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

A Model from Mexico for the World

November 19, 2014

2. Aramendariz and Larraín, 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.
CCTs at Glance is 1997 according to World Bank)
CCTs at Glance (World Bank)  my pdf version

2008

CCTs have grown from LAC across the world

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 Progressa) 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

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 Ribeirão 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)
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 Bola 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 Progressa) is a conditional cash transfer program benefits nearly six million families about ¼ of Mexico’s families (20 million people).
- Progressa 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
- Wikipedia on oportunidades-Progresa 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

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


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, duties 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, to 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....


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


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.
Hernando de Soto Polar, Peruvian economist


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.


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

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.