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Report No. 49925- CL

PROJECT PAPER  
ON A  
PROPOSED ADDITIONAL FINANCING LOAN  
IN THE AMOUNT OF US\$ 3.0 MILLION  
TO THE  
REPUBLIC OF CHILE  
FOR  
THE SCALING-UP OF THE  
SOCIAL PROTECTION TECHNICAL ASSISTANCE PROJECT

October 1, 2009

Human Development Sector Management Unit  
Argentina, Chile, Paraguay and Uruguay Country Management Unit  
Latin America and the Caribbean Regional Office

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective September 29, 2009)

Currency Unit = Chilean Peso (CLP)  
US\$1.00 United States Dollar = CLP 548.45

FISCAL YEAR  
January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CASEN	Chile's national household survey, conducted every two years <i>(Caracterización Socio Económica Nacional)</i>
CONADI	National Commission for Indigenous Development <i>(Corporación Nacional de Desarrollo Indígena)</i>
CPS	Country Partnership Strategy
FM	Financial Management
FMA	Financial Management Assessment
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Agency
IPDP	Indigenous Peoples Development Plan
IPP	Indigenous Peoples Plan
MIDEPLAN	Ministry of Planning
NCB	National Competitive Bidding
OECD	Organization for Economic Cooperation and Development
QCBS	Quality and Cost-Based Selection
PISA	Program for International Student Assessment
RFP	Request for Proposals
SBD	Standard Bidding Documents
SIGEC	Agreements Management System <i>(Sistema de Gestión de Convenios)</i>
SIIS	Integrated System of Social Information <i>(Sistema Integrado de Información Social)</i>
UNICEF	United Nations Children's Fund

Vice President:	Pamela Cox
Country Manager/Director:	Pedro Alba
Sector Director:	Evangeline Javier
Sector Manager:	Helena Ribe
Sector Leader:	Hermann von Gersdorff
Task Team Leader:	Theresa Jones

**CHILE**

**SOCIAL PROTECTION TECHNICAL ASSISTANCE PROJECT**

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## PROJECT PAPER DATA SHEET

Date: October 1, 2009 Country: Chile Project Name: Additional Financing for the Scaling-up of the Social Protection Technical Assistance Project Project ID: P114774	Team Leader: Theresa P. Jones Sector Director/Manager: Evangeline Javier/Helena Ribe Country Director: Pedro Alba Environmental Category: C				
Borrower: Republic of Chile Responsible agency: Ministry of Planning (MIDEPLAN) Address: Ahumada 48, Santiago, Chile					
Revised estimated disbursements (Bank FY/US\$m)					
FY	FY2010	FY2011			
Annual	1.5	1.5			
Cumulative	1.5	3.0			
Current Closing Date: December 31, 2009 Revised Closing date: August 31, 2011					
Does the restructured or scaled-up project require any exceptions from Bank policies? Have these been approved by Bank management? Is approval for any policy exception sought from the Board?				<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Yes <input checked="" type="radio"/> No	
Revised project development objectives: Since the Additional Loan is to finance scaling up of the original project activities; the original development objective remains unchanged: The objectives of the project are to support the efforts of the Borrower to implement <i>Chile Solidario</i> and lay the basis for a national system of social protection, now including the subsystem for young children. The project continues to have the following four main components: <ul style="list-style-type: none"> <li>(a) Registry of Social Information;</li> <li>(b) Training;</li> <li>(c) System of Analysis, Evaluation, and Monitoring of Social Programs and Policies; and</li> <li>(d) Institutional Strengthening of MIDEPLAN.</li> </ul>					
Does the scaled-up or restructured project trigger any new safeguard policies? The Additional Loan is to finance scaling-up of original project activities. Related to the Indigenous Peoples safeguard policy, the Original Project triggered OD 4.20 and the Additional Financing triggers OP 4.10.					
For Additional Financing					
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Credit <input type="checkbox"/> Grant For Loans/Credits/Grants: Total Bank financing (US\$m.): 3.0 Proposed terms: Variable-spread loan with a grace period of 1.5 years and a final maturity of 4 years, with all conversion options					
Financing Plan (US\$m.)					
Source	Local	Foreign	Total		
Borrower	0.8		0.8		
IBRD/IDA	2.5	.5	3.0		
Total	3.3	.5	3.8		



## I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide Additional Financing in an amount of US\$3 million to the Republic of Chile for the scaling-up of the Social Protection Technical Assistance Project (Loan 7211-CH). Performance under the current Project has been satisfactory. The proposed Additional Financing would help finance the costs associated with the scale-up of the Project's impact and development effectiveness. The additional activities to be financed are related to the further strengthening of the system of social protection in Chile through: (1) the continued operation and improvements in *Chile Solidario*, designed to support extremely poor families and other vulnerable individuals (including to date older adults living alone, the homeless, and children of prisoners); and (2) the recent extension of the system to cover young children through *Chile Crece Contigo (Sistema de Protección Integral a la Infancia* – Integrated System of Protection for Young Children). No major changes from the parent Project are proposed in terms of project objectives, design, approach, and implementation arrangements. The nature of the technical assistance will remain the same for the scaled-up project activities.

2. The primary and largest target group for *Chile Solidario* is indigent families with the aim of incorporating roughly 40,000 families a year, although this target can be adjusted upwards or downwards depending on economic conditions in the country. The primary target group for *Chile Crece Contigo* is children under 4 years of age, with a set of services ranging from those with universal access, others for children born in the public health system, others for children of families in the bottom 40 percent of the welfare distribution, and yet others available for those at risk. As of the end of 2008, 473,000 children under the age of 2 had been incorporated into the system. During 2009, children up to the age of 4 would be incorporated. The expected outcomes from *Chile Solidario* are a decline in the share of households below the extreme poverty line, higher coverage of existing social protection policies and programs among the extreme poor, and improvements in the design and operation of public services to better address the needs of this group. In the case of *Chile Crece Contigo*, the expected outcome would be better developmental outcomes of young children, particularly those from poor families, thereby helping to improve the equality of opportunity in the country.

## II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING IN THE AMOUNT OF US\$3 MILLION

3. The original Loan (Ln.7211-CH) was in the amount of US\$10.71 million, of which the total amount has been disbursed. It was approved December 18, 2003, and became effective June 18, 2004. The original Loan supported the implementation of *Chile Solidario*, a package of legislative and administrative reforms to Chile's poverty reduction and social protection policies, in order to bring Chile's 225 thousand poorest households out of indigence poverty, announced by President Lagos in May 2002. The initiative significantly changed the Government's approach to confronting indigence and was intended to lay the base for a more extensive and effective system of social

protection. *Chile Solidario* has 3 features: (1) individualized counseling to each family or person provided by a social worker structured within a framework of the achievement of a range of minimum conditions within 7 dimensions (identity, health, education, housing, family dynamics, work, and income); (2) preferential access of beneficiaries to existing monetary transfers for which they are eligible; and (3) preferential access of beneficiaries to existing social services, particularly those relevant to the achievement of the minimum conditions. The development objectives of the original Project are to support the efforts of the Government to implement *Chile Solidario* and lay the foundation of a national system of social protection, now including the sub-system for young children. There have not been any changes to the original objectives, design, or scope. The development objective would remain the same for the Additional Financing.

4. Project implementation, including compliance with loan covenants, is satisfactory. The outcomes and results recorded in the most recent supervision report are either consistent with or exceed the expectations set out in the Project Appraisal Document. Ratings consistently have been satisfactory. There are no unresolved fiduciary, environmental, social, or other safeguard problems. As of June 2009, 345,310 families had been invited to participate in *Chile Solidario*, of which 95 percent participated. The Chileans reformed their targeting instrument in 2006, re-registered a substantial share of the population by April 2007, and have made the instrument available “on line” to all municipalities. Several public programs have been assessed in light of the demands of the *Chile Solidario* Program. The Ministry of Planning (MIDEPLAN) has expanded the reach of the social protection system to other vulnerable groups – older adults living alone and the homeless, using key elements of the *Chile Solidario* model adapted to the needs of these participants. The Integrated System of Social Information (SIIS) has incorporated the necessary complementary data bases, and is an important platform not only for *Chile Solidario*, but for other services, most recently for the implementation of pension reforms. The SIIS contains the Registry of Social Information (RIS) and is used to support the management of the social protection system. The Borrower is committed to the project, as evidenced by the expansion of the *Chile Solidario* approach to lay the base for a comprehensive national social protection system for young children.

5. An important component of the technical assistance loan is support for the impact evaluation of *Chile Solidario*. So far the main results shows a consistent pattern of positive impacts on take-up of social services (education, health, cash subsidies), on employment and income, and on psycho-social outcomes. The latter indicate that the program impacts may be sustainable, by changing each individual’s motivation and competencies to function more effectively as a head of family and a productive worker. In addition, for rural areas, there was a reduction of about 20 percent in poverty for participating households between 2003 and 2006. Assuming a common treatment effect (which is to be tested), this would imply that 18 percent of the observed reduction of poverty (and 35 percent of the drop in indigence) in rural areas between 2003 and 2006 in Chile can be attributed to *Chile Solidario*.

6. Additional Financing is the best available mechanism to maximize development impact and results for the technical support to the scale-up of the social protection system in Chile. The activities are a natural continuation of what has been supported under the current project, the additional financing needs are relatively modest and the results of the impact evaluation are encouraging. The commitment of the borrower to scaling up project activities is demonstrated by the sustained operation of *Chile Solidario* to cover all extremely poor families as well as the continued efforts to strengthen the system, particularly its implementation at the municipal level and by the roll-out of *Chile Crece Contigo*. Additional Financing is more cost-effective for the borrower compared to a repeater or other new project. The development and implementation of *Chile Crece Contigo* is a natural and critical extension of the country's social protection system.

7. Between 2000 and 2006, the share of the population below the poverty line dropped from 20.2 percent to 13.7 percent, while the share of the extremely poor population fell from 5.6 percent to 3.2 percent. Nevertheless, Chile continues to struggle with high inequality and low social mobility. Despite large increases in educational expenditures and coverage since 1990, the gap between high and low income students in pre-school enrollment rates remains substantial. Also, national scores on educational achievement tests in recent years show little or no improvement. While the scores for the Program for International Student Assessment (PISA) tests are related to GDP per capita and expenditure per pupil, Chile's results are below expectations.

### III. PROPOSED CHANGES

8. The Additional Financing is needed to implement additional activities to scale-up the impact and development effectiveness of the Social Protection Technical Assistance Project. The Development Objectives of the original Project are to support the efforts of the Borrower to implement *Chile Solidario* and lay the basis for a national system of social protection, now including a subsystem for young children. They would remain the same for the additional financing. The additional activities to be financed would support the continued operation, expansion, and improvements in *Chile Solidario* and the recent extension of the system of social protection to cover young children.

9. *Chile Crece Contigo* is an integrated system of social protection for early childhood. The aim is to offer young children an integrated system of interventions and social services that support the child and his/her family starting in pregnancy, thereby providing the tools needed for them to develop their maximum potential. If Chile is to reduce existing inequalities and to promote growth, it is crucial to intervene during the first four years of life because this period is recognized as critical in the development of the individual. The system offers universal access to some programs (education campaigns through various channels and change in legislation, relating to maternity leave and policies related to adoption and incapacity), as well as interventions for all users of public health services.

10. For all those utilizing public health services, the program includes improvements in pre-natal attention and delivery and expanded parental education, all within a framework of long-term accompaniment of the child until the age of 4, when they would enter pre-school. The framework incorporates a focus on the more systematic early detection of risks of development delays (psychological, social, physical) together with the necessary referrals to services to address them. For those identified as vulnerable or with risk factors, additional services are guaranteed such as home visits, childcare, a child allowance (for the bottom 40 percent as identified by the proxy means instrument), as well as access to *Chile Solidario*, with additional referrals possible for other activities related to adult education and employment, among others. Interventions will also be developed at the local level to support activities to support children, including those at risk for development delays.

11. *Chile Crece Contigo* is based on the same model of social protection as *Chile Solidario*. It is distinguished by several features: personalized counseling; preferential access to existing services for the disadvantaged; focus on improving the pertinence and effectiveness of public services; use of the *Ficha de Protección Social* to identify disadvantaged, at-risk households; and a system of information on individuals to monitor system coverage and performance. Implementation arrangements for *Chile Crece Contigo* are similar to those in place for *Chile Solidario*. As is the case with *Chile Solidario*, responsibility for implementation rests with municipalities and starts from the base of the existing network of public services. Coordination of *Chile Crece Contigo* is the responsibility of the Ministry of Planning (MIDEPLAN), specifically the Executive Secretariat for Social Protection, which also oversees *Chile Solidario*. For the long-term accompaniment of children, the Program is using the Integrated System of Social Information (SIIS) developed initially in the context of *Chile Solidario*.

12. The specific activities which would be supported under the proposed Additional Financing are summarized below organized by the components in the Original Project. Component 2 – Training – would be expanded to include activities for municipalities in line with their expanding role in Chile’s inter-institutional system of social protection, including a competitive fund for proposals to improve municipal management of the social protection system.

- **Component 1: Registry of Social Information. Design, upgrading and implementation of a computerized technological platform (the Integrated System of Social Information – SIIS) containing social information (Registry of Social Information) to support the management of the social protection system, including development of procedures, standards and rules of the system, the carrying out of a public information campaign on the system and the acquisition of the hardware and software and related services.** Specifically, under the proposed AF, the Integrated System of Social Information (SIIS) would be extended to incorporate additional social programs and services and to support the implementation of *Chile Crece Contigo*. The AF would finance consulting and non-consultant services necessary for upgrades in the

design and functionality of the SIIS and the further development of its procedures, standards, and rules.

- **Component 2: Training** (1) Provision of staff training to strengthen the capacities of MIDEPLAN and other agencies involved in the Borrower's social protection system to develop, implement and monitor a system of social protection. (2) Carrying out of capacity building activities designed to strengthen the capacity of selected Municipalities in the implementation of *Chile Solidario* and *Chile Crece Contigo* (the Municipal Capacity Building Subprojects). The training to be supported would include the training of MIDEPLAN and municipal staff to implement the system of social protection, in particular *Chile Solidario* and *Chile Crece Contigo*, including the use of the SIIS, as well as national conferences for the various levels of government and services operating the system of social protection. In line with the content of its legislation, beginning in 2007, more responsibility and resources for the implementation of *Chile Solidario* are being passed from MIDEPLAN to the municipalities. About US\$250,000 would be available to municipalities to carry out capacity building activities to support strengthening of management in areas related to the social protection system (Municipal Capacity Building Subprojects). The AF would finance consulting and non-consulting services and training.
- **Component 3: System for Analysis, Evaluation, and Monitoring of Social Programs and Policies.** Strengthening the Borrower's capacity to quantify the impact of *Chile Solidario* and *Chile Crece Contigo* through: (1) the design of an integrated system of monitoring of management processes and partial results of *Chile Solidario* and *Chile Crece Contigo* and any required updates; (2) the evaluation of the effectiveness of selected programs of *Chile Solidario* and *Chile Crece Contigo* in addressing the needs of the beneficiaries of *Chile Solidario* and *Chile Crece Contigo*; (3) the completion of the evaluation of the impact of *Chile Solidario* started under the Original Project and the evaluation of the implementation of *Chile Crece Contigo*; and (4) the design and implementation of consultations with community organizations in selected areas to assess the implementation of *Chile Solidario* and *Chile Crece Contigo*. The AF would support the extension of the impact evaluation for *Chile Solidario*, including the design of a continuous monitoring and evaluation methodology using the SIIS and the data base of the proxy means instrument and the development of supporting materials to carry out recent modifications in methodology for *Chile Solidario*. The component would also support studies or evaluations in areas relevant for the operation and results of the social protection system, identified by the Regional Secretariats of MIDEPLAN in order to respond to local conditions, and process evaluations for *Chile Crece Contigo* and *Chile Solidario* programs directed to poor families, the elderly, homeless and children of prisoners and a new model of employment services in the municipal employment offices. The AF would finance consultancy and non-consultancy services and studies. An important part of this work would be identified by the regional MIDEPLAN offices in order to respond to the needs identified to improve the operation and results of the social protection system.

- **Component 4: Institutional Strengthening of MIDEPLAN. Carrying out of studies on subjects related to the implementation of *Chile Solidario* and *Chile Crece Contigo*.** The AF would continue to support MIDEPLAN in its role as coordinator of social protection policy and programs in Chile. **In particular, support would be provided for strengthening of the capacity of MIDEPLAN's units in charge of the coordination and evaluation of the Borrower's social protection system.** The AF would also finance the preparation and publication of supporting materials for *Chile Crece Contigo* and consultancy and non-consultancy services.

13. Implementation arrangements for the municipal subprojects mentioned under Component 2 above would be as follows. The operational framework for the fund would be established through a MIDEPLAN resolution. The publication of this resolution (Guidelines), acceptable to the Bank by March 31, 2010 or later date to be agreed with the Bank, would be a disbursement condition for the municipal subprojects expenditure category of the AF. The operational framework would set out the objectives of the subprojects – in this case institutional strengthening of the municipality to manage the social protection system – eligible activities, the respective roles of MIDEPLAN, through the Executive Secretariat of Social Protection and the Regional Secretariats of MIDEPLAN, and the municipality, and the detailed procedures and standard formats for submission of proposals, subproject implementation, and required reporting. The Executive Secretariat of Social Protection would be responsible for allocating the resources, evaluating and scoring the subproject proposals presented by the municipalities, and jointly with the MIDEPLAN Regional Secretariats, supervising their implementation.

14. Once approved, MIDEPLAN through its Regional Secretariats would enter into an agreement with the municipality prior to its initiating any bidding process and the total amount of the funding approved for the subproject would be transferred to the municipality to a designated account set up solely for this purpose. Subproject financing would cover consultancy and non-consultancy services, training, and the design and publication of materials. Subprojects would be implemented over a time period ranging from 6 months to a year. The agreement between MIDEPLAN and the municipality would include provisions stipulating the responsibilities of the municipality as well as MIDEPLAN. In the case of the municipality these would include to carry out the subproject according to the schedule and content of the approved proposal, submit technical and financial reports, provide the necessary human resources, account for the expenditures according to the national norms set out by the *Contraloría General*, and follow Bank procurement and Anti-corruption guidelines. In the case of MIDEPLAN these would include to provide the operational framework, the agreed financial resources, and technical assistance. The activity of municipal subprojects would be carried out using MIDEPLAN's existing management system for agreements (*Sistema de Gestión de Convenios* – SIGEC), which is already in use for other activities with municipalities.

15. The proposed additional activities are expected to be completed by August 31, 2011, a little less than two years from the current closing date (December 30, 2009) of the

original project. In the original project the procurement and financial administration functions are integrated within MIDEPLAN. Based on performance under the ongoing Project, these arrangements are considered satisfactory and would continue to be used under the proposed Additional Financing. As is the case in the ongoing Project, loan proceeds will be disbursed into a Segregated Designated Account and the disbursement method to be used by the Project will be transactions based on Statements of Expenditure. The ceiling for advances into the Designated Account would remain US\$1 million. The revised project costs and financing plan are provided below to indicate the original project costs and those proposed to be financed through the Additional Financing Loan.

Project Components	Original Project (US\$M)	Proposed Scaled-up Project (US\$M)	Total Revised Project (US\$M)
Registry of Social Information	3.7	.5	4.2
Training	2.0	.9	2.9
System of Analysis, Evaluation and Monitoring of Social Programs and Policies	2.9	.9	3.8
Institutional Strengthening of MIDEPLAN	6.4	1.5	7.9
Total Project Costs (including contingencies and front-end fee)	15.0	3.8	18.8

Source:	Original Project (US\$M)	Proposed Scaled-up Project (US\$M)	Total Revised Project (US\$M)
Borrower	4.3	.8	5.1
Bank	10.7	3.0	13.7
Total Project	15.0	3.8	18.8

#### IV. CONSISTENCY WITH CPS

16. The proposed activities are aligned with the current Country Partnership Strategy (CPS), approved June 14, 2007. The objective of the CPS is to support Chile's efforts to converge with OECD income levels and living standards by: (i) accelerating sustainable

growth; and (ii) increasing equality of opportunity. Among other priorities, the current administration is moving forward on strengthening the social protection system and confronting the inequalities that restrain the country's future growth and development. Social protection is one of the areas which Chile has identified as important for its development vision, and where, in the context of productive engagement with the Bank, it perceives the Bank Group is well positioned to provide assistance. From the Bank side, there are substantial benefits from our involvement in this experience, particularly in the areas of innovations and monitoring and evaluation of social protection programs. As in other areas of economic and social policy, many countries in the Latin America Region look to Chile for best practices in social protection.

## **V. APPRAISAL OF SCALED-UP PROJECT ACTIVITIES**

### **A. Economic and Financial Analysis**

17. The positive economic analysis of the Additional Financing is grounded in the results of the impact evaluation of *Chile Solidario* and efficiency gains from better targeting and coordination of social programs, as well as consideration of the benefits of the early child initiative, *Chile Crece Contigo*. In the case of *Chile Solidario*, the poverty initiative supported under the original project, the results so far from the impact evaluation show that it has met its objectives of improving the access of the poorest households to the social protection system and of alleviating extreme poverty (see para. 5). Further strengthening of coordination and targeting mechanisms under the additional financing is also likely to result in efficiency gains, as was identified in the appraisal of the original project. Indeed household survey data do show improvements in pro-poor targeting of social programs over the last several years. Finally, the Government's decision to extend the social protection system to young children is expected to result in substantial positive economic benefits, given the findings of international research on initiatives similar to *Chile Crece Contigo*, summarized below as well as in the subsequent section on the technical analysis.

18. Scientific research has established that the brain continues to develop and form neural connections during the early childhood years. Research also has shown that nutrition, cognitive stimulation, and nurturing care during early childhood strongly influence the extent to which a child's health as well as cognitive and socio-emotional abilities may develop to their fullest potential (Young 2002). Children of families living in poverty face many development challenges during their early years affecting their opportunity to receive adequate nutrition, stimulation, and care. As a consequence, high proportions of children of poor households are not able to reach their full development potential, lowering their physical, cognitive, and socio-emotional development. Early childhood development outcomes play an important role throughout a person's life, affecting one's income-earning capacity and productivity, longevity, health, and cognitive ability. Differences in early childhood outcomes across children from poor and non-poor households have been shown to be related to important outcomes well into adulthood.

19. Recent research has convincingly shown that early childhood interventions can act as an important policy lever to equalize opportunities for children and reduce the intergenerational grip of poverty and inequality and that factors operating during the early childhood years play an important role in the development of skills that determine outcomes later in life (Heckman 2006 and others). This recent research has highlighted that both cognitive (such as language and mathematics skills) and non-cognitive skills (such as social skills and self-discipline) are important for success in school and for productivity in the labor markets. An important finding is that a child's family environment is central to the development of skills and ability and, hence, that early interventions targeted to make up for some of the early family differences contribute to reduce early inequalities. Further, parental environments and family income available to children during early childhood are far more decisive in promoting human capital and school success than in the later years.

20. The evidence from developed and developing countries outside Latin America shows that early childhood development programs can have positive effects. In developed countries, long-term benefits from high-quality early intervention programs for disadvantaged children include higher verbal and mathematics achievement, greater success at school, higher employment and earnings, better health outcomes, less welfare dependency, and lower crime rates than similar non-participants (Lancet 2007). By providing these programs, governments can offset some of the consequences associated with inequality of opportunity. If children from poor families are offered positive and enriching experiences, through programs especially geared to them and their caregivers, it is very likely that their developmental outcomes can be improved. If quality and effective programs are introduced to enrich early environments, policymakers can partially offset or buffer the negative experiences that children born into poverty or non-stimulating environments would experience.

21. Early childhood interventions also are cost-effective. Carneiro and Heckman (2003) empirically demonstrate that intervening early in childhood is economically efficient and produces higher returns than investments later on in life on disadvantaged youth in the United States. Later compensation for deficient early ability and skills formation is more costly and economically inefficient. Recent evidence of benefit-to-cost ratios for interventions for early child development yield ratios substantially above 1 in developing countries and in developed countries (Lancet 2007). Recent Bank reviews of the evidence available regarding cost-benefit studies of early childhood interventions in developed and developing countries also find overall that these programs are more cost-effective than alternative interventions.

## **B. Technical Analysis**

22. The design and operation of *Chile Crece Contigo* reflects many of the lessons and recommendations from international research and experience in child development programs (see table below). A recent review concluded that the most effective interventions are comprehensive programs for younger and disadvantaged children and families that are of adequate duration, intensity, quality, and are integrated with health and nutrition services. Providing services directly to children and including an active

parenting and skill-building component is a more effective strategy than providing information alone. Early child development programs are more effective if they provide direct learning experiences to children and families, are targeted toward younger and disadvantaged children, are of longer duration, high quality, high intensity, and are integrated with family support, health, nutrition, or educational systems and services.

### Characteristics of Successful Early Child Development Interventions

Recommendation	<i>Chile Crece Contigo</i>
Integrate health, nutrition, education, social, and economic development, and collaboration between governmental agencies and civil society	Health, nutrition, education, and social services integrated. Ministry of Finance and municipalities focus on economic development. <i>Observatorio de Infancia</i> links public agencies and civil society.
Focus on disadvantaged children.	Public information and legislation reforms universal, but entry into system is through public health services. More intensive services available to disadvantaged and to those with risk factors.
Sufficient intensity and duration and include direct contact with children beginning early in life.	Accompaniment of child until pre-school. Children with risk factors receive home visits. Entry at first pre-natal visit.
Parents and families as partners with teachers or caregivers in supporting children's development	System includes education sessions and materials for parents. <i>Chile Solidario</i> model based on focus on family.
Provide opportunities for children to initiate and instigate their own learning and exploration of their surroundings with age-appropriate activities.	Competitive fund for child development initiatives available to municipalities for sports and cultural activities, and infrastructure and equipment to promote independent participation and learning.
Blend traditional child-rearing practices and cultural beliefs with evidence-based approaches.	Materials and approaches developed to work with indigenous communities in order to ensure institutionalized births.
Provide staff with systematic in-service training, supporting and continuous supervision, observational methods to monitor children's' development, practice, and good theoretical and learning material support.	<i>Chile Solidario</i> is best practice in this area. Additional financing would support training and preparation of materials. SIIS incorporates module to capture data from long-term accompaniment for every child. Monitoring of data as well as observational visits included.

Source: Lancet 2007, adapted from Jaramillo and Mingat.

### C. Fiduciary Analysis

23. Based on performance under the ongoing Project, financial management and procurement arrangements are considered satisfactory and would continue to be used under the proposed Additional Financing. The procurement and financial administration functions are integrated within MIDEPLAN. The Finance Department of MIDEPLAN would continue to be responsible for the accounting, budgeting, and treasury operations of the Additional Financing. As is the case in the ongoing Project, loan proceeds will be disbursed into a Segregated Designated Account and the disbursement method to be used by the Project will be transactions based on Statements of Expenditure. The ceiling for advances into the Designated Account would remain US\$1 million. With regard to project activities that will finance municipal capacity building subprojects to improve the social protection system, under component 2, MIDEPLAN, through its Executive Secretariat, will carry out a financial management assessment (FMA) of the arrangements in the municipalities that are proposed to receive advances from the Loan. Given that municipal subprojects are expected to be very small (US\$6,000-10,000) and will only finance training and technical assistance, FMA will be based on a desk review of the information and documents collected using a simplified questionnaire satisfactory to the Bank that will be included in the Operational Manual.

24. MIDEPLAN's procurement unit handles project procurement based on planning by project staff. Procurement for the Additional Financing would be carried out in accordance with the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised May 2006, and the provisions stipulated in the Legal Agreement. Consulting services with firms would include primarily studies. Individual consultants would be hired to provide advisory services, in accordance with Section V of the Consultants Guidelines.

25. Short lists of consultant firms for services estimated to cost less than US\$500,000 per contract may be composed entirely of national consultants in accordance with provisions of paragraph 2.7 of the Consultant Guidelines. For firms, QCBS (Quality and Cost Based Selection) will be the preferred method; however, LCS (Least Cost Selection) and CQS (Selection based on Consultants' Qualifications) may be used as well. Single source selection (SSS) procedures may be used for hiring consultant services when the services meet the requirements of paragraphs 3.10 of the Consultants' Guidelines; contracts estimated to cost less than US\$50,000 may follow national procedures through the *Chilecompra* Portal without prior review of the Bank. The standard RFP must be used when selecting consulting firms. The procurement of non-consultancy services will be done using the Bank's SBD for all ICB and National SBD agreed with or satisfactory to the Bank. ICB procedures are not foreseen. NCB procedures will be used for contracts estimated to cost less than US\$350,000; and Shopping or *Chilecompra* (Framework Agreement) procedures when the individual cost of the items is less than US\$100,000. *Chilecompra's* Framework Agreement may be used as an alternative to shopping provided that the implementing agency compares at least three prices of items or non-consultancy services that meet the specifications and awards to the lowest

compared price. The first (1) process procured under each procurement method will be subject to prior review by the Bank. Consultancy services estimated to cost above US\$200,000 per contract and any single source selection of consultants (firms) will be subject to prior review by the Bank. An acceptable procurement plan covering the first 18 months for the activities to be financed through the Additional Financing Loan has been received. There may be Retroactive Financing up to an aggregate amount not to exceed US\$500,000 for payments made for Eligible Expenditures within 12 months prior to the date of the Loan Agreement and on or after June 1, 2009.

	<b>Amount of the Loan Allocated (US\$)</b>	<b>% of Expenditures to be financed</b>
<b>Category</b>		
<b>(1) Non-consultant Services and Consultant Services and Training (other than for Municipality Capacity Building Subprojects)</b>	<b>2,692,500</b>	<b>100%</b>
<b>(2) Municipal Capacity Building Subprojects</b>	<b>250,000</b>	<b>100% of the cost of Non-consultant Services, Consultant services and Training</b>
<b>(3) Operating Costs</b>	<b>50,000</b>	<b>100%</b>
<b>(4) Front-end Fee</b>	<b>7,500</b>	<b>Amount payable pursuant to Section 2.03 of the Loan Agreement</b>
<b>(5) Premia for Interest Rate Caps and Interest Rate Collars</b>	<b>0</b>	<b>Amount due under Section 2.07 (c) of the Loan Agreement</b>
<b>Total</b>	<b>3,000,000</b>	

Note: **Training** means the Non-Consultants' reasonable costs of: (i) travel, room, board and per diem incurred by trainees in connection with their training; and (ii) the course fees charged by academic or other institutions. **Non-consultant services** means logistical services for printing of materials, production costs for audio-visual materials, computer maintenance and related systems operations support as well as other services which are not rendered by consultants, obtained at reasonable cost on account of Project implementation and which are not covered in the definitions of Training and Operating Costs. **Operating costs** means the reasonable non-consultant costs incurred by MIDEPLAN for consumable office supplies and incidental costs associated with Project implementation, for travel to participate in training events, and for the functioning of the Technical Units and MIDEPLAN's secretariat or unit charged with the coordination of the social protection system.

## **D. Safeguards**

26. There are no unresolved safeguard issues. The scaled-up project activities would not raise the environmental category of the Project which was classified as C. Relating to indigenous peoples safeguards, the Original Project triggered OD 4.20 and the Additional Financing triggers OP 4.10. Under the Original Project, MIDEPLAN prepared and disclosed publicly an Indigenous Peoples Development Plan, which included specific activities to be implemented in the Project, with the objectives to guarantee the cultural appropriateness of the *Chile Solidario* methodology as well as the generation of sufficient information about how the model functioned among the indigenous population. This plan has been completed, with some redefinition of activities during implementation. The work benefited from good technical supervision, close coordination with the Sub-secretary in MIDEPLAN responsible for government policy on indigenous groups and with CONADI (National Commission for Indigenous Development) and inputs from experts in the area. Details are available in the Indigenous Peoples Plan prepared for the Additional Financing, referred to below.

27. During preparation of the Additional Financing, a social assessment was prepared. It updated the socioeconomic information and government initiatives related to indigenous peoples; reviewed the results of the consultations related to *Chile Solidario* and *Chile Crece Contigo*; and assessed the design of the latter in relation to the potential benefits accruing to the indigenous population. The process of social analysis and consultations during the Original Project implementation has been tested, found to be responsive to the needs of the IP populations, and is reflected in the excellent performance of *Chile Solidario* in incorporating the indigenous population and in helping them to improve the welfare of their families. Differences in poverty levels between the indigenous and non-indigenous population in Chile narrowed sharply between 2003 and 2006, particularly among the extreme poor in rural areas, suggesting the positive impact of the *Chile Solidario* model.

### **Consultations**

28. As was the case with the Original Project, consultations took place in relation to the social protection model (*Chile Solidario/Chile Crece Contigo*). The main stakeholders for *Chile Crece Contigo* are the families in indigenous communities, particularly women. The process of consultations prior to the launch of *Chile Crece Contigo* took place in the context of the preparation of studies and materials as described in the IPP and included experts on indigenous issues, as well as focus groups and in-depth interviews with members of indigenous communities, particularly women and mothers. In addition to households, the consultations covered the community, childcare networks and relevant service providers for the IP, in particular education and health. Details are provided in the social assessment. The findings included:

- Indigenous families in *Chile Solidario* valued the intervention strategy, particularly the counseling provided by the social worker since it was

personalized and conversational. The face-to-face approach and dialogue fit well with the form and style of relations with indigenous communities.

- Public health services for children, as well as pre-school and child care services for children whose mothers worked were well accepted by the communities.
- Pre-natal and delivery services should better take into account cultural aspects.
- Health staff needed to receive more intercultural training and more intercultural facilitators should be incorporated in health facilities.
- Services should incorporate monitors who speak the indigenous language and understand the indigenous culture in order to help mothers understand proper care during pregnancy and how to prepare for delivery.
- Communities wanted culturally-sensitive services in their communities.

29. The social assessment describes the actions already taken by the Government to ensure that the IP receive social and economic benefits that are culturally appropriate from *Chile Crece Contigo*. No negative impacts are expected from the program. Entrance to *Chile Crece Contigo* occurs automatically with the first prenatal visit of the mother to a public health center. Since the indigenous population participates in the public network of services to a greater extent than the rest of the population (84 percent in urban areas and 96 percent in rural areas, compared to 70 percent and 90 percent, respectively for the total population according to the 2003 CASEN) barriers to access should not be an issue. In order to ensure that the design and implementation of *Chile Crece Contigo* was culturally appropriate, several analyses were undertaken and specific materials prepared. These include studies on cultural practices on child rearing, manuals for health workers, and the preparation of special educational materials to work with families. The Government also has taken several actions to expand the supporting services for *Chile Crece Contigo* in indigenous communities. Details are available in the social assessment. A summary is presented below:

- The Executive Secretariat for Social Protection (hereafter, Executive Secretariat) has contracted experts to analyze practices of childcare and upbringing in indigenous communities (Aymara and Mapuche), to develop manuals to provide guidance for health workers in pre-natal care and delivery for the indigenous population (Aymara), as well as to design educational materials for these families (available on the website at [www.mideplan.cl](http://www.mideplan.cl)).
- The Executive Secretariat is carrying out activities to improve the pertinence of services for indigenous communities, for example, the systematization and dissemination of a model of maternity services among the Aymara and of an unconventional model for early childhood education among groups who live in different locations depending on the season.
- Additional health services were incorporated into the Program of Health and Indigenous Communities. Currently 25 of 28 services participate in the program.
- Indigenous health policy was strengthened by creating and improving family health centers, increasing from 13 to 23 the number of child stimulation centers

with ethnic pertinence within *Chile Crece Contigo* and priority health programs developed for these communities.

- Multi-culturality in health programs is being strengthened through the training of 3600 workers in indigenous languages and health and the incorporation of 14 intercultural facilitators in health facilities located in zones with a large number of indigenous. Currently 84 intercultural facilitators exist at the national level.
- More childcare centers with an intercultural curriculum will be opened. In 2007, 30 inter-cultural childcare centers were opened in different regions of the country. For the period 2008-2010, 44 more are proposed, with an investment of US\$60,000 in each.
- The number of bilingual intercultural schools is being expanded from 200 to 1100 and the number of traditional trainers increased in each of the schools.

### **Indigenous Peoples Plan (IPP)**

30. The approach in the AF to the IP safeguards policy builds on the successful experience in the Original Project, in particular the substantial advances made to insure that sufficient information is contained in the SIIS to monitor regularly and continuously how the *Chile Solidario* and *Chile Crece Contigo* models function within indigenous communities. The IPP also takes into account the substantial actions already taken by the Government to ensure the ethnic pertinence and benefits of the social protection system, and the proposed amount (US\$3 million) and implementation period (22 months) of the AF. The activities listed below would be carried out and/or supervised by the Executive Secretariat for Social Protection in coordination as appropriate with other groups within MIDEPLAN.

- Preparation of specially designed educational and other materials for families, service providers, and children in indigenous communities to support implementation of the *Chile Crece Contigo* initiative. Examples are guidance for health personnel for working with Mapuche mothers (in cooperation with UNICEF) and materials for the Rapa Nui ethnic group. (Budget: US\$20,000).
- Systemization of best practices of ethnic pertinence for interventions related to *Chile Crece Contigo*. (Budget: US\$10,000).
- Completion of the identification of best practices of Family Intervention Units in areas with a high concentration of indigenous population, and drawing from these, the adaptation of the *Chile Solidario* model in those areas. This would involve the following: analysis of information in the SIIS to identify the municipalities with a high concentration of indigenous population; provision of resources to support the municipalities in the adaptation of the psycho-social support in indigenous communities; and systematization of the adaptations of the methodology carried out for indigenous communities and the extension of best practices to other areas. (Budget: US\$30,000).

31. Information provided by CONADI will be utilized during the implementation of the IPP, in particular, for the first activity mentioned above. This necessary exchange of information would occur within the framework of a 2008 agreement signed between MIDEPLAN and CONADI for Collaboration and Connection to the Registry of Social Information (Decree 0169 of 28 May 2008). Under this agreement MIDEPLAN and CONADI are obliged on the basis of the existing information to: assign and organize the social assistance provided by the Government; to study and design policies, plans, programs and social transfers; study and design local development plans; carry out the necessary statistical analysis required for the delivery of social assistance, with the objective of facilitating the correct targeting of resources; and to promote the incorporation of beneficiaries into social networks and their access to better living conditions. The agreement between MIDEPLAN and CONADI covers the social protection system, including *Chile Crece Contigo*, and provides the framework for the necessary coordination in order to implement the IPP.

32. Given the nature, objectives and focus of the AF and taking into account the experience of implementation of the Original Project, no negative impacts are expected on indigenous communities. The plan of action described above would ensure that the indigenous population would receive the benefits envisaged from *Chile Crece Contigo* and that these would be culturally appropriate. Monitoring of the advances, functioning, and effectiveness of *Chile Crece Contigo* would be carried out through regular reviews of the management reports prepared using the SIIS. The IPP would be monitored in regular Bank supervision visits. During implementation of the AF, the main forms of consultation would take place through the work with indigenous experts, service providers in indigenous communities, and coordination with CONADI, as described in the IP.

### **Disclosure Aspects**

33. The results of the consultations related specifically to *Chile Crece Contigo*, carried out during the preparation of the studies and materials mentioned in paragraph 29, the studies and materials themselves, as well as the actions taken to expand supporting services in indigenous communities have been disclosed in Chile. Consistent with the requirements of OP. 4.10, the IPP approved by the Bank on August 10, 2009, has been disclosed in Chile and in the Bank's Infoshop.

## **VI. EXPECTED OUTCOMES**

34. In the case of *Chile Solidario* activities, the outcome indicators would remain the same under the Additional Financing. With its continued operation, expansion of coverage, and improvements in quality, the expected outcomes would continue to be a positive impact on the living conditions of the participants, as has already been demonstrated in the impact evaluation results. In the case of *Chile Crece Contigo*, the Additional Financing will incorporate additional indicators, among others: number of children (families) incorporated into system, number of municipalities participating in

system, number of family subsidies granted to households in the bottom 40 percent of the welfare distribution (as measured by the *ficha de protección social*), number of childhood initiative projects implemented, and number of surveys undertaken for the impact evaluation. The SIIS and specially designed household surveys will be the main source of information as is the case for the Original Project.

<b>Component</b>	<b>Agreed Results Original Project</b>	<b>Agreed Results Additional Financing</b>
<p><b>Component One:</b></p> <p>Registry of Social Information.</p>	<p>26 Institutions have signed agreements to exchange information with MIDEPLAN.</p>	<p>Expansion of System to Include other Components of Social Protection System.</p> <p>30 Institutions have signed agreements to exchange information with MIDEPLAN.</p>
<p><b>Component Two:</b></p> <p>Training</p> <p>Social workers are better prepared to work with <i>Chile Solidario</i> families, including indigenous.</p> <p>Strengthen borrower's ministerial and sectoral capacities at the center, regional and municipal level to implement, develop, and monitor the system of social protection.</p>	<p>No. of <i>Puente</i> social workers trained.</p>	<p>2 National Meetings held for those working in the social protection system and, more specifically, for <i>Chile Crece Contigo</i>.</p> <p>Implementation of municipal subprojects to strengthen management of social protection system.</p>
<p><b>Component Three:</b></p> <p>Strengthen Borrower's capacity to quantify the impact of <i>Chile Solidario</i> and <i>Chile Crece Contigo</i>:</p> <p>(1) Design integrated system to monitor management</p>	<p>System designed and</p>	<p>Expand system to monitor</p>

<b>Component</b>	<b>Agreed Results Original Project</b>	<b>Agreed Results Additional Financing</b>
<p>processes and partial results of <i>Chile Solidario</i> and <i>Chile Crece Contigo</i> and any required updates;</p> <p>(2) Evaluation of selected programs of <i>Chile Solidario</i> and <i>Chile Crece Contigo</i>;</p> <p>(3) Carry out impact evaluation of the <i>Chile Solidario</i> system;</p> <p>(4) Design and implement consultations with community organizations in selected areas to assess implementation of <i>Chile Solidario</i> and <i>Chile Crece Contigo</i>.</p>	<p>implemented.</p> <p>5 program evaluations carried out per year.</p> <p>Impact evaluation carried out for <i>Chile Solidario</i>.</p> <p>Social accountability pilot carried out.</p>	<p>management processes and partial results of programs for vulnerable groups the Social Protection System.</p> <p>15 Regional Secretariats of MIDEPLAN carry out studies pertinent for their locality.</p> <p>Update impact evaluation for <i>Chile Solidario</i>.</p> <p>Carry out consultations.</p>
<p><b>Component Four:</b></p> <p>Strengthen capacity of MIDEPLAN</p>	<p>Successful creation of 4 supporting units for technical work now in Executive Secretariat for Social Protection.</p>	<p>Expand technical work to cover <i>Chile Crece Contigo</i> and programs related to <i>Chile Solidario</i> (poor families, older adults, homeless adults, and children of prisoners).</p>

## VII. BENEFITS AND RISKS

35. An estimated additional 100,000 extremely poor households would benefit from continued implementation of *Chile Solidario* during the period November 2009 through August 2011. In addition, participant families would benefit from the continued strengthening of its design and implementation arrangements. In the case of *Chile Crece Contigo*, it is estimated that about 500,000 children and their families would be incorporated into the system over this same period.

36. As was the case for the Original Project, the risks are considered minimal. Chile's excellent track record in economic management, program implementation, poverty reduction, and social protection innovations make the satisfactory completion of the program highly likely. *Chile Solidario* has a substantial track record and demonstrated positive results from a rigorous impact evaluation. The Government has shown its high commitment to *Chile Crece Contigo*. When President Bachelet was inaugurated as Chile's president in March 2006, she announced as part of the objective of "Growth with Equality of Opportunity", the goal of installing by the end of her administration a system of early childhood protection, designed to equalize the opportunities for development of Chilean children. In order to develop specific proposals to reach this goal, she appointed a Presidential Commission, which carried out technical work, as well as extensive consultations, before delivering a report on June 2006, which laid the base for the design and implementation of *Chile Crece Contigo*. National budget funding was about US\$140 million in 2009 for *Chile Solidario* (including resources of other programs directed to participants) and about US\$45 million for *Chile Crece Contigo*. The Executive Secretariat of Social Protection has gained substantial experience and capacity during the implementation of *Chile Solidario* and has facilitated the timely roll-out and provision of support for *Chile Crece Contigo*. As is the case with *Chile Solidario*, their main role is technical support and coordination.

#### **VIII. FINANCIAL TERMS AND CONDITIONS FOR THE ADDITIONAL FINANCING**

37. The financial terms for the Additional Financing for the Scaling-Up of the Social Protection Technical Assistance Project Loan would be as follows: Variable spread loan with principal repayments linked to commitments in US dollars, with all conversion options. The loan has a grace period of 1.5 years and a final maturity of 4 years. The front-end fee will be financed out of the loan proceeds.

