



Latin American Social Innovations change the world...

Darryl McLeod, Economics Department and CIPS Lecture 6 ECON 3235 Fall 2017

Six Latin American Social innovations

- 1) Conditional Cash Transfers began in Mexico and Brazil, now in 50+ countries*
- 2) For profit Microcredit (not Microfinance Accion pre-dates Grameen bank, but not social enterprise model)*

Six Latin American Social innovations

3) *Peruvian economist Hernando De Soto's mystery of capital led to [IFC/WB Doing Business](#) indicators (also an app....)*

4) *NAFTA? First FTAs with lower middle and high income (OECD) countries*

Six Latin American/Mexican social innovations

5) Remittances/TPS/MFIs for disaster relief in Haiti (Lecture 7 or Clemens et al, 2014)

6) Concurrent Social impact evaluation: rollout of Progresa: now a model for program evaluation everywhere

1997 First national CCT: Mexico [Progresa-Oportunidades-Prospera](#) model for the world (and Brazil, Colombia, Chile, Argentina) targets women with school age children



FEATURE STORY

A Model from Mexico for the World

November 19, 2014

Photo: Indigenous mothers and children in Hildago (a bit North of from Mexico DF (Mexico City) and Puebla...

- 1. From 2 LatAm countries in 1997 to 40+ in 2014...** See [2014 interview of Francesca Lamanna](http://www.worldbank.org/en/news/feature/2014/11/19/un-modelo-de-mexico-para-el-mundo), social protection specialist at the World Bank “A model from Mexico for the world) <http://www.worldbank.org/en/news/feature/2014/11/19/un-modelo-de-mexico-para-el-mundo>
- 2. Aramendariz and Larraine, 2017 have an excellent summary of programs in Mexico, Brazil and Chile...** Mexican Conditional Cash Transfer Programs include Progresa, Oportunidades and Prospera across three Presidential regimes of six years each, see section 5.8 pages 136-140. Prospera had been expanded to include pensions, medical services for adults, and even access to microfinance (Compartamos?)
- 3. [WB Funding Summary as of 2014](#):** Objectives/Outcomes The proposed project would support Mexico's conditional cash transfer (CCT) program, Oportunidades, which serves slightly more than 5 million poor families. About 70 percent of these families are in rural areas, 16 percent live in semi-urban areas, with the remaining 14 percent in urban areas. The principal Project Development Objectives are: -Increase capacities in health, nutrition and education of poor families through human capital investment by promoting regular health check-ups, improving health status, and raising school enrollment and attendance rates. -Build sustainable connections between Oportunidades and other social programs of the Government of Mexico in order to improve health and education outcomes for Program participants. \$2.9B World bank funding (grant or loan) as of 2013.

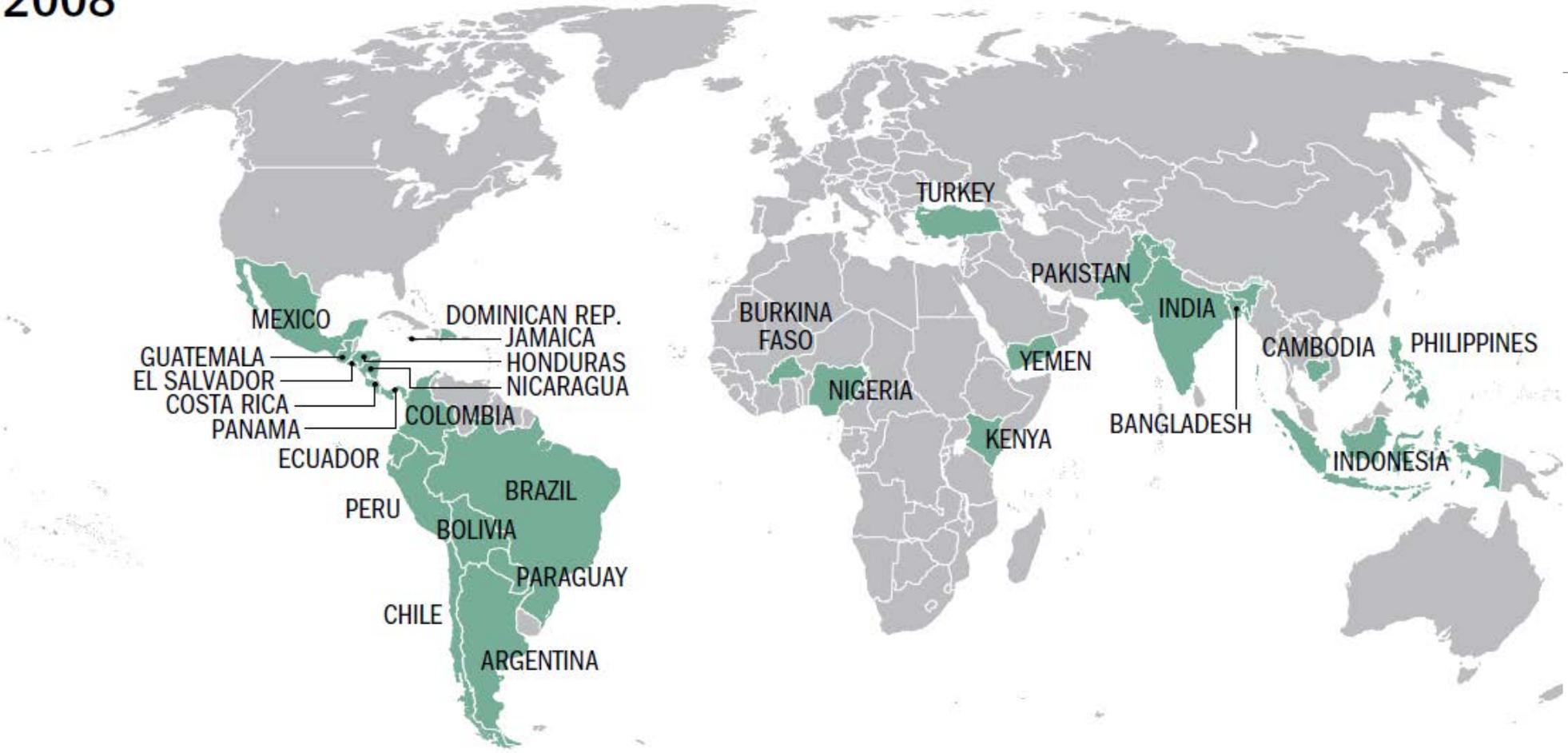
1997



CCTs at Glance is 1997 according to World Bank)

CCTs at Glance (World Bank) [my pdf version](#)

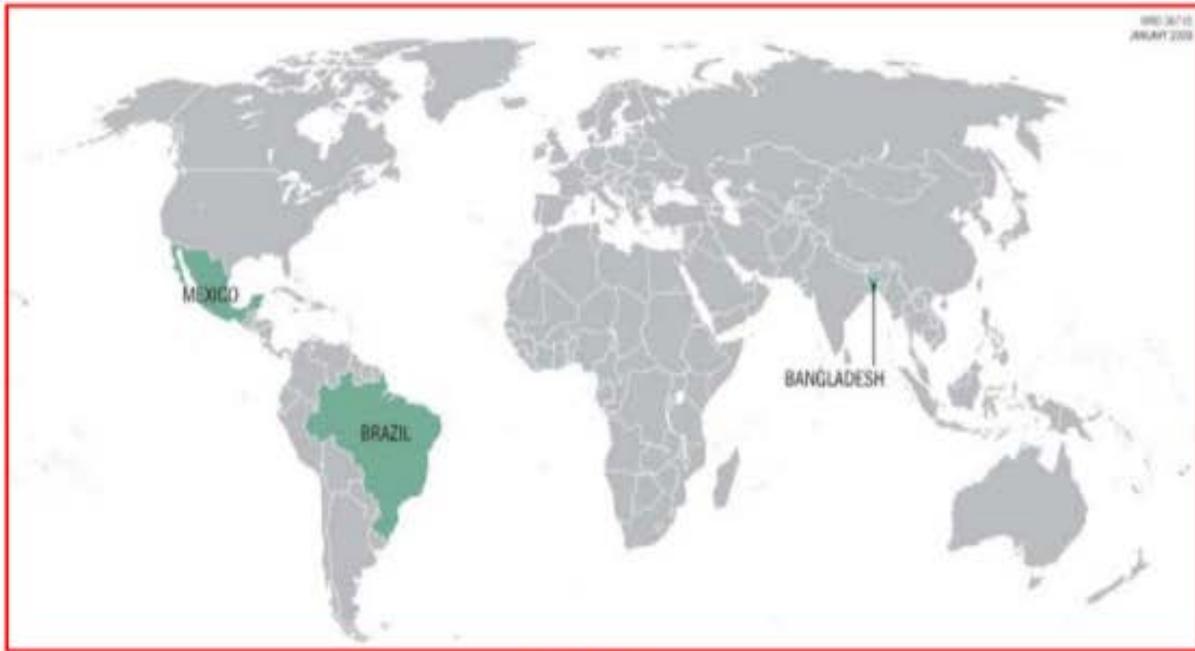
2008



Source: World Bank.

CCTs have grown from LAC across the world

6



1997



2010

See [WB presentations](#) [2010 Health too](#)

CCTs are “a truly Latin American product”

- **Cecchini and Atuesta (2017. p. 15) argue *Conditional cash transfer (CCT) programmes are a truly Latin American product. The earliest ones were introduced in communities in Brazil in 1995, but it was Mexico that launched the first national CCT programme in 1997, the Education, Health and Food Programme (Progresa).*****
- **Mexico’s Prospera program (previously Oportunidades previously Progresas) is a conditional cash transfer program benefits nearly six million families about ¼ of Mexico’s families (20 million people). Launched 1997 after a financial crisis, it has been replicated in 52 countries including most large Latin American countries (as in Bolsa Familia) see the 2010 map above**

****The WB agrees, see 2014 interview of Francesca Lamanna, “A Model from Mexico for the World” November 19, 2014, social protection specialist at the World Bank, source for photo**

<http://www.worldbank.org/en/news/feature/2014/11/19/un-modelo-de-mexico-para-el-mundo>

What about Brazil? (not 666 I know)

Cecchini and Atuesta (2017. p. 15) *“In Brazil, the first programmes were launched in 1995 in the cities of Campinas and Riberão Preto and in the Federal District of Brazil. The parameters of these programmes differed with respect to aspects such as selection criteria and transfer amounts. However, all targeted a similar population, families with school-age children, and made benefits conditional on school attendance by boys and girls.*

*“Brazil’s federal government launched the **Child Labour Eradication Programme (PETI)**, with education-related conditionalities, in 1996; the **Minimum Income Guarantee Programme** in 1999; and the **Bolsa Escola school grant programme in 2001**, a CCT programme run by the Ministry of Education. In subsequent years, additional poverty reduction initiatives were introduced, including the **Bolsa Alimentação food grant**, the **Cartão Alimentação food card** and the **Auxílio-Gás gas subsidy.**” see Cecchini and Atuesta (2017. p. 15)*

What about Brazil? Local programs designed to reduce child labor in Mexico as well

- ❑ *Initially Brazil's programs CCTs were designed to reduce child labor, especially on Sisal and Sugar Cane farms threatened with Sanctions by the 1994 Harkin bill (never passed) that threatened to ban products produced with Child labor, goat to school program for example was run with ILO support IPEC Support, Brazil: Goat-to-School Program (case study list)*
- ❑ *As noted in [Chapter II, of the U.S. DOL report there](#) are numerous health and safety risks involved in cutting and processing sisal, and resulting injuries can be debilitating. In one sisal-producing municipality in the Brazilian state of Bahia, a local union initiated a program to reduce the number of children working in the local sisal industry. In 1996, the Union of Rural Workers of Retirolândia (Bahia), set up a pilot project to benefit working children and their families. The union provided goats to families who agreed to send their children to school instead of to work and instructed the families on the breeding of livestock. As part of the arrangement, parents agreed to use milk from the goats to feed their children. Parents also agreed to repay to the union as many goats as were originally given to them, thereby enabling the program to assist additional families.*
- ❑ *Initially, more than 60 goats were distributed to about 30 families. As a result, more than 100 children were removed from hazardous work and instead attended school. Initially financed by IPEC, the program is now self-sustaining, and the number of families it serves continues to increase. The project has raised awareness of the hazards of child labor and the importance of education. It has also been active in coordinating efforts among teachers and other education professionals to improve the municipality's educational infrastructure. See my [ECON 3240 lecture notes](#) (not well referenced live and learn)*

Does Brazil's Bolsa Familia program pre-date Mexico's CCTs?

No S&L, 2017 see Section 5.8 page 136, plenty of accomplishments & disappointments for all... however..

[World bank promotes. fund and evaluates CCTs](#)

[Skoll Foundation winner 2014: Fundacion de Capital](#)

1. Many in Latin America, but Bangladesh and Indonesia for example have long had programs designed to broaden and extend school attendance (BGD, girls secondary school...)
2. Culture of evaluation spread across countries and across programs within countries.
3. Not complete or [only option for social protection](#): mainly families with young children families need other program, pension programs and health care for example and other programs for crisis and off-season relief in low income countries (food for work, bus tickets, see the Ethiopia off-seas

Recent *see IPA* evaluation of Colombian plus Financial literacy (what Ananda Roy calls the Bangladesh Package: see minute youtube video Colombia launch (also Brazil) microfinance)

Brazil & Ethiopia: catching hope..

We find similar themes in “Catching Hope” video (see our next page) all CCTs provide benefits sensitive to “opportunity cost” of children’s labor which rises as they get older. Without Bolsa Famiia Laila would likely help her mother in her baby-sitting business, with the Bolsa payment Laila must attend school and have regular health check ups... these are the conditions





Brazil & Ethiopia: catching hope..

What about Mexico? See cover photo with indigenous mothers and children in Hildago (just north of Mexico city, but mainly rural)

- ❑ Mexico's Prospera program (previously Oportunidades previously Progresha) is a conditional cash transfer program benefits nearly six million families about ¼ of Mexico's families (20 million people).
- ❑ Progresha initially target food poor families, especially those in rural areas with dirt floors, initially only about 2/3 of eligible villages were reached
- ❑ Launched 1997 after a financial crisis, [it has been replicated in 52 countries including](#) most large Latin American countries (as in Bolsa Familia) see the 2010 map above
- ❑ See [2014 interview of Francesca Lamanna](#), "A Model from Mexico for the World" November 19, 2014, social protection specialist at the World Bank, source for photo
<http://www.worldbank.org/en/news/feature/2014/11/19/un-modelo-de-mexico-para-el-mundo>
- ❑ Wikipedia on oportuidades-Progresha seems largely accurate compare to text...
<https://en.wikipedia.org/wiki/Oportunidades>

What about Bangladesh (BGD)?

- ❑ See HW #5 readings on BGD's Female School Stipend program which began in 1994, the FSSP was a small cash payment to cover the secondary school costs of girl's (but not boys education). The purpose of the program was to reverse a high drop out rate or lack of high school attendance for girls driven in part by early marriage. Poor families found girls more expensive to school and they were not expected to work.
- ❑ The FSSP targets female secondary students only, not families or
- ❑ As discussed in Gruben and McLeod (1996) and Heath and Mobarak, 2012 and 2015 garment sector jobs also increase schooling and delay marriage, as do productivity increases in agriculture (due to the Brains vs. Brawn arguments of Roy, 195q model)

See Khandker, Shahidur; Pitt, Mark; Fuwa, Nobuhiko. 2013. Subsidy to promote girls secondary education : the female stipend program in Bangladesh. enGender Impact: the World Bank's Gender Impact Evaluation Database. Washington DC ; World Bank. <http://documents.worldbank.org/curated/en/183331468013214760/Subsidy-to-promote-girls-secondary-education-the-female-stipend-program-in-Bangladesh>

So who did what CCT program first?

- ❑ **Mexico's 1997 Progresa program was the first** comprehensive national CCT program targeting (eventually) all poor families with school age children.
- ❑ **Bangladesh had the first CCT:** FSSP targets female secondary students only, not all poor families with all school age children. The FSSP goal was to reduce evident gender bias in secondary attendance and to delay marriage
- ❑ **Brazil pioneered transfers to reduce child labor** and various cities and states had CCTs targeting working age children in 1995. Lula da Silva consolidated these various programs in to the national Bolsa Familia national program from 2001-2007... Brazil's CCT program is the largest in the world...
- ❑ A&L, 2017 section 5.8 pages 136-40 has an excellent discussion of Brazil, Chile and Mexico's CCT programs...

CCT References

Cecchini, Simone and Robles, Claudia and Vargas, Luis Hernán, The Expansion of Cash Transfers in Chile and Its Challenges: Ethical Family Income (2012). International Policy Centre for Inclusive Growth Policy Brief, No. 26, August 2012. Available at SSRN: <https://ssrn.com/abstract=2141844>
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2141844

Cecchini, Simone and Aldo Madariaga (2011) [Conditional Cash Transfer Programmes](#): the recent experience in Latin America and the Caribbean, SIDA, CEPAL Cuaderno 95, Santiago, Chile.

Cecchini, Simone, and Bernardo Atuesta (2017) Conditional cash transfer programmes in Latin America and the Caribbean: Coverage and investment trends. No. 224. Naciones Unidas Comisión Económica para América Latina y el Caribe (CEPAL).
http://www.socialprotectionet.org/sites/default/files/s1700429_en.pdf

Fiszbein, A and N. Schady (2009) Conditional Cash Transfers: reducing present and future poverty. World Bank Policy Research Report, see especially Appendix A, <http://go.worldbank.org/TA1B20U340>

Fiszbein, A and N. Schady (2009) [Conditional Cash Transfers: reducing present and future poverty](#). World Bank Policy Research Report, see especially [Appendix A](#), <http://go.worldbank.org/TA1B20U340>

Heath, R and A M Mobarak (2012), "[Does Demand or Supply Constrain Investments in Education? Evidence from Garment Sector Jobs in Bangladesh](#)", Working Paper.

Yuriko Takahashi (2017) Varieties of Conditional Cash Transfers in Latin America <https://www.waseda.jp/fpse/winpec/assets/uploads/2014/05/No.1619Takahashi-2017.3.13.pdf> see page 21 & 222

Scarlato, Margherita, Giorgio d'Agostino, and Francesca Capparucci. "Evaluating CCTs from a Gender Perspective: The Impact of Chile Solidario on Women's Employment Prospect." *Journal of International Development* 28, no. 2 (2016): 177-197. https://mpra.ub.uni-muenchen.de/59414/1/MPRA_paper_59414.pdf

Chile's Ethical Family Income Program

1. In 2007 President **Michelle Bachelet** convened a panel of experts and civil society representative charging them with eliminating extreme poverty by 2014. Eight months later the Council proposed measures to foster an “inclusive, modern progress in Chilean society that promotes competition and provides opportunities”. The concept of an “ethical family income” (*ingreso ético familiar*) gained appeal (see the A&L text for the dignity, duries and achievement “pillars” of these payments...).
2. **President Sebastián Piñera implemented** the first component of the program in March, 2011 involving subsidies to the poorest with a base bonus consisting of a monthly sum for each family member. Extra increments are additional sums for fulfilling certain conditions on schooling and health for minors. In addition, o promote female employment there is a single bonus for women who start work having not worked for the last two years.

Chile's Ethical Family Income Program outcomes so far....

- Cabezas, Gustavo, and Carlos Acero. (2012) "[Effects of the ethical family income on labor participation](http://www.undp.org/content/dam/chile/docs/pobreza/undp_cl_pobreza_publ5.pdf), income distribution and poverty1." Fiscal Inclusive Development: Microsimulation Models for Latin America : 71. http://www.undp.org/content/dam/chile/docs/pobreza/undp_cl_pobreza_publ5.pdf
- Yuriko Takahashi (2017) Varieties of Conditional Cash Transfers in Latin America <https://www.waseda.jp/fpse/winpec/assets/uploads/2014/05/No.1619Takahashi-2017.3.13.pdf> see page 21 & 222
- Scarlato, Margherita, Giorgio d'Agostino, and Francesca Capparucci. "Evaluating CCTs from a Gender Perspective: The Impact of Chile Solidario on Women's Employment Prospect." *Journal of International Development* 28, no. 2 (2016): 177-197. https://mpra.ub.uni-muenchen.de/59414/1/MPRA_paper_59414.pdf

Evaluation of CCTs

1. Another important CCT related social innovation has been almost continuous, universal (and creative) program evaluation via randomized trials or natural experiments. These evaluations give extra credibility to and reveal limitations of and influence the design of CCTs... in over 50 countries worldwide. The current fashion is “unconditional” cash transfers, and what works may well vary by country, level of development and local NGO-Gov capacity, see references...
2. Early on the Mexican government (SEDESOL) reach an agreement with IFPRI to evaluate the impact of Progresa as the program expanded in 1997-98.
3. See A&L 2017 page 138, Progresa started in 506 villages, of which 320 were given access to the program as of April 1998 the remaining 186 towns were given CCTs in November 1999. This allowed the program to be evaluated by University Economists working with SEDESOL and IFPRI International Food Policy Research Institute, MPESA was just evaluated using a similar strategy by Suri and Jack for mobile money transfers in Kenya.

CCTS References

Johannsen, J., L. Tejerina, and A. Glassman , (2009) "Conditional Cash Transfers in Latin America: Problems and Opportunities" , Inter-American Development Bank (Social Protection and Health Division SCL/SPH), Tbl 1, p. 6.

Bastagli, F., (2009) "[From Safety Net to Social Policy?: The Role of Conditional Cash Transfers](#) in Welfare State Development in Latin America", International Policy Centre for Inclusive Growth, Brasilia, Table 5.

Soares, F., (2012) "Cash Transfers in Latin America and AfricaAn Overview", International Policy Center for Inclusive Growth, Brasilia, [PDF](#) Tables 1 and 2, [Summary](#) Pages 3-4. [Slides](#)

Has Inequality in Latin America changed direction?

Arroyo Abad Leticia, and Peter H. Linder (2017) Fiscal Redistribution in Latin America Since the Nineteenth Century pp 243-282 in Bértola, Luis, and J. G. Williamson "Has Latin American inequality changed direction." Springer Open Access Points out many Latin American countries (Chile, Brazil and Argentina have regressive transfers and spend more on pensions than subsidies to education.

*Conditional cash transfer programmes: the recent experience in Latin America and the Caribbean

<https://www.cepal.org/en/publications/27855-conditional-cash-transfer-programmes-recent-experience-latin-america-and> via @cepal_onu

Social enterprise/entrepreneurship is one reason Queen Maxima and IMF director Christine Lagarde's visits to Peru



Christine Lagarde chats with local Peruvian women in Pisac, Peru, October 4, 2015 (Photo: IMF/Stephen Jaffe)

The Business Case for Women's Empowerment

Hernando de Soto Polar, Peruvian economist

De Soto two economic development books: The Other Path: The Invisible Revolution in the Third World in 1986 in Spanish (with a new edition in 2002 titled The Other Path, The Economic Answer to Terrorism) and in 2000, The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else (ISBN 978-0465016150). Both books have been international bestsellers, translated into some 30 languages.

The original Spanish-language title of The Other Path is El Otro Sendero, an allusion to de Soto's to counter the "Shining Path" ("Sendero Luminoso") appeal to Peru's poor. Based on ILD research into the causes of mass informality and legal exclusion in Peru, the book was a direct intellectual challenge to the Shining Path, offering Peru's poor "another path" out of poverty, through legal reform.

In response, the Senderistas added de Soto to their assassination list, In July 1992, the terrorists sent a second car bomb into ILD headquarters in Lima, killing 3 and wounding 19.

In addition, he has written, with Francis Cheneval, Swiss Human Rights Book Volume 1: Realizing Property Rights, published in 2006 – a collection of papers presented at an international symposium in Switzerland in 2006 on the urgency of property rights in impoverished countries for small business owners, women, and other fragile human groups, such as the poor and political refugees.

De Soto, Hernando. The Other Path: The Invisible Revolution in the Third World. Harpercollins, 1989. ISBN 0-06-016020-9

De Soto, Hernando. The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. Basic Books, 2000. ISBN 0-465-01614-6

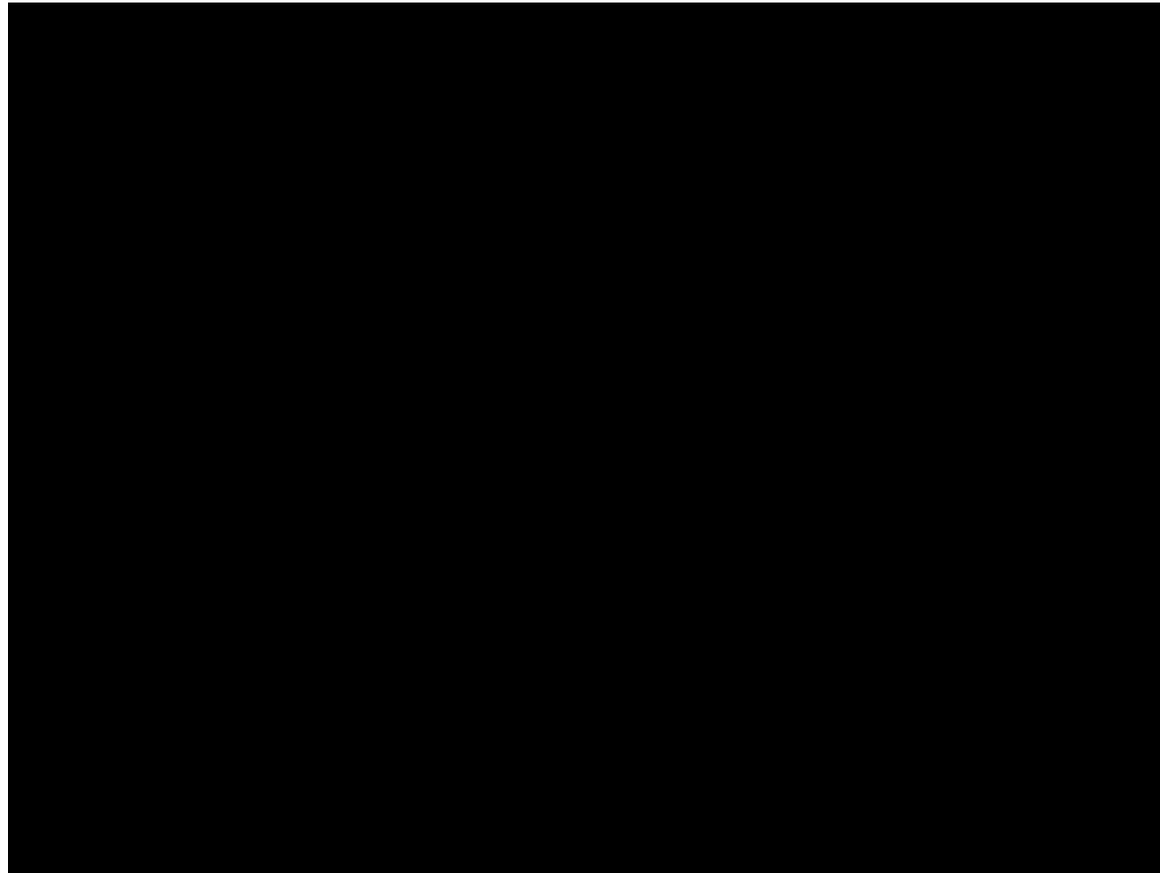
De Soto, Hernando. The Other Path: The Economic Answer to Terrorism. Basic Books, 2002. ISBN 0-465-01610-3

De Soto, Hernando and Francis Cheneval. Swiss Human Rights Book Volume 1: Realizing Property Rights, 2006. ISBN 978-3-907625-25-5

Smith, Barry et al. (eds.). The Mystery of Capital and the Construction of Social Reality, Chicago: Open Court, 2008. ISBN 0-8126-9615-8

Catching hope 2013 WB Video on CCTs in Brazil & Ethiopia (see also our [ECON 3235 web page](#)) [Source page](#)

<http://www.worldbank.org/en/news/video/2013/04/11/catching-hope-safety-nets-change-lives-in-brazil-and-ethiopia>



Hernando de Soto Polar

Peruvian economist



Hernando de Soto Polar is a Peruvian economist known for his work on the informal economy and on the importance of business and property rights. He is the president of the Institute for Liberty and Democracy, located in Lima, Peru. [Wikipedia](#)

Born: June 3, 1941 (age 76), Arequipa, Peru

Education: Graduate Institute of International and Development Studies

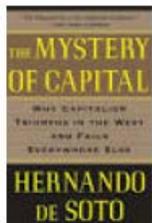
Field: The economics of the informal sector, research in property rights theory

Contributions: dead capital

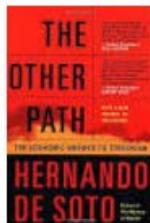
Influenced by: Milton Friedman, Friedrich Hayek

Books

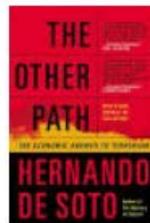
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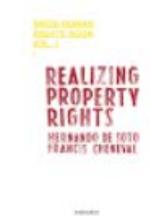
The Mystery of Capital...
2000



The Other Path: The Economic...



The Other Path: The Invisible...
1989



Realizing Property Rights
2006



The Mystery of Capital
2002

Hernando de Soto Polar, Famous Peruvian economist

De Soto sees property rights a path out of informality and poverty:

Why informality blocks development: lack of access to credit,

Obstacles to creating formal businesses

Lack of contract enforcement, checks and balances

Bolivia, Peru and Mexico have large informal sectors (tax evasion, lack of pensions, medical care)

Added Social Pensions to CCT programs.... See Rodrik

Further reading for your case study....

For information on your case study country, or Jurisdiction, e.g., Puerto Rico, see the IFC/world Bank [Doing Business 2017](#) (there is also an app for this data base) and comparisons of your country with “comparator” countries, of course... not to be confused with peers...

The World Economic Forum also has a competitiveness report. There are also international happiness reports (Jeff Sachs writes one) and various measures of freedom and democracy as well as institutional capacity. The new Penn World Tables also have vital TFP statistics for many countries, Contact me at mcleod@Fordham.edu if you are interested in these sources.