

SOCIAL PROTECTION OFFER FOR LATIN AMERICA AND THE CARIBBEAN



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Introduction

The Regional Social Protection Offer developed by the United Nations Development Programme (UNDP) for Latin America and the Caribbean (LAC) is the result of three years of dedicated effort, reflecting the successful adaptation of the Global Social Protection Offer to the regional level. This work has been carried out through close collaboration between the regional Inclusive Growth team, the regional Gender and Disaster Risk Reduction teams, the regional Chief Economist's Office and several Country Offices to better understand their specific needs and contexts.

The UNDP's Regional Hub has worked closely with Country Offices to determine how UNDP can add tangible value through careful analysis and by identifying opportunities to tailor its Global Social Protection Offer. The focus has been on offering practical support that drives real change for beneficiaries and governments.

The comprehensive set of services outlined in this offer was defined with the support of various initiatives, mainly those funded by the Poverty and Inequality Funding Windows, and through a learning-by-doing approach.

This offer represents a collective learning and co-creation effort, enabling UNDP to respond effectively to the Country Offices' demands. It embodies both top-down and bottom-up approaches, serving as a bridge between the global Inclusive Growth team, the Regional Bureau for Latin America and the Caribbean (UNDP RBLAC) strategic vision, and the Country Offices, aiming to better support them.





1. Social protection: what is it?

Defining Social Protection

According to the Social Protection Inter-Agency Cooperation Board (SPIAC-B), social protection is:

a set of policies and programmes aimed at preventing and protecting all people against poverty, vulnerability and social exclusion, throughout their life cycle placing a particular emphasis on vulnerable groups. This means ensuring adequate protection for all who need it, including children; people of working age in case of maternity, sickness, work injury or for those without jobs; persons with disability and older persons. This protection can be provided through social insurance, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security and access to essential services (SPIAC-B 2019).

Moreover, UNDP's definition of social protection adds at least three relevant dimensions: i) policies and programmes should be "nationally owned" (that is, governments should hold significant responsibility for its implementation and financing); ii) they should also be "organised around systems" (which emphasises the relevance of policy coherence of these policies and programmes), and iii) they should increase capacities and capabilities. Although other institutions also mention these dimensions in their approach to social protection, they are closely aligned with UNDP's mandate to support sustainable development, highlighting the importance of good governance and solid foundations for human development.



2. Social Protection: for what?

Social protection systems address risks and vulnerabilities that individuals and households may face throughout their life cycles. They traditionally cover typical social risks that could prevent individuals from working and earning (such as old age, disability, death of the breadwinner, sickness, job injury or unemployment) and the risk of poverty and vulnerability. More recently, there have been arguments in favour of expanding social protection to cover new nature-related risks, leading to the emergence of the concept of Adaptive Social Protection. All these risks can have severe social and economic consequences, impacting people's well-being and hindering their ability to thrive and participate in social life.



3. Social protection: how is it structured and financed?

Social protection policies and programmes can be administered via social insurance, social assistance, or universal schemes. Social insurance extends to individuals who have made prior contributions, covering them against traditional social risks like old age, disability, death, maternity, sickness, job injury, or unemployment.¹ These contributions are often linked to employment and earnings-related, and, while used to cover individual risk, are not well suited for covering systemic risks. Social assistance schemes offer protection against certain social risks and poverty, typically based on low-income thresholds, and are funded through general taxation. Universal social protection is also funded through general taxation, with individuals entitled to benefits and services if they meet specific trigger criteria (often associated with demographic characteristics), regardless of income. Social protection systems are generally built with a combination of these schemes.

¹ Typical social insurance benefits against these social risks are contributory pensions (old age, disability and survivor pensions), maternity, sickness, job injury, and unemployment benefits. Correspondent non-contributory benefits also cover some of these risks, such as social pensions, job-seeker allowances and cash transfers.



4. Social protection: remaining challenges in Latin America and the Caribbean

LAC countries have yet to achieve universal social protection. Among the factors explaining the limited coverage of social protection policies in the region are the imperfect targeting of non-contributory programmes and the lack of coverage of people – informal workers, in general – not entitled to contributory or non-contributory programmes (the so-called missing middle). Labour market informality, a pervasive phenomenon in LAC, prevents individuals and households from accessing robust social protection policies.

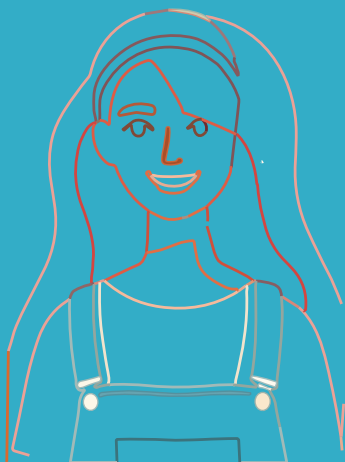
Lack of coordination between contributory and non-contributory social protection is also a recurrent issue for countries in the region. Different government agencies frequently lead social insurance and social assistance policies. Ministries of Social Development and similar institutions occasionally have institutional weaknesses, such as limited human resources and budget constraints, lack of ownership of programmes' design, poor coordination with other government agencies and limited interoperability between social registries and other administrative registries.

Employment policies remain underdeveloped in the region. Only a few countries have implemented unemployment insurance, and although virtually all countries implement active labour market policies, they tend to be small-scale and fragmented. Some of these policies are vital for enhancing productivity, boosting female labour market participation, and reducing informality, which are important challenges facing the region in the coming decades. The experiences with care services are still incipient, representing a significant obstacle to gender equality and sustainable development in the region.

Structural trends in the coming years and decades will exacerbate these challenges. The first is demographic transition. In LAC, the proportion of the older population is expected to double in just 28 years, half the time it took for Europe to undergo a similar demographic shift. Expenditures with pay-as-you-go pensions and the cost of social pensions will inevitably rise. In countries with fully funded pension schemes, the projected lower economic growth rates will undermine the adequacy of benefits.

The second structural trend is climate change. The region is already experiencing a perceptible increase in average temperatures and the number of climate-related disasters. Some countries in the region will also face the challenging transition from an economy heavily dependent on fossil fuel exploitation to a green economy. It will be necessary to implement mechanisms and policy designs that permanently enhance the adaptive nature of social protection systems through, for instance, efficient and sustainable financing mechanisms such as climate risk insurance that makes the financial resources available when extreme climate-related events hit the population.

The third structural trend is technological change. The Fourth Industrial Revolution (defined by phenomena like advances in automation, robotics and artificial intelligence) is associated with perceptible changes in the world of work, such as the decline in employment and wages for workers in routine occupations and the rise of the platform economy (characterised by more volatile and less protected employment relationships, and the reproduction of current gender biases in the labour market). The potential long-term outcomes of this transformation include increased income inequality, employment volatility, and growing informality, all of which pose significant challenges for social protection.



5. Social protection: the United Nations Development Programme offer for Latin America and the Caribbean

In Latin America and the Caribbean, the Regional Hub's Inclusive Growth team structures its work around three main macro-activities: identify, protect, and empower.

Under the **identify macro-activity**, the team supports the design and implementation of Multidimensional Poverty Indexes (MPIs) and Multidimensional Vulnerability Indexes (MVIs) to identify and characterise the poor and vulnerable populations and to serve as tools for implementing social policies. They also support the design and implementation of social information systems and registries.

The **protect macro-activity** involves developing diagnostics of social protection systems and programs and drafting proposals for the design and redesign of social protection policies, including cost estimates and ex-ante evaluation of their possible impact on poverty and inequality reduction.

The **empower macro-activity** focuses on labour market analysis and proposals of evidence-based employment policies. It also includes supporting the productivity and resilience of small and medium-sized enterprises (SMEs) using the Sustainable Development Goals (SDGs) Value Chain methodologies,² contributing to better structuring public finances and developing integrated national financing frameworks. Activities developed by the Sustainable Finance Hub also include improving the flow of private capital to SDGs, expanding the insurance market, managing and measuring SDGs impact, and realising the SDG Finance Academy.

Many of these activities developed under these three macro-activities are part of the Regional Social Protection Offer, as well as activities developed by UNDP's

² UNDP SDG Value Chains Programme in Latin America and the Caribbean, www.undp.org/sdgvaluechains

regional Gender Team in the field of care services, such as the development of knowledge products, technical assistance in the mapping and analysis of the supply and demand of care through the costing and georeferencing of care services tools, and capacity building in social organisation of care and comprehensive care systems.

5.1. Principles

The UNDP Regional Social Protection Offer for LAC has well-defined general principles. The first is the perspective of **social protection as a human right**, which is a common ground for several UN agencies that work in this area. The second is **universality**: ensuring access for all and leaving no one behind should underpin all proposals supported by UNDP to reform social protection programs, policies, and systems in the region. The third is **gender equality**, a crucial principle for analysing social protection systems, policies, and programmes, which helps identify whether they unintentionally contribute to the production or reproduction of gender inequalities and guides efforts to make them more gender-responsive. The fourth principle is **ethnic and urban/rural equality**. In LAC, Indigenous, Afro-descendant, and rural populations are structurally affected by labour market informality and wage gaps, resulting in lower levels of protection from robust social insurance policies. They are followed by an economic principle: achieving a balance between effectiveness, costs, and incentives, all very relevant dimensions to designing and implementing social policies and programmes.

5.2. Services

i) Measuring multidimensional poverty and vulnerability

The measurement of poverty and vulnerability is essential to evaluate the effectiveness of social protection systems and policies and contribute to driving social protection services and benefits to the beneficiaries. LAC is a pioneer in developing national measures of multidimensional poverty. To date, 12 countries in the region have adopted national MPIs, and UNDP has provided support to 9 of them.

UNDP can assist countries in the region to:

- Develop MPIs and MVIs at the national and local levels for the total population or specific groups;
- Support the process of adopting MPIs and MVIs as policy tools (for instance, as a targeting mechanism for social policies), and
- Support the development of monetary poverty measures.

Please consult the full document of the UNDP Regional Social Protection Offer to learn more about UNDP's initiatives for measuring poverty and vulnerability.

ii) Evaluation of social protection systems

In LAC, UNDP can perform analytical work at both the macro and micro levels, encompassing evaluations of entire social protection systems and specific policies, programs, or interventions.

In the evaluation of social protection systems, UNDP can assist countries in the region with:

- The evaluation of social protection systems and programmes using the Core Diagnostic Instrument (CODI) and other tools, and
- The evaluation of labour markets' main characteristics and the development of long-term projections of the impact of demographic change on employment, social protection and economic growth.

Please consult the full document of the UNDP Regional Social Protection Offer to learn more about UNDP's work in evaluating social protection systems.

iii) Policy recommendations for social assistance transfers (conditional and unconditional cash transfers, and social pensions)

Most countries in the region adopted social assistance transfers (conditional and unconditional cash transfers and social pensions to vulnerable older people and people with disabilities) to reduce the social protection coverage gap left by contributory transfers. Regarding policy recommendations for social assistance transfers, UNDP can contribute to:

- The elaboration of comparative studies, and proposals for policy and programme design (including ex-ante evaluations of their impact on poverty and inequality using microsimulations);
- The elaboration of cost estimates for introducing or changing social assistance transfers, and
- The advocacy for policy changes and reforms in social transfers.

Please consult the full document of the UNDP Regional Social Protection Offer to learn more about UNDP's work advising countries on social transfers.

iv) Policy recommendation for employment policies

Regarding employment policies, UNDP LAC can offer services of advocacy; development of comparative studies, and proposals for policy and programme design.

These services are based on an initiative from the UNDP's Regional Hub and the ILO Research Department, the Inclusive Growth Tracker, which will gather information on dozens of impact evaluations of active labour market policies. This initiative will

provide countries in the region with reliable information on the effectiveness of these policies, highlighting what works and what does not.

v) Support to social infrastructure (social registries and payment systems)

Social infrastructure is crucial for supporting social programmes and preparing and reacting to economic or nature-related shocks. UNDP can provide services such as the following to countries in the region:

- Advocacy for the adoption or improvement of social registries;
- Development of comparative studies, analysis of questionnaires and digital solutions for social registries and payment systems;
- Global support to the development, implementation or expansion of social registries and payment systems; and
- Support for enhanced interoperability between social registries and other administrative registries.

Please consult the full document of the UNDP Regional Social Protection Offer to learn more about UNDP's work advising and supporting countries to improve their social infrastructure.

vi) Policy recommendations for pension reforms

UNDP can support parametric pension reforms aimed at adapting pay-as-you-go pension schemes to upcoming demographic transitions. This support may include:

- Advocacy for pension reforms;
- Development of comparative studies, proposals for policy and program design, and
- *Ex-ante* evaluations of the reform's impact on poverty and inequality using microsimulations.

vii) Care services and social policy design with gender perspective

Providing care services is crucial from both social protection and gender perspectives. Publicly funded care services are essential for increasing women's participation in the labour market and reducing their disproportionate burden of unpaid caregiving responsibilities. Additionally, as many countries in the region undergo rapid demographic changes, the demand for public care services for older persons is expected to rise.

Regarding care services, the Gender team at the UNDP's Regional Hub provides advocacy, knowledge product development, conceptual definition, capacity

building, policy design, and cost estimation. The Regional Hub also makes the Care Georeferencing Tool available to countries in the region, which can contribute to improving the planning and delivery of care services.

Please consult the full document of the UNDP Regional Social Protection Offer to learn more about the support to the development of care services and the Care Georeferencing Tool.

viii) Embedding resilience as a policy objective

The increasing frequency of climate-related shocks will affect the lives of many individuals and households, especially those in vulnerable conditions. Enhanced social protection policies and tools can contribute to preventing them from falling into poverty.

The first critical element in improving the shock-responsiveness of social protection systems is making their benefits and services more dynamic or flexible. The UNDP's Regional Hub can offer the services of:

- Advocacy for the adoption of measures to make social protection programmes and systems more adaptive;
- Development of policy and programme design proposals, ex-ante evaluation of the possible impacts of new emergency programmes on poverty and cost estimation.

The second critical element is financing. UNDP can support countries in the region to develop insurance risk financing strategies along with climate risk modelling and the development and delivery of insurance solutions in partnership with the global insurance industry, contributing to dealing with the potentially massive effects of climate-related disasters in social protection systems.

The third critical element is improving how social protection infrastructure contributes to better preparedness and reaction against shocks (in other words, to promote resilience). UNDP can support the adaptation of social infrastructure (social registries and payment systems) to work as tools for adaptive social protection systems.

Finally, it is important to note that the UNDP's Regional Hub is collaborating with Country Offices in LAC to facilitate the exchange of experiences between countries on social protection initiatives. These efforts aim to foster regional cooperation, emphasise the value of understanding experiences developed in similar contexts, and position UNDP as a reliable partner for governments seeking valuable social protection insights from other LAC countries.

Table 1 summarizes the activities and services provided by UNDP in the field of social protection.

Table 1. Summary of the UNDP Regional Social Protection Offer for Latin America and the Caribbean

Activities	Services
1. Measuring poverty and vulnerability	<ul style="list-style-type: none"> i) Development of Multidimensional Poverty Indexes (MPIs) and Multidimensional Vulnerability Indexes (MVIs) at the national and local levels for the total population or specific groups. ii) Support to the adoption of MPIs and MVIs as policy tools (for instance, as a targeting mechanism for social policies). iii) Support to the development of monetary poverty measures.
2. Evaluation of social protection systems	<ul style="list-style-type: none"> i) Evaluation of social protection systems and programmes using the Core Diagnostic Instrument (CODI) and other tools. ii) Evaluation of labour market main characteristics and long-term projections of the impact of demographic change on employment, social protection and economic growth.
3. Policy recommendations for social assistance transfers (conditional and unconditional cash transfers, and social pensions)	<ul style="list-style-type: none"> i) Elaboration of comparative studies, proposals for policy and programme design (including ex-ante evaluations of their impact on poverty and inequality using microsimulations). ii) Elaboration of cost estimates for introducing or changing social assistance transfers. iii) Advocacy for policy changes and reforms in social transfers.
4. Policy recommendations for employment policies	<ul style="list-style-type: none"> i) Development of comparative studies and proposals for policy and programme design for active labour market programmes.
5. Support to social infrastructure (social registries and payment systems)	<ul style="list-style-type: none"> i) Advocacy for the adoption or improvement of social registries. ii) Development of comparative studies, analysis of questionnaires and digital solutions for social registries and payment systems. iii) Support to the development, implementation or expansion of social registries and payment systems and support to enhanced interoperability between social registries and other administrative registries.
6. Policy recommendations for pension reforms	<ul style="list-style-type: none"> i) Support to the development of comparative studies, proposals for policy and program design. ii) Ex-ante evaluations of the reform's impact on poverty and inequality using microsimulations.
7. Care services and social policy design with gender perspective	<ul style="list-style-type: none"> i) Development of knowledge products. ii) Technical assistance in the mapping and analysis of the supply and demand of care through the costing and georeferencing of care services tools. iii) Capacity building in social organisation of care and comprehensive care systems.
8. Embedding resilience as a policy objective	<ul style="list-style-type: none"> i) Advocacy; proposals of policy and programme design; ex-ante evaluation of the possible impacts of shocks and of the protective effect of new emergency programmes on poverty, and cost estimation. ii) Support to the adaptation of social infrastructure (social registries and payment systems) to work as tools for adaptive social protection systems. iii) Development of insurance risk financing strategies along with climate risk modelling and the development and delivery of insurance solutions in partnership with the global insurance industry, contributing to dealing with the potentially massive effects of climate-related disasters in social protection systems.

Source: UNDP's Regional Hub for Latin America and the Caribbean.

