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4 SOCIAL POLICY

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One of the principal driving trends in the global economy is the dramatic rise of the middle class in the developing world. Both Latin America and Africa have seen a significant portion of their population move from poverty into the middle class. The African Development Bank estimates that the middle class in Africa has tripled in the past 30 years.²⁰ Latin America's middle class has famously grown by 50 percent over the past decade, and now represents 30 percent of the population, according to the World Bank.²¹

The South Atlantic has made a significant contribution to how the world thinks about alleviating poverty, particularly the problem of poverty in middle-income countries (MICs). The high and sustained growth of the 2000s has served to allow many developing countries, particularly commodity exporters, to move from lower to higher income categories as defined by international development institutions²² and to bring people out of poverty and into a growing, though often still vulnerable, middle class. A major challenge for middle income countries is maintaining macroeconomic stability while enacting policies that promote growth as well as social equity and more equitable income distribution.

The middle income countries in the South Atlantic have a track record of best practices in the area

²⁰ The ADB defines middle class as those spending between \$2 and \$20 per day. African Development Bank. 2011. "The Middle of the Pyramid: Dynamics of the Middle Class in Africa." *ADB Market Brief*. April 20. www.afdb.org.

²¹ Ferreira, Francisco H.G., Julian Messina, Jamele Rigolini, Luis-Felipe López Calva, Maria Ana Lugo, and Renos Vakis. 2013. *Economic Mobility and the Rise of the Latin American Middle Class*. Washington, DC: the World Bank.

²² For example, in July 2013, Antigua and Barbuda, Chile, Latvia, Lithuania, the Russian Federation, and Uruguay all moved from Upper Middle to High income; Belize moved from Lower to Upper Middle; and Hungary from High to Upper Middle in the World Bank's country classifications (<http://data.worldbank.org/news/new-country-classifications>).

of poverty alleviation. Brazil has lifted about 20 million people out of poverty with a mix of sound macroeconomic policies, particularly by bringing inflation under control and through directed social programs.²³ President Dilma Rousseff has called her administration's "most obstinate fight" the fight to eradicate indigence (defined as those earning less than \$45 per month).²⁴

Conditional Cash Transfer Programs: Effective Tools to Boost Social Capital

One principal vehicle for poverty alleviation has been conditional cash transfer programs (CCTs). Pioneered by Mexico and Brazil in the late 1990s and early 2000s, CCTs have been characterized by *The Economist* as "An anti-poverty scheme invented in Latin America [...] winning converts worldwide."²⁵ The innovation of CCTs is that monetary transfers are conditioned on the recipients' meeting a set of requirements, often designed to advance social objectives. The Latin American CCTs aim to alleviate short-term poverty, but also seek to serve the medium- and long-term goals of directly enhancing social capital through improved participation in education and health services, particularly for the young. CCTs offer two innovations to poverty alleviation. First, financial transfers are channeled directly to qualifying candidates, generally mothers (or any caregiver directly responsible for children). These transfers are then contingent on the recipient demonstrating compliance with particular requirements, in this case, school attendance and vaccination of the caregiver's child/children. Second, the CCTs must

²³ See, for example, Ferreira et al.

²⁴ Dilma Rousseff, quoted in Forero, Juan. 2011. "Fast-growing Brazil Tries to Lift its Poorest." *The Washington Post*. May 11. http://www.washingtonpost.com/world/americas/fast-growing-brazil-tries-to-lift-its-poorest/2011/05/10/AFqgEEpG_story.html.

²⁵ *The Economist*. 2008. "An anti-poverty scheme invented in Latin America is winning converts worldwide" February 7. <http://www.economist.com/node/10650663>.

conduct controlled experiments to discover which policies are working, determine best practices, and adjust accordingly.

Mexico initiated the CCT trend on a large scale with the 1997 adoption and implementation of the *Programa de Educación, Salud y Alimentación (Progres)*, which subsequently evolved into the current program known as *Oportunidades* in 2002. *Oportunidades* targets poverty by providing payments to families in exchange for demonstrated school attendance, health clinic visits, and nutritional supplements. While *Progres* was set up under President Zedillo, and *Oportunidades* under President Vicente Fox (from a different political party than Zedillo), efforts were made to establish the program as independent from party politics, which was instrumental to its success and longevity. An important element of the program since the beginning has been its independent evaluation. *Progres* was first evaluated in 1997, then in 2000 by the International Food Policy Research Institute (IFPRI).²⁶

While Mexico's *Oportunidades* was the first of its kind, Brazil's *Bolsa Família* and its network of related programs is the largest CCT program in the world. Brazil launched a network of social policies in the late 1990s and 2000s that are widely credited for bringing tens of millions of its citizens out of poverty. Upon taking office in 2003, President Luiz Inacio Lula da Silva implemented a program called *Fome Zero*, or Zero Hunger, citing the right to food as a basic human right. This built upon programs implemented by Belo Horizonte Mayor Patruz Ananias, who was later named Minister of Social Development and Hunger Alleviation, as well as upon the *Bolsa Escola* program, which had been implemented in Brasilia in the 1990s. This led to

a web of conditional cash transfer programs, now known as *Bolsa Família*, which many credit with dramatically reducing poverty in Brazil. Surveys of Latin American CCTs show that they have been effective in bolstering human capital accumulation in poor households by increasing school enrollment rates, improving preventive health care, and raising household consumption.

The success stories from Mexico and Brazil have spurred widespread emulation by other countries. Also notable is their scale: Mexico's *Oportunidades* reaches more than 5 million households, *Bolsa Família* more than 11 million.²⁷ The rationale for having the government subsidize the cost is to address societal bottlenecks to particular social services, in this case health and education. The governmental subsidy serves to cover the costs of obtaining these services — transportation costs, lost time, and lost income from child labor — and the cost is compensated by the long-term societal benefits. Equity considerations — giving the poor equal access to education and health services — also play a role. Payments are made from the government directly to the recipient family in an attempt to reduce overhead and avoid corruption. Other countries, such as Chile, Jamaica, Honduras, Nicaragua, Peru, Malawi, and Zambia have also taken note and instituted similar programs. New York City has famously adopted similar reforms, with the Opportunity NYC program directly inspired by *Oportunidades* (*right down to the name*).²⁸

²⁷ Feitosa de Britto, Tatiana. 2009. "The Emergence and Popularity of Conditional Cash Transfers in Latin America." Chapter 9 in Lagarde, M (ed) *Social protection for the poor and poorest: concepts, policies, and politics*. Basingstoke: Palgrave-McMillan.

²⁸ Opportunity NYC was a CCT program launched by NYC Mayor Bloomberg in 2007. It was the first CCT program in a developed country. See, for example, Riccio, 2010. http://www.npc.umich.edu/publications/policy_briefs/brief22/policybrief22.pdf.

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²⁶ Frankel (2012b) attributes this in part to fuelling the Randomized Control Trials (RCT) movement in development economics, most famously espoused by prize-winning economist Esther Duflo.

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Mexico has also paved the way with regards to how the original program has developed in keeping with the country's evolving needs. At first, Progresas served to bolster the incomes of the poor during difficult economic times as Mexico was still picking itself up from the economic hit of the 1980s debt crisis. Then, buffeted by the 1994 peso crisis, it recognized and sought to overcome decades of underinvestment in human capital among the poor and in specific regions of the country. When Progresas evolved into Oportunidades in 2006, this transition also increased the scope of the program: Oportunidades now includes education beyond secondary school, skills training for the unemployed in urban areas, and additional subsidies for seniors over 70.²⁹

As demonstrated, many Latin American countries have taken steps to rewrite the social contract, with significant results.

Middle Income Countries, New Technologies, and Democracy

Another prominent feature of middle class societies is the demand for better quality institutions, better services, and greater welfare. This has given rise to a network of communication and a new class of civic expression among countries and regions.

In Africa, a key story has been the rapid jump in mobile phone adoption, particularly for business use and banking but also to help drive a thriving grass-roots civil network. Africa is the host to the most sophisticated mobile payment system in the world in the form of Kenya's M-Pesa (the m stands for mobile; pesa is the Swahili word for money). Originally developed to allow repayment of microfinance loans, M-Pesa allows any user with a national ID card or passport to deposit, withdraw, or transfer money through her or his mobile device. In Africa, mobile banking has rapidly leapfrogged

traditional banks, allowing users to effect business transactions, receive remittances, or even receive grants.

The continent has, in just over a decade, become the world's second most connected region, following East Asia and the Pacific. This has drastically increased the flow of information and social organization, with dramatic effects on civic participation (particularly among the young), and has served as a robust platform for business. Technologies currently used in electronic commerce are being explored for bolstering the continent's health services and educational system.

To supplement this potential, African entrepreneurs have begun to explore the low-cost technology niche market, a highly dynamic group of consumers and potential consumers. The Encipher Inye is a tablet computer developed by a group of Nigerian entrepreneurs. The Inye's appeal is in its low price and its simplicity: it can connect to the Internet via a dongle (a small device that plugs into a computer), thereby overcoming the infrastructure constraints that characterize many poor countries. Wireless and broadband technology is not yet widely available in many public places. This can help tech-savvy youth who cannot afford a traditional computer to become even savvier and to apply their talents to commercial or educational uses. This availability can also spur indigenous innovation: local developers are designing apps that address issues such as HIV, water and sanitation, and education.

In Latin America, those citizens who have for the first time experienced what it is to be middle class — to have education, better health outcomes, and comforts that were unthinkable half a generation ago — will fight to maintain their new position. In Brazil, a rise in public transportation fares kicked off a weeks-long outpouring against corruption, waste, and poor government policies,

²⁹ Feitosa de Britto.

fueled by rising inflation and low growth. In Mexico, previously reticent citizens have taken to social media to name and shame elites violating rules and taking advantage of their position.³⁰ In Europe, people have streamed into town squares in countries like Turkey and Bosnia, demonstrating against political repression, corruption, and lack of access to freedoms and opportunities. A Turkish protestor put it as follows: “We are all linked together, Bulgaria, Turkey, Brazil. We are tweeting in English so we can understand each other, and supporting each other on other social media... We are fighting for different reasons, but we all want our governments to finally work for us. We are inspiring each other.”³¹

³⁰ *The Economist* (May 17, 2013) cites the famous case of “Lady Profeco,” the daughter of the head of the consumer protection agency, whose father was fired by the president after his daughter called upon the agency to punish a trendy restaurant that did not have a seat for her. Though the father was in the hospital, staff from Profeco responded and disrupted service at the restaurant. Other similar stories abound, with social media helping to shine light on behavior that previously was taken for granted and allowed to take place. <http://www.economist.com/blogs/americasview/2013/05/mexicos-cosseted-elite>.

³¹ Faiola, Anthony and Moura, Paula, “Middle-class rage sparks protest movements in Turkey, Brazil, Bulgaria, and beyond,” *The Washington Post*. http://www.washingtonpost.com/world/europe/middle-class-rage-sparks-protest-movements-in-turkey-brazil-bulgaria-and-beyond/2013/06/28/9fb91df0-df61-11e2-8cf3-35c1113cfc5_story.html.