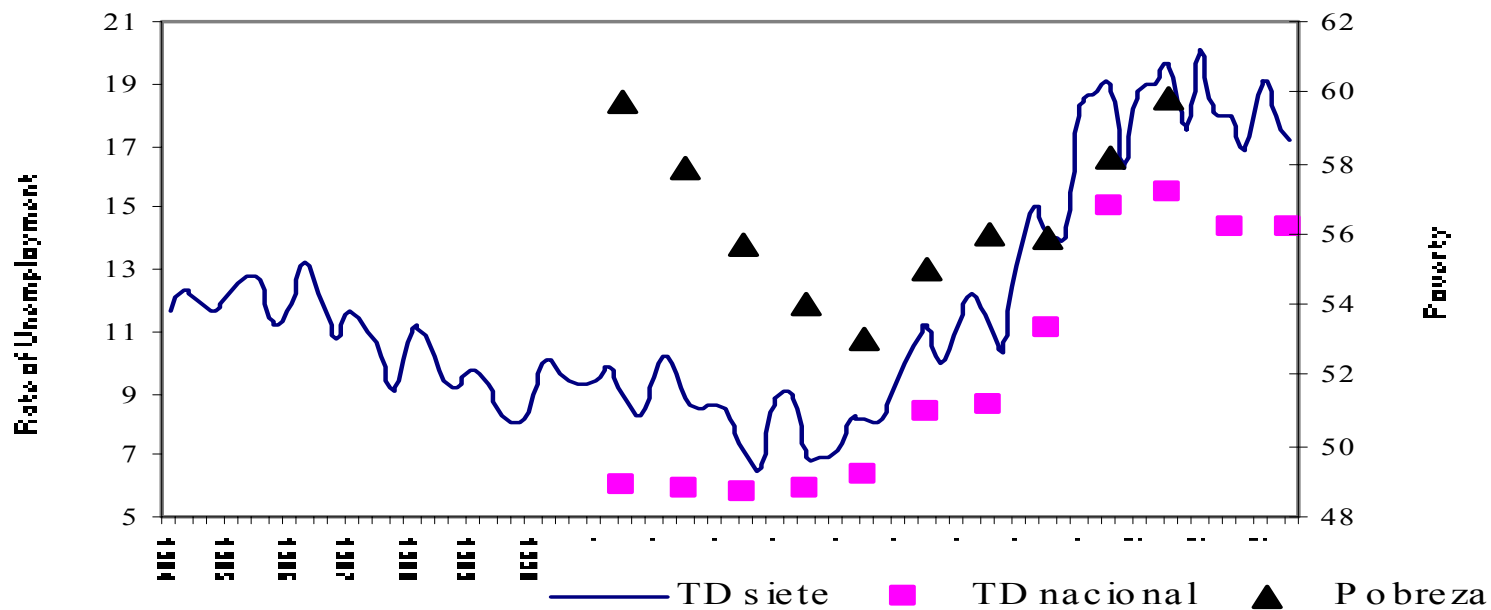
| POBLACIÓN | |
|-----------|-----------------------------|
| Total | Los más pobres ¹ |

Aumento del desempleo
Aumento en la participación laboral
Caída en empleo formal
Aumento en empleo informal
Caída en afiliación a salud de los ocupados
Caída en el número total de afiliados al S.S.S
Caída en ingresos
Número de nuevos pobres por insuficiencia de ingresos
Caída en asistencia escolar de personas entre 6 y 24 años

| | |
|---------------------------------|--------------|
| de 10% a 17% | de 18% a 28% |
| 9% | 14% |
| 10% | 45% |
| 22% | 37% |
| de 55% a 47% | de 30% a 19% |
| aprox. 2,7 millones de personas | |
| 5% | 21% |
| aprox. 7 millones de personas | |
| 3% | 3% |

¹ Se refiere al 20% de la población con menos ingresos

Economic recession worsened the country's unemployment and poverty rates.

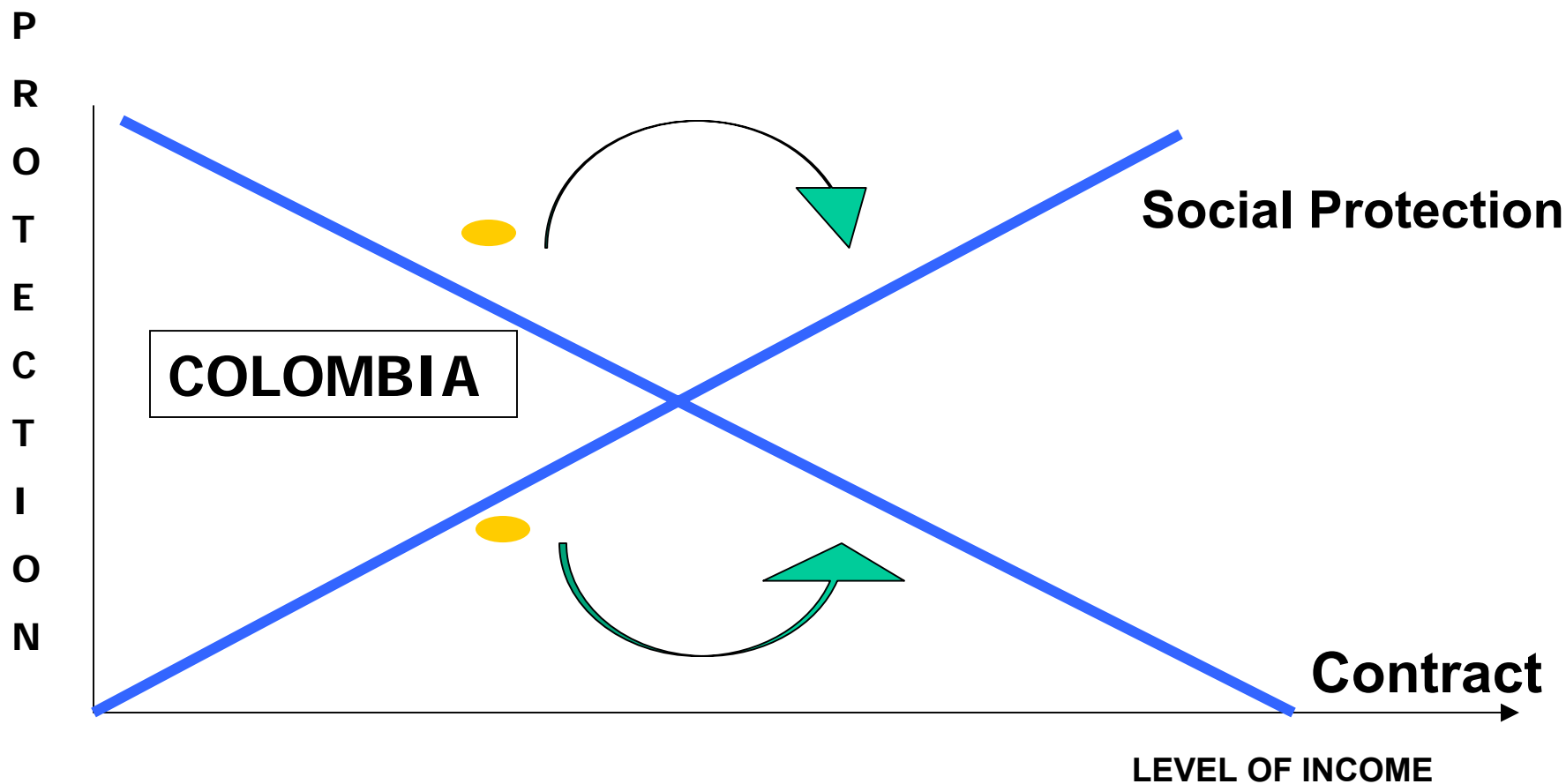


Source: Dane, ENH, DNP Estimates-DDS

* Rates adjusted as per ECH



TRANSITION FROM LABOUR TO SOCIAL PROTECTION

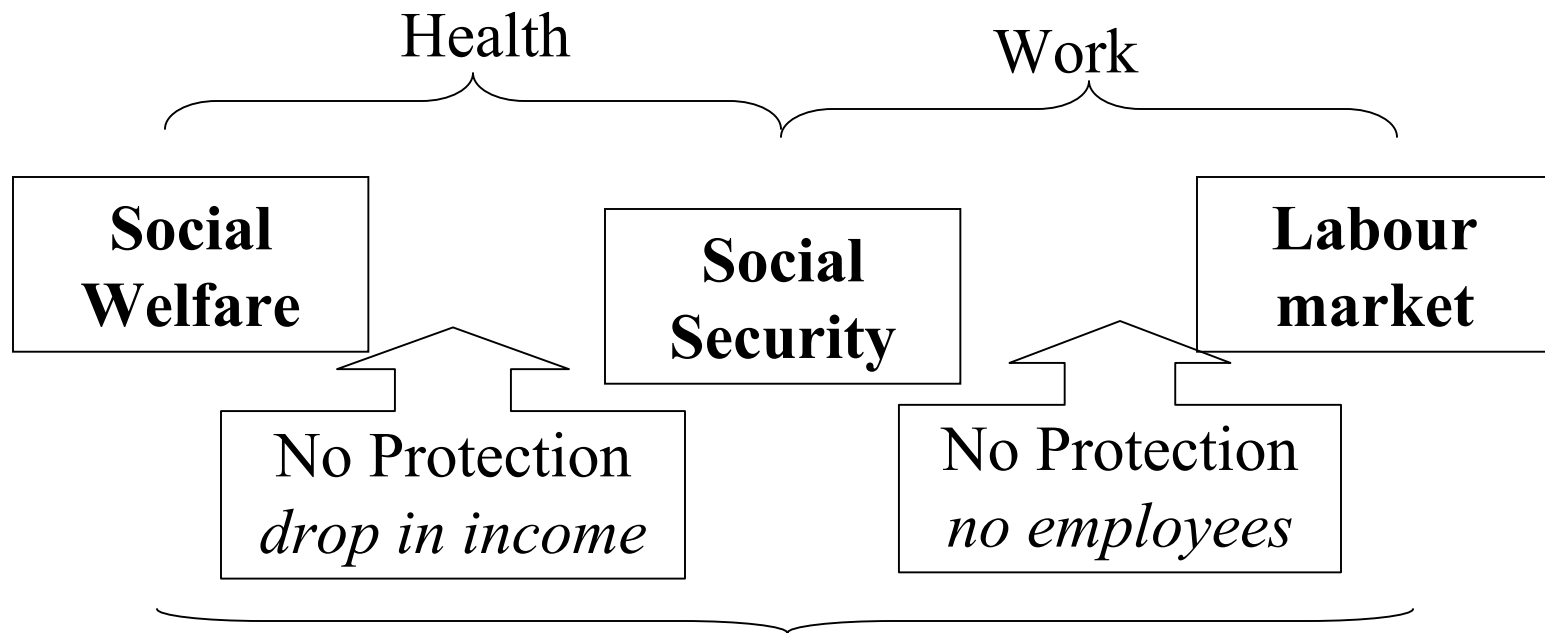


Social Protection

- Traditionally, social protection covers three areas of intervention: labour market, social prevision and social welfare –the networks of social protection–.
- Recent international studies (MSR) define it as “Public interventions to assist people, homes and communities in better managing risks. Providing support to the most vulnerable segments vis-à-vis a critical situation”.

Social Protection \neq *Health + Work*

INDIVIDUAL



Social Protection

Ability to respond to risks that threaten well-being

HOMES



System Justification

The structural components behind the establishment of the Social Protection System were:

- Risks exist which expose the population to losing their jobs, source of income and well-being.
- More vulnerable groups exist in regard to maximum loss of well-being and lack of protection for human capital a real assets.
- Increasingly prolonged and harsh economic crisis prevail that broaden the base of vulnerable population.

Situation of Social Protection

- Emphasis had been placed on the investment in social services at the expense of assistance per se, based on the consideration that it is more important to attack the causes of poverty rather than mitigate its results (Perotti, 2000). In that sense, the “relative drawback on assistance was conceived prior to the crisis; therefore, it has not been due to the lack of resources but in accordance to policies” (Fedesarrollo, 2001). Hence:

Traditional Social Protection

- It does not emphasise risk reduction; it concentrates on overcoming and partial mitigation, since it only covers formal workers.
- The public system is fragmented and unable to respond to a crisis—whether of an individual, localised or co-varied nature. It does not focus on more vulnerable homes, even if the SISBEN is available to them.
- Social expense in Colombia drops during recessions and recovers during prosperity:
 - It depends on the nominal taxes and is downsized to adjust to public finances during macro crises.



Progress attained by SPS

- Change of Legislation (the three amendments)
 - Employability
 - Pensions
 - Professional Risks
- Institutional Change
 - Establishment of the Social Protection System and of a Ruling Ministry
 - Merging of the Ministries of Health and Work into the new Ministry for Social Protection
 - Redesign of the group of national institutions according to the System and the pursuits of the Ministry.

Change of Legislation: The three amendments

- Amendment to employability
 - 1. Effect on employment: A. More flexible contracts; B. Incentives to employment and C. Subsidies to employment
 - 2. Protection to the jobless
 - 3. Protective umbrella (Workers' Compensation programmes)
- Amendment of Pension Plans
 - 1. Financial Sustainability
 - 2. Institutional Redistribution
 - 3. Fairness and Solidarity
- Amendment to Professional Risks



Institutional Change

Establishment of the Social Protection System and its ruling entity:

- The social protection system constitutes a group of public policies aimed at reducing vulnerability and improving the quality of life for Colombian people, especially the destitute. (Art. 1, Law 789, 2002)
- The purpose of the Ministry for Social Protection is to design, adopt, direct, coordinate, carry into implementation, control and do follow-up on the Social Protection System Public policies are attained through the implementation of strategies to reduce, mitigate and overcome risks ... (Art. 1, Decree-Law 205, 2003)

Core concept of the Policy

- The basis for building a universal social protection system lies on the concept of vulnerability. To take it as a dynamic force allows to go beyond segmented views of insuring employees and providing social assistance for the rest.
- Vulnerability needs to be construed as the probability of being affected by a *risk* of any sort; and, in this sense, it is linked to the *ability* to confront such risk. Political action addresses both.

Analysis of SPS programmes and Actors

For analysing the current social protection scheme in Colombia under the intervention strategy by source of risk, an SPS Competences Matrix was prepared pursuant to the conceptual definitions of the Social Risk Management framework.

- Up to the three levels by source of risk (i.e., Health - Injuries – Car Accidents), were identified:
- programmes and mechanisms under MSR strategies: Reduction - Mitigation - Overcoming
- Institutional Actors by Sector: Health - Labour – Other State-run – Private Sector
- Rules currently in effect

Scope of the Social Protection System

According to sources of risks that threaten the well-being of homes, the SPS covers particular risks and a few meso-risks.

| | <i>Micro (Particular)</i> | <i>Meso</i> | <i>Macro (Co-varied)</i> |
|-------------------|--|------------------------|--|
| <i>Health</i> | Illness Injuries Disability | Epidemics | |
| <i>Life Cycle</i> | Birth <i>Childhood and Youth</i> Old age Death | | |
| <i>Social</i> | Crime Internal Violence in the Family <i>Rupture of Social Mesh</i> | Terrorism Vandalism | Civil Commotion Wars Social Disturbances |
| <i>Economic</i> | Unemployment <i>Unprotected assets</i> | | Collapse of Product Financial Crisis |

Social Protection = *Protecting Human Capital*

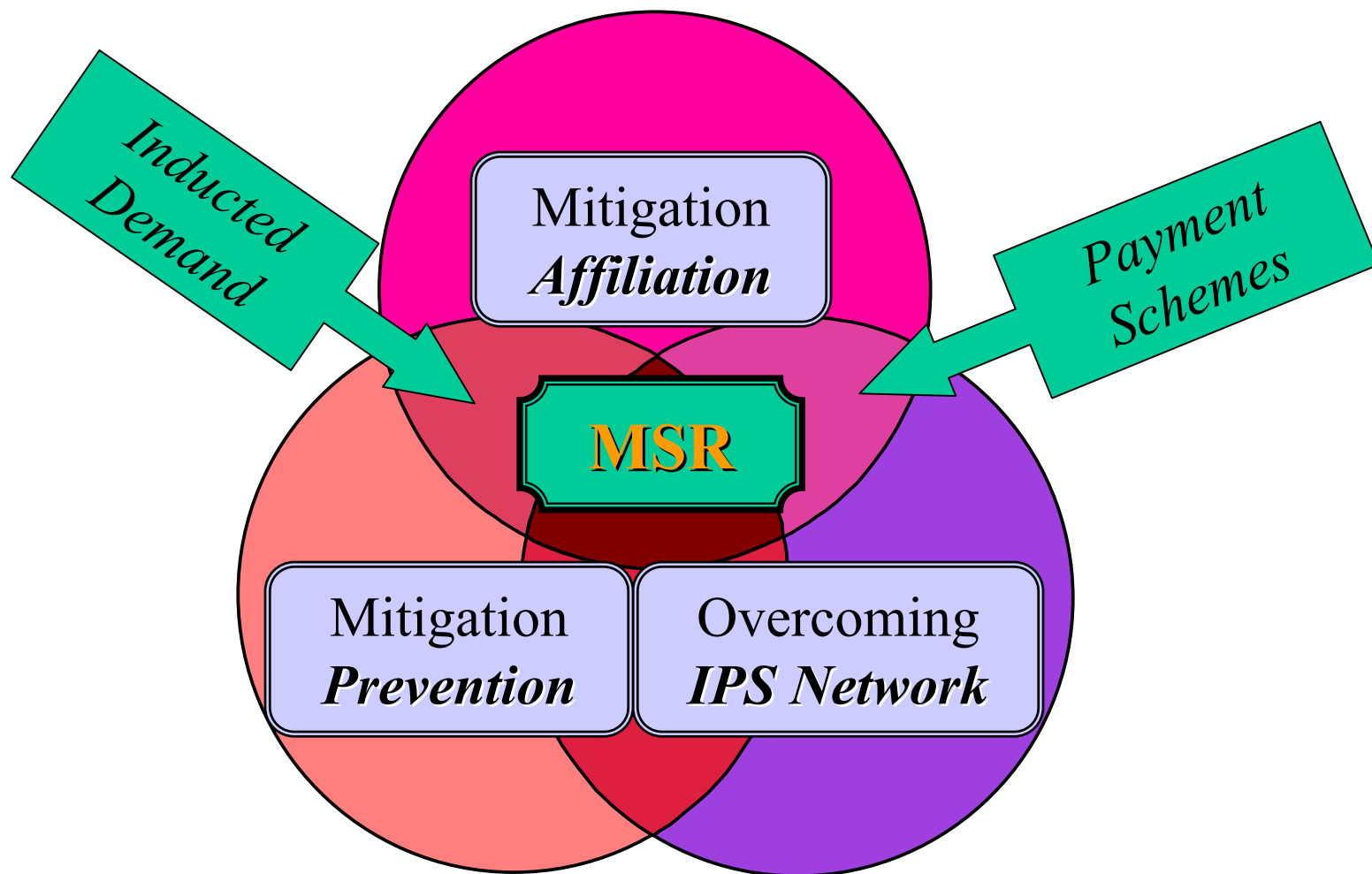
In the face of a negative event, the ability to respond to the risk posed on the homes depends, sequentially on:

- Savings: Sale of assets. Market mechanisms.
- **Fixed assets:** Collateral for banking loans or sale of a production unit in the market. Market mechanism.
- **Other assets:** Pledging to lenders or sale. Informal mechanism, with potential for market mechanism.
- **Deterioration of investment in human capital:** In terms of school drop-outs and no contributions to health, among other. Informal mechanism.
- *Non-savings in human capital:* Child labour, reduced dietary intake, among other; until reaching extremes such as selling one's blood, the most abject loss of well-being.

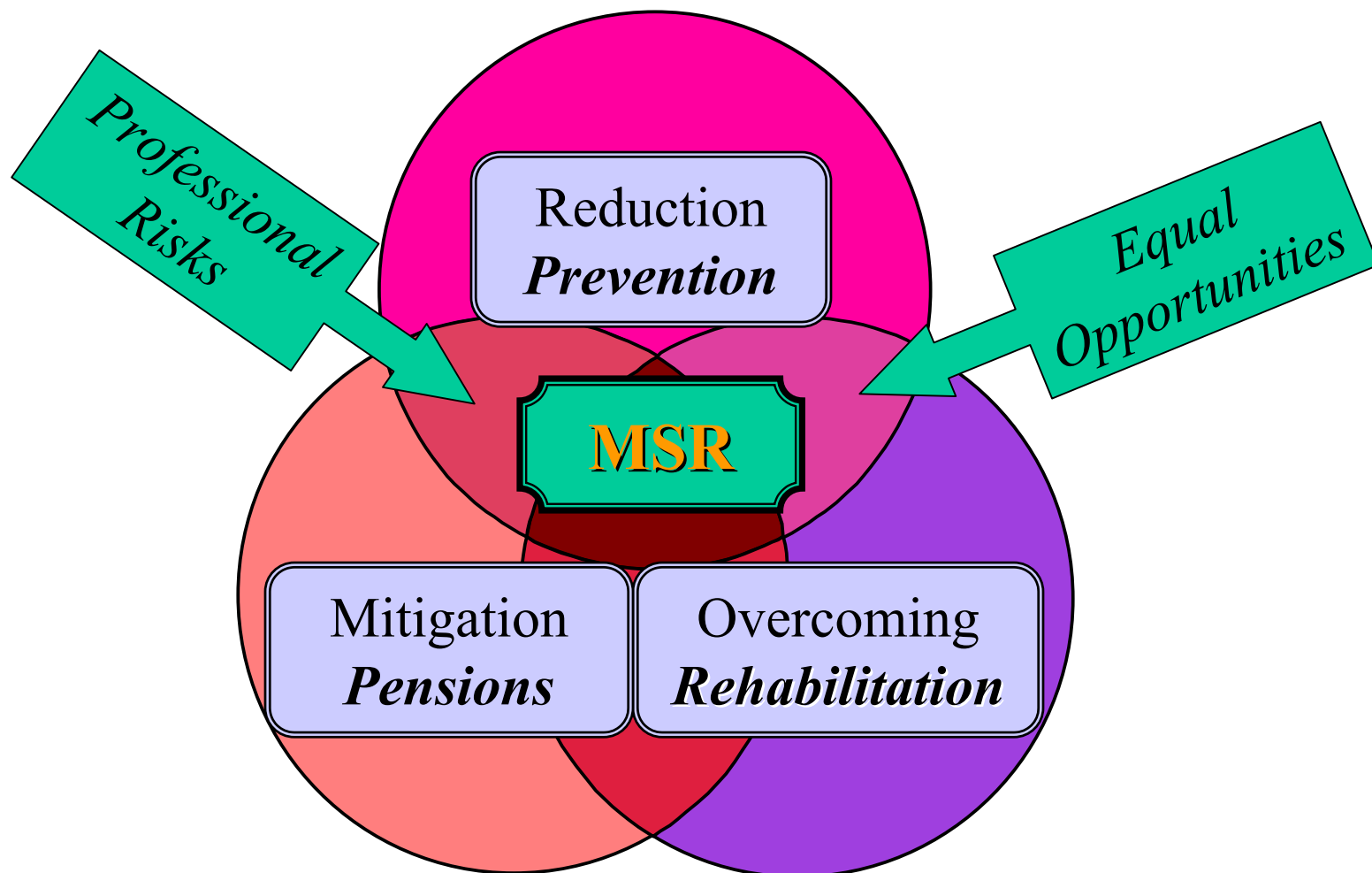
Structure of the Social Protection System

- Institutional structure is based on interaction with the numerous actors who participate in the various aspects of social protection.
- Actors express their interest under one of the following contexts:
 - **Areas of intervention:** labour market, social prevision and assistance or social protection networks.
 - **Risk Sources:** according to the threats posed to survival and well-being, or against productivity at the home level.
 - **Strategies for responding to social risks:** reduction, mitigation and overcoming.

MSR Strategies for Promoting Health



MSR Disability Strategies



Magnitude of Social Protection Interventions

| Strategies | REDUCTION | MITIGATION | OVERCOMING |
|--------------------------------|----------------------|-------------------------------------|---|
| Sources | | | |
| HEALTH LIFE CYCLE SOCIAL | 1. Health Risks | a. Insurance <i>b. Financing</i> | 2. Quality of Services 3. Social Promotion |
| ECONOMIC | 4. Promotion of Work | <i>c. Planning</i> | 5. Labour Protection |

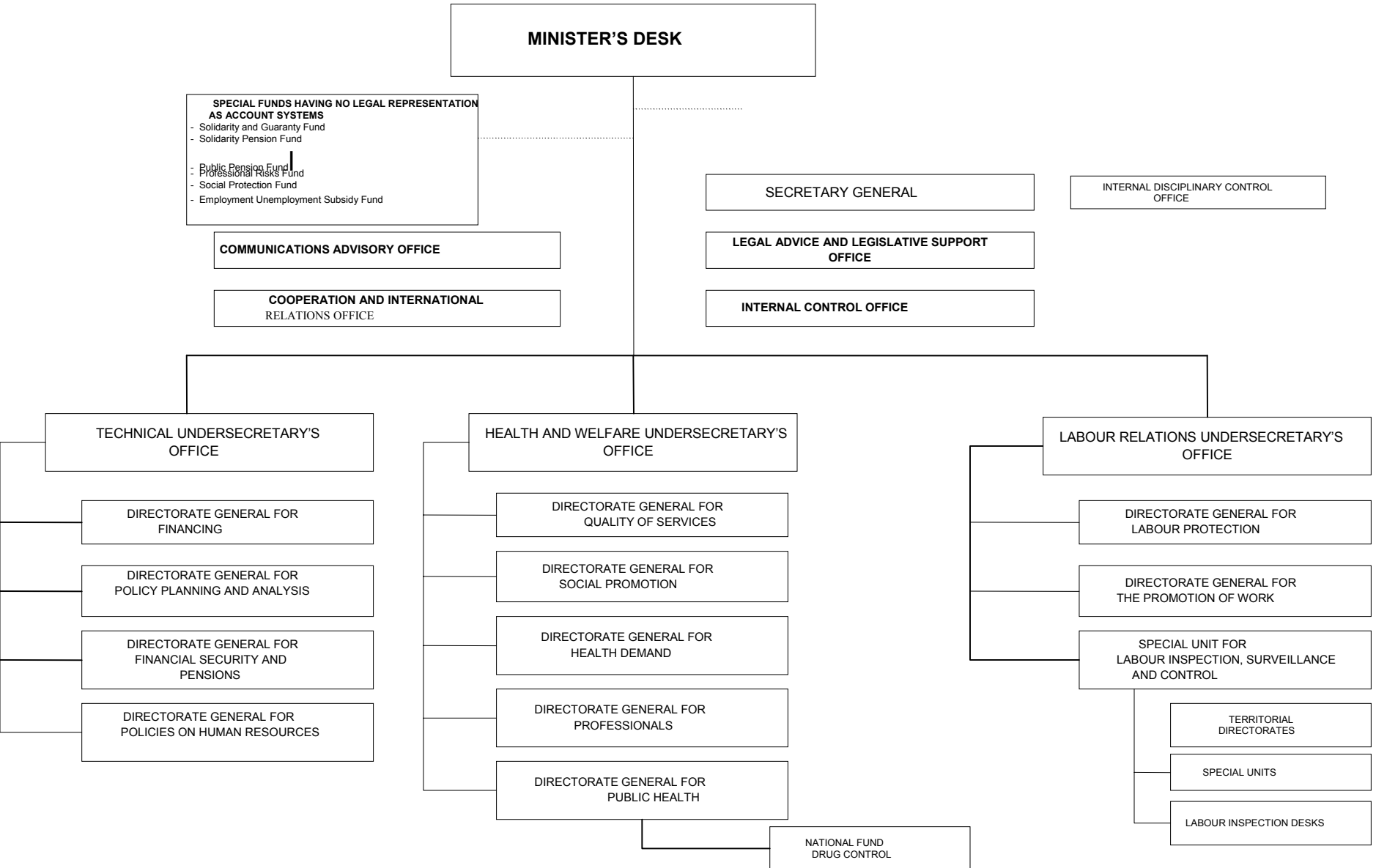
Example of actors by field of interest

| Strategies Sources | REDUCTION | MITIGATION | OVERCOMING |
|---|--|---|--|
| HEALTH LIFE CYCLE SOCIAL | 1. Those responsible for the physical and social context | Financial Sector, both private and public | 2. Providers of social services 3. NGOs, ICBF, local institutions |
| ECONOMIC | 4. Those responsible for the economic development | | 5. Associations, labour unions |



ORGANIZATIONAL STRUCTURE

(Decree 205, 2003)



Fundamentals of Social Protection

- From the MSR standpoint, public intervention is focused on giving opportunity for the private actors (i.e., homes, communities, market institutions among other) to enhance the ability to respond to risks by providing special attention to specific support required by those confronting a critical situation (Vulnerability).
- The Social Protection System is State-based and supported by civil society and the private sector. Public measures incorporate informal options (stemming from cultural background) and developed by the market (contracts) which promote protection of human capital.

Challenges for Consolidating the SPS

- *Attracting* a team of highly qualified professionals to work for the Social Protection Sector.
- *Opening Dialogue Spaces* with the actors involved at the various levels of social protection.
- *Consolidating a Common Agenda* to work as a mechanism for inter-institutional coordination.
- *Defining Territorial Design* to instil and broaden access to protection mechanisms available under the system to both urban and rural populations.

Social Protection Goals by 2006

- **Health Protection System**

- SGSSS to attain financial sustainability by broadening the base of affiliates and resources and reducing evasion and deviation, which currently have reached 36%.
- Population coverage shall be increased by at least five million new affiliates.
- Coverage of paid and subsidized health systems coverage will be expanded by 55% to 64%.

- **Pension Protection System**

- Shall provide financial sustainability by adjusting benefits to prices; the spirit of solidarity toward less favoured groups shall be strengthened (FSP).



• • •

- **Professional Risk Protection System**

- Aimed at reducing evasion and deviation, with extended coverage of the regime to two million affiliates.

- **Workman's Compensation Schemes**

- Will manage the Fund for Work Promotion and Unemployment Protection (FFEPD) through programmes providing subsidies to the jobless and credit for small and micro-enterprises (MIPYMES); 18,667 micro-credits will be granted; 51,780 subsidies will be provided to the jobless; 33,300 training slots envisaged for labour reinsertion. Improved efficiency, continued subsidies to family and less regional differences.



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...

- **SENA**

- Professional training programmes will be strengthened throughout 2003 directed to young apprentices, with 1,157,588 slots; continued formation 666,667 slots; the EMPRENDER Fund was created; 7 new business promotion units will be promoted and other entrepreneurial development schemes will be strengthen with linkages afforded to more than 100,000 apprentices per year.

- **EMPLOYMENT**

- The most critical challenge for Colombia's economy has to do with employment generation, incentive mechanisms for creating jobs (Subsidies), modernisation of Labour Legislation, school programmes to prevent desertion, increased labour force. Results are expected to generate more than three million new jobs between 2003 and 2006.

Requirements to meet the Challenges

- A system based on the commitment of actors requires public information, therefore:
 - An information system aimed at:
 - Focalising the interventions involving the most vulnerable homes.
 - Social control for attaching leakage effect to the insurance component.
 - Policy decision-making for social protection.
 - Communications System aimed at:
 - Making an objective analysis of risks
 - Attaining institutional coherence
 - Consolidating social protection as a public asset

Consolidation of the SPS

Consolidation of the Social Protection System will allow for:

- Improved personal and social well-being
 - ↓ Vulnerability
 - ↑ Equity
- Contributing toward financial development and growth.
- Reducing poverty more effectively and with long-lasting results.

Vision and Leadership

The great change in paradigms is that we Colombians think of the present and plan for the future. The new Social Protection System requires that all Colombian people think of tomorrow and take action today; we must anticipate the risks and be ready for them, beginning today. Juan Luis Londoño, Minister of Social Protection for Colombia,
February 4, 2003

Even though great ideas are recognised only after they have consolidated, they deserve to be listened and embraced. This is our responsibility. This is the true homage we must pay to whom rekindled our enthusiasm with a dream and provided the confidence to build it together.