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Development Strategies and Law in Latin America: Argentine, Brazilian and Chilean Conditional Cash Transfer Programs in Comparative Perspective

Gastón Pierri

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DEVELOPMENT STRATEGIES AND LAW IN LATIN AMERICA: ARGENTINE, BRAZILIAN AND CHILEAN CONDITIONAL CASH TRANSFER PROGRAMS IN COMPARATIVE PERSPECTIVE¹

ABSTRACT

Working from the observation that Latin American countries are developing ideas related to the field of Law and Development, this paper seeks to analyze the development strategies undertaken to eliminate poverty and reduce inequality by Argentina, Brazil and Chile during the years 1991-2011. The emphasis is on the particular characteristics present in the articulation of the development policies labeled Conditional Cash Transfer Programs (CCTs).

Key words: Latin America, Law and Development, Conditional Cash Transfer Programs, Poverty and Inequality

RESUMEN

Desde la observación de las estrategias de desarrollo elaboradas por los países de América Latina en el marco de movimiento denominada Law and Development (Derecho y Desarrollo), el presente artículo analiza parte de las estrategias de desarrollo tomadas por Argentina, Brasil y Chile con el fin de eliminar la pobreza y reducir la inequidad social durante los años 1991 y 2011. El enfoque principal está dado por la articulación de estos países frente a las políticas de desarrollo económico denominadas Programas de Transferencias Condicionadas (PTC).

Palabras clave: América Latina, Law and Development (Derecho y Desarrollo), Programas de Transferencias Condicionadas, Pobreza e Inequidad.

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1. INTRODUCTION

The current scenario of globalization signals the need for new strategies of influence to determine the global positioning of Latin America, raising the importance of playing one's cards properly in international accords and relations, both in considering other countries domestic concerns as well as their economic alliances. The lessons learned by the global financial crisis and the path to growth in Latin America, fueled by Chinese consumption, present this region with an ideal scenario for planning a new development strategy. Brazil and other economies in the region are implementing a variety of instruments that could prove to be the basis for a new developmental policy.

2. ECONOMIC CONTEXT IN LATIN AMERICA

Over the past decades, Latin America has been engaged in profound institutional reforms working toward the establishment of democratic regimes and market economies.² Much of these changes have put this area in a better position to withstand the latest global economic crisis. They include inflation control, changes in labor markets that include unemployment reduction and increases in the minimum wage, pensions and social security improvements, and a new generation of social assistance policies (See details in the graphic below).³ However, despite their progress, Latin America remains today⁴ one of the most unequal regions of the world and is embroiled in a vicious cycle in which low growth contributes to the persistence of

² David, Kennedy. *Law and Development Economics: Towards a New Alliance*. Cambridge: Harvard University, Forthcoming Chapter in Volume Co-edited with J. Stiglitz 2012. [http://www.law.harvard.edu/faculty/dkennedy/Law and Development EconomicsAug15Draft Stiglitz volume.pdf](http://www.law.harvard.edu/faculty/dkennedy/Law%20and%20Development%20EconomicsAug15Draft%20Stiglitz%20volume.pdf) (accessed February 15, 2012).

³ Rodrik. *The Future of Economic Convergence*. Cambridge: Harvard University, 2011. <http://www.kansascityfed.org/publicat/sympos/2011/2011.Rodrik.paper.pdf>.

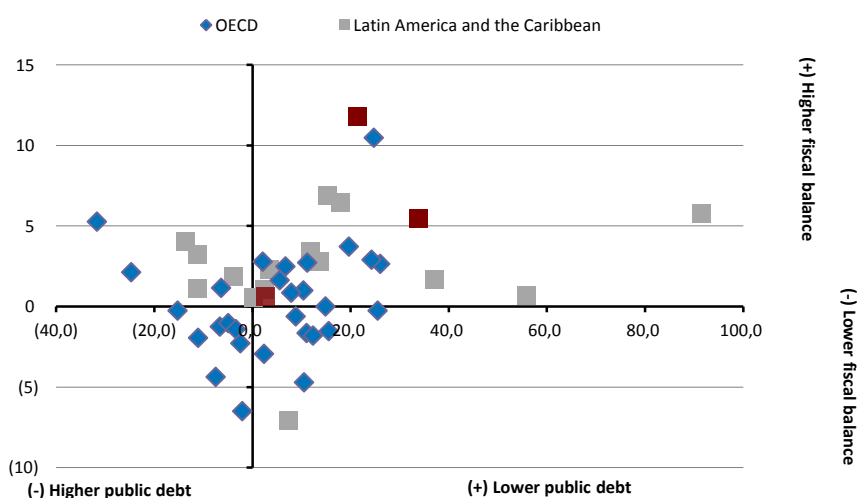
⁴ We should recognize that since 2001 improvements in both the ratio of poverty and income inequality have been unprecedented but this is not enough to move Latin America from the top region in the world in inequality, especially given that the two most unequal countries of the planet – Chile and Mexico (OCDE 2011) – fall within it.

poverty, especially given the [hereditary] inequality level⁵, while high levels of poverty and inequality contribute to low growth.⁶

GRAPHIC 1.

Latin America's economies gained fiscal space, which they used to confront the financial crisis and to reduce poverty, but they still remain vulnerable to new shocks. (Fiscal Space before and after the crisis: Changes in fiscal balances and public debt)

Period: 2000 – 2007 (Argentina, Brazil, and Chile are represented in red)



Source: CEPAL Statistics on public finances for Latin America and the Caribbean and OECD for the other countries. Latin American Economic Outlook 2012: Transforming the State for Development, OECD.

The economic community has strongly stated that development policy must ensure equal opportunities for all individuals participating in the globalizing process regardless of origin, race, place of birth, or gender because there is no automatic mechanism that will make the warranted

⁵ This paper adopts the definition of inequality from Sen, Amartya. *Inequality Reexamined*. Cambridge: Harvard University Press, 1992.

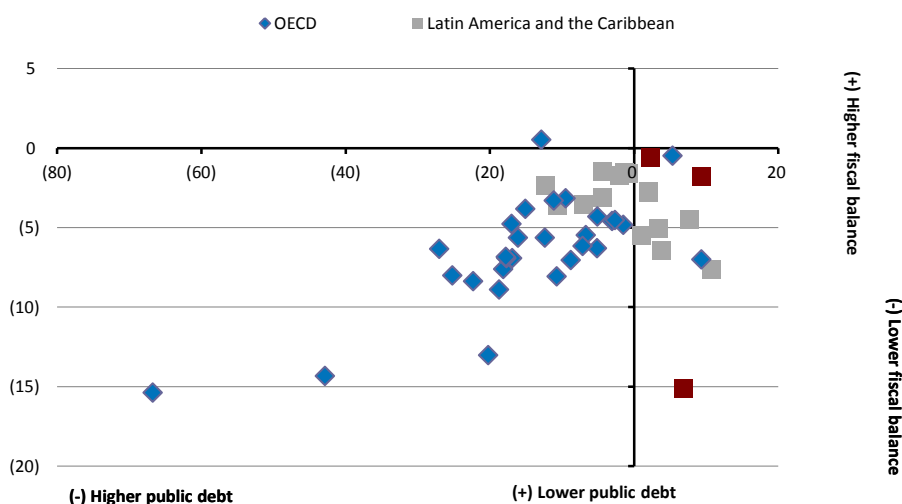
⁶ Giugale, Marcelo. *Latin-America Beyond the Crisis*. Washington DC: World Bank, 2011. http://siteresources.worldbank.org/LACEXT/Resources/LAC_Policy_Notes.pdf (accessed February 15, 2012) and UNDP (United Nations Development Programme), *Act to the future: broken the intergenerational transmission of the inequality*. (2010), Regional Newsletter on Latin America Human Development.

growth rate equal the natural (or full employment) growth rate.⁷ This suggests that the state should play an important role in raising the warranted growth path and thus lowering long-term unemployment.⁸ However, the current situation in Latin America presents a less favorable economic environment to implement these kinds of programs (see graphic below).

GRAPHIC 1A.

Latin America's economies gained fiscal space, which they used to confront the financial crisis and to reduce poverty, but they still remain vulnerable to new shocks. (Fiscal Space before and after the crisis: Changes in fiscal balances and public debt)

Period: 2007 – 2009 (Argentina, Brazil and Chile are represented in red)



Source: CEPAL Statistics on public finances for Latin America and the Caribbean and OECD for the other countries. Latin American Economic Outlook 2012: Transforming the State for Development, OECD.

⁷ Stiglitz, Joseph E. *Globalization and its Discontents*. New York: W.W. Norton & Company, 2002.

⁸ Roy Forbes, Harrod. *Economic Dynamic*. London: MacMillan, 1973. Public investments can by themselves raise the warranted growth rate and, if carefully done, may stimulate private investment, a nexus also recognized by the International Monetary Fund, Public Investment and Fiscal Policy. Fiscal Affairs Department and the Policy Development and Review Department. New York: 2004 [cited in Jamee K. Moudud and Karl Botchway, *The Search for a New Development State*, International Journal of Political Economy, vol. 37 (New York 2009), 14-15.

3. NEW STRATEGIES OF ECONOMIC DEVELOPMENT IN THE SOUTHERN CONE: THE CASH TRANSFER PROGRAM

In Latin America, the State became a key player, operating in the role of social protector and making the necessary changes in the relationship between the law and legal institutions. Development policy takes advantage of the role of these legal systems,⁹ balancing politics and economic considerations, and acting as an enabling engine for growth and equitable development.¹⁰ As David Kennedy has argued, the “energy of the rule of law as development strategy¹¹ has become an unfortunate substitute for engagement with the politics and economics of development policy making.¹²” Similarly, Trubek and Santos predicted the end of neo-liberal dominance in the field, but observed that no dominant paradigm had yet emerged to replace it. By 2007 it was clear that a new dialogue was starting in Latin America. Multiple signs signaled the emergence of new practices in public intervention defined by Trubek as “new developmentalism.”¹³

⁹ The legal system could be seen as a tool, as an institutional arrangement as a framework and as a participation channel in development policies. For more information see: Coutinho, Diego. Rule of Law in Development Policies: Decentralization and Coordination in the Bolsa Familia Program. Law, State and Development in Latin America. Project LANDS. For coming 2012. P. 351-359.

¹⁰ ECLAC, (CEPAL) Economic Survey of Latin America and the Caribbean 2009-2010: The Distributive Impact of Public Policies. Santiago : Economic Commission for Latin America and the Caribbean (ECLAC), 2011.

¹¹ It is necessary to say that this concept of development strategy is not new. In 1970 the president of World Bank, Robert S. McNamara, expressed (after recognizing that the high rate of growth did not bring satisfactory progress in development) that it is necessary to establish more gross measures of economic growth. A new paradigm was formulated that integrated economic aspects and social change. On October 24, 1970, the International Development Strategy, called “global strategy,” was created, and oriented its focus on all the actions in all spheres of economic and social life committed to achieving the social objectives of development. Also, the United Nations determined the plan for development that included; to leave no sector of the population outside the scope of change and development; to effect structural change which favors national development and to activate all sectors of the population to participate in the development process; to aim at social equity, including the achievement of an equitable distribution of income and wealth in the nation; to give high priority to the development of human potentials the provision of development opportunities and to meet the needs of children.

¹² Kennedy, David. *The New Law and Economic Development*. Cambridge University Press: 2006.

¹³ David Trubek proposed this new research topic in the field of law and development, which considers the possible existence of different and often new roles for law to play in contemporary development strategies. He said: “Today, there is a new topic emerging in the field of law and development.

“New developmentalism”¹⁴ understands that neither the State nor the private sector is capable of developing optimal trajectories by themselves. The State has an important role in fostering competitiveness and encouraging innovation by using new types of laws or experimenting with new models of legal actions. This innovation proposes a new conception of the role of the State, as well as an adaptation and new use for existing tools and/or new approaches to be implemented into the framework of existing law.¹⁵ For example, one observes a revisionary sharpening of the law in accordance with, and in order to better reflect, the vision of economic policy as adopted by the new developmentalist State.

On the other hand, it is important to understand that this strengthened role for the State is not a regression to the import-substitution industrialization period. The new developmentalists recognize that both industrial and economic policies of States do not have to replace the market, but rather play a key role in orienting private actions toward the national interest and in providing economic growth with social protection to eliminate poverty and reduce inequality.¹⁶ The changing role of the State has an implication on the use of law and regulation as economic tools, signaling that the importance of legal reform is no longer limited to its role in fostering economic growth; instead those same reforms are now also represented as critical to the achievement of social objectives.¹⁷

This is the possible emergence of a new development state [...] and its implications for law [...] these changes in theory and practice deserve our attention for they could require rethinking theories of law and development. Cited from David, Trubek. *Developmental States and the Legal Order: Towards a New Political Economy of Development State in Latin America*, Madison: University of Wisconsin, 2010, p.2.

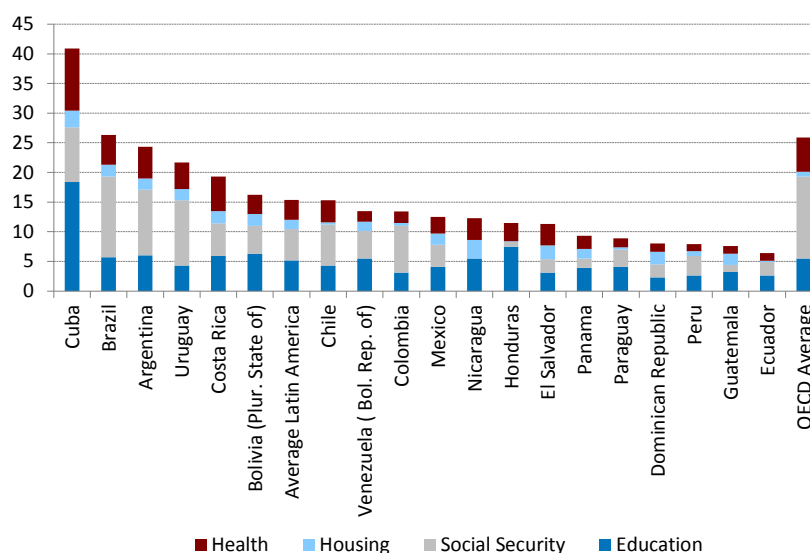
¹⁴ David, Trubek. *Developmental States and the Legal Order: Towards a New Political Economy of Development and Law*. Madison: University of Wisconsin, 2008. Research Paper No. 1075,16

¹⁵ David, Trubek. *Development States and the Legal Order: Towards a New Political Economy of Development State in Latin America*, Madison: University of Wisconsin, 2010.

¹⁶ Mario, Schapiro. *Rediscovering the Developmental Path? Development Bank, Law, and Innovation Financing in the Brazilian Economy*. Madison: University of Wisconsin, Forthcoming Paper 2011.

¹⁷ Kerry Rittich, *The Future of Law and Development: Second-Generation Reforms and the Incorporation of the Social*, in *The New Law and Economic Development: A Critical Appraisal*, supra note 9, at 203, 203–252 (describing the recent move by international financial institutions to redefine development beyond economic growth, and considering the appropriate progressive response). For Duncan Kennedy, writing in the same volume, “The Social” is defined as the second wave of globalization in law and legal thought (1900–1968), which marked a “rethinking [of] law as a purposive activity, as a regulatory mechanism that could and should facilitate the evolution of social life in accordance with greater perceived social interdependence at every level [...].” Duncan Kennedy, *Three Globalizations of Law and Legal Thought: 1850–*

GRAPHIC 2.
Structure of Social Spending in Latin America and the Caribbean as a percentage of GDP. 2008.
(Brazil, Argentina and Chile had the second, third and seventh positions in Latin America)



Source: Based on OECD National Accounts • 2010

Conditional Cash Transfer Programs (CCTs) are one of the most important examples of this new role of the State in Latin America.¹⁸ These programs, created in the 1990s, are described as a significant policy innovation in social protection and are spreading rapidly throughout the developing world.¹⁹ Since 1997, fifteen countries in Latin America and the Caribbean have implemented and evaluated CCT programs with health and nutrition components. These include the Sistema Solidario [Solidarity System] in Chile, Asignación Universal por Hijo [Universal Allowance per Children] in Argentina, Bolsa

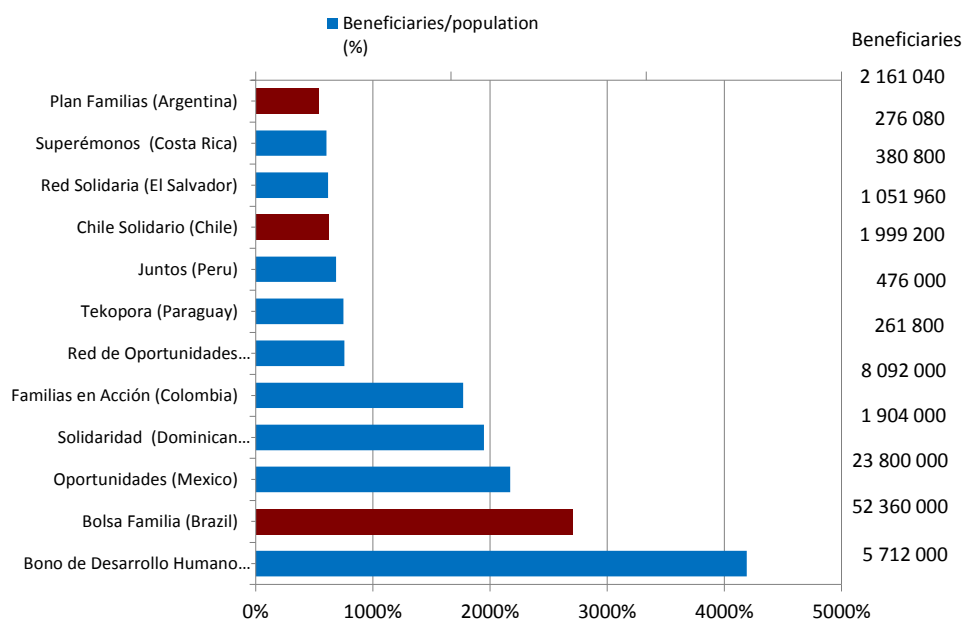
2000, in *The New Law and Economic Development: A Critical Appraisal*, supra note 9, at 19, 22.

¹⁸ Diogo, Coutinho. *The Law and Development Review: Linking Promises to Policies: Law and Development in an Unequal Brazil*. Madison: University of Wisconsin, Forthcoming Chapter 2012. http://www.law.wisc.edu/gls/documents/diogo_coutinho_paper.pdf (accessed February 15, 2012).

¹⁹ Thandika Mkandawire, *23 UNRISID (United Nations Research Institute for Social Development) Paper – Program on Social Policy and Development* (2005), p. 1. For a comparison of CCTs in Latin America, see Sudhanshu Handa and Benjamin Davis, 'The Experience of Conditional Cash Transfer in Latin America and the Caribbean' (2006), *24 Development Policy Review* 5, pp. 513-536. On the emergence of CCTs in Latin America, see Tatiana Britto, 'Conditional Cash Transfers; why have they become so prominent in recent poverty reduction strategies in Latin America' (2005), 390 Working Papers Series 0 Institute of Social Studies (ISS).

Alimentação/Bolsa Família [Family Grant] in Brazil, Familias en Acción (FA) in Colombia, the Bono de Desarrollo Humano in Ecuador, the Family Allowance Program (PRAF) in Honduras, the Poverty Alleviation through Health and Education (PATH) in Jamaica, Progresá and Oportunidades [Progress and Opportunities] in Mexico, and the Red de Protección Social [Social Protection Network] (RPS) in Nicaragua. Similar CCT programs are being developed in Costa Rica, Dominican Republic, El Salvador, Panama, Paraguay, and in various countries around the world²⁰.

GRAPHIC 3.
Latin America: Coverage of Selected Conditional Cash Transfer Programs.
(Percentage of beneficiaries on total population)



Source: Johansen, J., L. Tejerina and A. Glassman (2009), *Conditional Cash Transfers in Latin America: Problems and Opportunities*, Inter-American Development Bank, Washington, D. C. in *Latin American Economic Outlook 2012*

²⁰ Ricardo, Barros Paes. *Measuring inequality of opportunities in Latin America and the Caribbean*. Washington DC: World Bank, 2009.

4. DEVELOPMENT STRATEGY, SOCIAL POLICY AND EQUALITY: THE IMPACT OF THE UNIVERSAL ALLOWANCE FOR CHILDREN IN ARGENTINA; THE SOLIDARITY SYSTEM IN CHILE AND FAMILY GRANT IN BRAZIL

This chapter explores the relationship between social policy, development strategy,²¹ legal framework,²² and institutions in Argentina, Brazil and Chile,²³ focusing on an analysis of their three CCT programs. Each country's case presents an example of a unique strategy for the articulation of development policy and differs in the level of impact it has had in reference to poverty alleviation and inequality reduction.²⁴

4.1. Universal Allowance for Children: Argentina

The Argentine system includes a Conditional Cash Transfer Program created in November 2009 by means of a Decree 1602/2009 modifying the existing family Allowance Regime under Law No. 24,714. This is a non-contributory Program that complements the Allocation per Child Program for formal workers. This program falls under the umbrella of the National Social Security Administration (ANSES) that also acts as the executing agency.

The Universal Allowance for Children is focused on children and adolescents younger than 18 years of age. It aims at helping families whose head of household work in informal economies or is unemployed. The Universal Allowance for Children reached 2,161,040 children in 2009 (OCDE), 3,549,665 children and more than 6.7 million households according to data provided by the *Administración Nacional de Seguridad Social (ANSES)* in April of 2011. In 2010, the economic cost of the program was estimated at 0.2% GDP (ECLAC) and 1.5% of GDP (ANSES).

²¹ Development strategy consists of the role played by the State in the new scenario of economic globalization and international relations. For more information, please consult: Aguirre, Daniel. "The Human Right to Development in a Globalized World." (2008): 1-16.

²² This new type or new model of legal framework in Latin America is different from that of the 20th century that has been proactively and extensively employed by the State to promote growth, industrialization, and investment oriented to an import substitution strategy.

²³ These last two countries enjoy, along with Colombia, the dubious privilege of belonging to the top group in the world rankings of worst income distribution. (CEPAL), ECLAC. *Time for Equality: Closing Gaps. Opening Trails*. Santiago: Economic Commission for Latin America and the Caribbean ECLAC, 2010

²⁴ (CEPAL), ECLAC, *Economic Survey of Latin America and the Caribbean 2009-2010: The Distributive Impact of Public Policies*. Santiago: Economic Commission for Latin America and the Caribbean ECLAC, 2011.

Another important goal of this CCT is to take already existing support programs, created in the aftermath of the Argentine economic crises of 2001 and 2002, adapt them to accomplish similar goals and integrate them into the new Conditional Cash Transfer programs. Such programs reach 8.3% of the Argentinean population, covering 100% of the indigent population and 46.4% of the poor population. The financing of the program comes from sources nationwide, including the Sustainability Guarantee Fund of the Argentine Integrated Social Security System and the Integrated Pension and Retirement System, which has invested 0.88% of the GDP of Argentina in this program.²⁵ Also, in March of 2011 the World Bank (WB) Board of Directors approved a US\$ 480 million loan to expand the coverage of two key Conditional Cash Transfer programs: the "Training and Employment Insurance" and the "Family Allowances" programs, both included in the Universal Allowance for Children Program.

The results of these programs indicate that the extension of access to this type of benefit has considerably reduced the coverage gap for the poor and indigent, reducing by 60% the levels of indigent, supported efforts to consolidate the operations of different and poorly coordinated transfer programs.²⁶ Also, the inequality indicator shows a reduction of 30% when we analyze how much money was received by the high incomes earners, versus how much was received by the poor people.

4.2. Family Grant: Brazil

The Family Grant in Brazil continued the work of two previously existing programs: the Child Work Eradication Program created in 1996 and the Federal School Grant, created in 2001. Its structure, more decentralized and complex than other programs, was created by Law No. 10,836/2004; Decree No. 65,209/2004; Decree No. 6,135/2007; Decree No. 6,157/2007; Temporary Measure No. 411/2007; GM/MDS Decree No. 312 (September, 2008); Decree No. 6,917/2009 and Decree No. 7,447/2011.

The Family Grant program reaches more than 52,360,000 people (OCDE 2009) and 12 million households and has been considered an economical (its estimated cost is 0.47% of GDP - CEPAL) and effective policy in fighting poverty and reducing inequality.²⁷ The program reaches 26.4% of the Brazilian population, covers 100% of the indigent

²⁵ ECLAC (CEPAL), Simone Cecchini and Aldo Madariaga. *Conditional Cash Transference Programs: The Recent Experience in Latin America and the Caribbean*. Santiago de Chile: United Nations.

²⁶ ECLAC, (CEPAL), *Public Social Spending in Latin America: General Trends and Investment in Developing the Skills of the New Generations*. Santiago: Economic Commission for Latin America and the Caribbean (ECLAC), 2010.

²⁷ Coutinho, Diego. *Rule of Law in Development Policies: Decentralization and Coordination in the Bolsa Familia Program*. *Law, State and Development in Latin America*. Project LANDS. 344

population and 84.6% of the poor population. The financial backing for this program comes from both the federal government and the World Bank, which has invested 1.91% of the GDP of Brazil in this program.²⁸

Family Grant was a highly targeted Conditional Cash Transfer program, seeking to provide aid to families in extreme poverty – falling below a monthly income of 50 Brazilian Real (R\$) approximately 25 US\$ – and moderate poverty – families with a monthly income between 50 R\$ (25 US\$) and 100 R\$ (50 US\$). The program requires an 85 percent school attendance rate for school-age children, updated immunization cards for children up to six years old and regular visits to health centers for nursing or pregnant woman.²⁹

The beneficiary identification process for Family Grant is somewhat complicated. Brazil is a decentralized federation and, while the responsibility for defining policy in the case of CCTs belongs to the federal government, the program is managed by the Ministry of Social Development. In addition, the Brazilian Ministries of Education and Health are responsible for the monitoring and compliance of the conditions linked to the Family Grant Program. Also, many implementation details are left to the direction of the municipalities and States. The first aspect that is decentralized is the verification of the conditions for participation. The federal government in Brazil does not run primary schools or primary health care centers, so it is the responsibility of the municipalities and States, particularly the former, to verify compliance.³⁰

In 2004 there were more candidates than available benefits, though this situation has improved with the expansion of the program. Since beneficiaries are chosen based solely upon income and the social workers know this, they also decide (in practice) who ultimately gets selected and who does not. However, the results presented in this study

²⁸ ECLAC (CEPAL), Simone Cecchini and Aldo Madariaga. *Conditional Cash Transference Programmes: The Recent Experience in Latin America and the Caribbean*. Santiago de Chile: United Nation ECLAC, 2011.

²⁹ Lindert, Linder Anja, Hobbs Jason, and de la Brière Bénédicte. *The Nuts and Bolts of Brazil's Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context*. Washington DC: World Bank, 2007. http://josiah.berkeley.edu/2008Fall/ARE253/PN3_Services_for_Poor/Brazil_BolsaFamilia.pdf [fents/diogo_coutinho_paper.pdf](http://www.gls.wisc.edu/documents/diogo_coutinho_paper.pdf) (accessed February 15, 2012).

³⁰ Diogo, Coutinho. *The Law and Development Review: Linking Promises to Policies: Law and Development in an Unequal Brazil*. Madison: Wisconsin University, Forthcoming chapter 2012. http://www.law.wisc.edu/gls/documents/diogo_coutinho_paper.pdf (accessed February 15, 2012).

suggest that social workers have been using their discretionary authority in the selection process wisely.³¹

4.3. Solidarity System: Chile

Chile *Solidario* (Solidarity System) was created by Law No. 19,949 and Decree 29 (2011). The program operates under the umbrella of the Ministry of Planning (MIDEPLAN); however the Executive Secretariat for Social Protection is responsible for the execution of the program. Solidarity Systems goal was to assist the 1,999,200 beneficiaries (OECD 2009) and 225,000 families in Chile identified as living in extreme poverty. In addition to family support, beneficiaries are also entitled to another conditional cash transfer that lasts as long as this family support is paid to women who act as head of household, or directly to the female partner if there is a male identified as head of household.

A distinct feature of the Chilean Bono is that its value has decreased over a two-year period. In 2003, the value was 10,500 pesos (US\$ 20) per month during the first six months of the program; the value of the *Subsidio Único Familiar* (Unique Family Subsidy) during the last six months of the program was 3,716 pesos (US\$ 8). The program reaches 6.8% of the Chilean population, 100% of the indigent population, and 51.7% of the poor population. The financial source of the program is the Chilean government, which has invested in this program 0.11% (CEPAL) of Chile's GDP³²

Solidarity System has proven successful in reaching the poorest members of the population through the implementation of an ad-hoc approach based on a proxy means test. Nonetheless, although the ability to reach the target population is a preliminary condition, it is still not sufficient to overcome poverty. Results show that the monetary transfer is sufficient to push its beneficiaries out of extreme poverty, but not enough to ensure a reduction of moderate poverty.³³

³¹ Rawlings, Laura, and Gloria Rubio. *Evaluating the Impact of Conditional Cash Transfer Programs: Lessons from Latin America*. Washington DC: World Bank, 2003. <http://info.worldbank.org/etools/docs/library/79646/Dc2003/courses/dc2003/readings/ccteval.pdf> (accessed February 15, 2012).

³² ECLAC (CEPAL), Simone Cecchini and Aldo Madariaga. *Conditional Cash Transference Programmes: The Recent Experience in Latin America and the Caribbean*. Santiago de Chile: United Nation ECLAC, 2011.

³³ ECLAC, OECD. *Latin American Economic Outlook 2012 Transforming the State for Development*. Paris: Development Center of the Organization for Economic Co-operation and Development, 2012.

TABLE1.
**Coverage and Public Spending on Conditional Cash Transfer Programs
(CCT), 2007-2010**

Country	Program	Coverage - thousands of households	Coverage - thousands of people	Percentage of GDP	Financial Sources
Argentina (2010)	Universal Allowance for Children	756	3,400	0.20	Argentine Government
Brazil (2010)	Family Grant	12,583	52,360	0.47	Brazilian Government World Bank
Chile (2008)	Solidarity System	333	1,147	0.11	Chilean Government

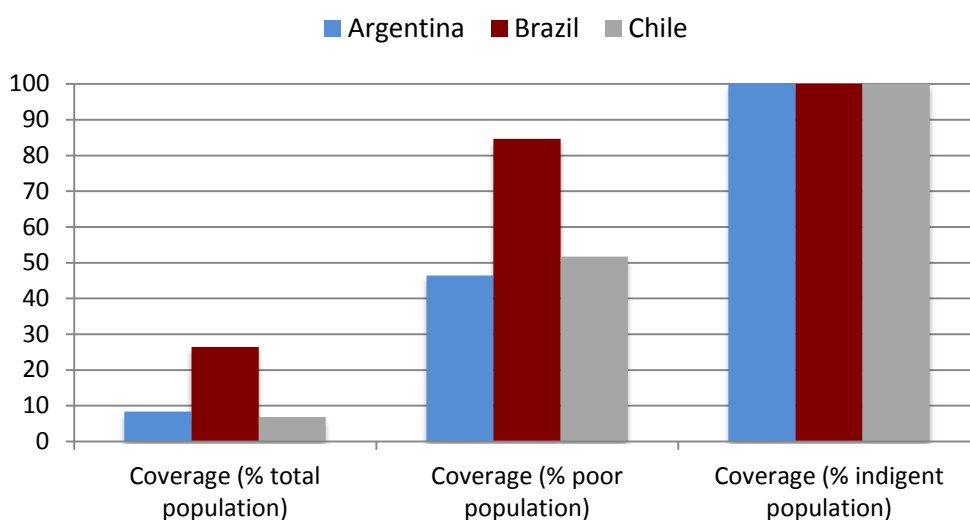
5. CONCLUSIONS.

The analysis shows that, on average, about 60 percent of CCT resources flow to the poorest 20 percent of the population. The Family Grant (Brazil) program appears to be slightly better targeted for the poor population, covering almost 85% of this population. Meanwhile, the Universal Allowance for Children (Argentina) and Solidarity System (Chile) programs cover around 50% of this population. On the other hand, all three programs cover almost 100% of the indigent population.

Although studies³⁴ also show that payments do not create disincentives for working, and that considering its large scale and administrative complexity these programs are efficient and effective, the measured data ends up relating results that paint the picture that inequalities have improved. Yet, the statistical results often hide the fact that the social circumstances that produced such inequalities in the first place have really not changed post the programs's implementation.

³⁴ ECLAC (CEPAL), Simone Cecchini and Aldo Madariaga. Conditional Cash Transference Programs: The Recent Experience in Latin America and the Caribbean. Santiago de Chile: United Nations and Giugale, Marcelo. Latin-America Beyond the Crisis. Washington DC: World Bank, 2011. http://siteresources.worldbank.org/LACEXT/Resources/LAC_Policy_Notes.pdf (accessed February 15, 2012) and UNDP (United Nations Development Programme), Act to the future: broken the intergenerational transmission of the inequality. (2010), Regional Newsletter on Latin America Human Development.

GRAPHIC 5.
Indicators of Coverage and Population on Conditional Cash Transfer Programs (CCTs), 2007-2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; and ECLAC, Economic Survey of Latin America and the Caribbean, 2008-2009 (LC/G.2410-P), Santiago, Chile, 2009.

The level of income inequality in Latin America is not much higher than in OECD economies, if one measures the Gini coefficients. However, if one compares the impact of the conditional cash transfer programs in OECD countries average versus those in the Argentinean, Brazilian and Chilean Programs, the difference in the reduction of the Gini coefficient is almost six points (while the reduction in OECD countries was eight points, and in these three South American Countries the reduction had an average of two points). The reason for this difference in impact is the low effective redistribution of the tax system in these three countries and the fact that the government investment in this programs is still too weak. The total of social spending on these types of instruments in OECD countries is close to twelve percent of the GDP, versus six percent average total spending on these instruments by the countries explored in this chapter.³⁵ This means that even after taking a large step forward in terms of progress, both Brazil and Chile, two countries that previously had two of the highest Gini coefficients in the world, are still extraordinarily unequal compared to other underdeveloped or developing countries in the world.³⁶ On the other hand, Argentina is better positioned in the inequality aspect, but still shares the same

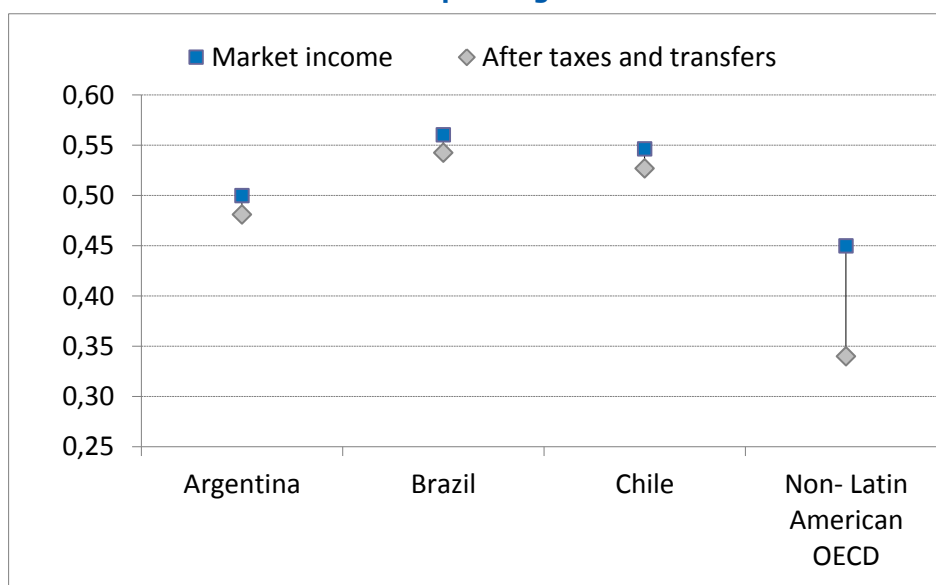
³⁵ Johannsen, J., L. Tejerina y A. Glassman (2009), *Conditional Cash Transfers in Latin America: Problems and Opportunities*, Inter-American Development Bank, Washington, D.C.

³⁶ Ricardos Paes, de Barros, et al.. *Dimension of the Family Grant Program*. Brasilia: IPEA, 2010.

problems in the tax system that limits the efficiency of its conditional cash transfer programs.

GRAPHIC 6

Latin American and Non – Latin American Average: Gini Indexes Before and After Taxes and Public Spending: Changes in Inequality Due to Government Spending and Taxes.



Source: OECD (2008) for non-Latin American OECD countries, OECD (2008) for Argentina, Brazil, and estimations based on household surveys for Chile.

Finally, it is necessary to say that CCT programs are transforming social assistance into justiciable right – an example of this is that beneficiaries can appear in court and claim that they have a right to social assistance based on the laws (or on their State's constitution depending on the case) and specific statutory grounds of each program. The legal structure used by the Family Grant Program is an example of a model that is being used to foster decentralization, align incentives, stimulate behavior, and define institutional functions and responsibilities on multiple levels.

To conclude, it is important to mention that in terms of strategy working to finally eliminate poverty in these countries, CCTs should be accompanied by wholly comprehensive employment policies, stability, low inflation, competitive inclusion and the expansion of the domestic market, as well as by actions taken in conjunction with education and health systems. This combination of government policies oriented to a different kind of economic growth, characterized by social inclusion could be the birth of a New Development State model. However, it is essential that this process be accomplished in coordination with both public institution and the private organization which are working to end poverty and inequality in society in order to advance them to the next level and end these difficult societal challenges.

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