



The Future of Social Policy in Latin America

On 14 March 2016, CAF-Development Bank of Latin America in association with the University of Oxford's Latin American Centre and Brazil's Institute for Applied Economic Research (IPEA), welcomed researchers from several Latin American countries to discuss developments in designing social policies tailored to regional needs. Sponsored by generous support from the Foreign and Commonwealth Office (FCO), the event aimed to evaluate advances in social policy during the decade of the commodity boom and explore future challenges in a less auspicious environment. Held in the Ministry of Planning, Brasília, the conference was opened by Jessé Souza, president of IPEA; Victor Rico, CAF Brazil director; Wasim Mir, deputy head of mission, UK Embassy Brasília; and Diego Sánchez-Ancochea, director of the University of Oxford's Latin American Centre.

These opening speakers noted the juncture at which the event was taking place: the fact that the policies under discussion—that have, in many cases, forged new links between citizens and the state, and in that sense, deepened democracy in the region—were largely funded by a boom in the price of exported commodities that is now essentially over. The challenge of the current economic context is therefore to maintain the trends in social indicators that the region has witnessed over the past 10 to 15 years, which appear to be under threat of reversing.



Following the words of welcome, Santiago Levy (pictured left) offered a regional overview. Levy was the principal architect of Latin America's original cash transfer program—Mexico's *Progresar/Oportunidades*—and in his current position as vice-president of the Inter-American Development Bank, follows a range of indicators that describe the fight against poverty.

Levy began by reflecting on the good news that the past 15 years has brought. During this period, Latin America as a whole has made unprecedented leaps forward: poverty rates have been cut, childhood health and nutrition are much improved, infant mortality is down, and access to daycare has increased. Moreover, school attendance at both primary and secondary levels has risen—and many countries, including Brazil, Chile and Mexico have also seen upwards trends in adult education.

Despite these impressive and rapid advances, progress has been more limited in some areas of social policy. For example, PISA mathematics scores among 15-year-olds in the region may have increased alongside secondary school attendance, but Latin America still scores poorly on this measure of the quality of education next to Asia (as well as in comparison to more economically developed world regions). Viewing improvements in the region's health statistics in light of the money spent on health also reveals an absence in spending efficiency, and a regional emphasis on curative as opposed to preventative forms of medicine.

The path forward, Levy concluded, requires solving such inefficiencies, especially since the next five years is likely to see slower rates of economic growth than has been typical for the past three decades. Current levels of social spending are therefore likely to be difficult to sustain. As a result, there is a clear “need to evaluate social policies based on evidence concerning their performance”. This, in turn, he said, requires adding to the kinds of evaluative data that are currently available. Scholars and government decision makers need to move beyond measuring the coverage of social policies, and find better measures of the policies' performance. Levy also called for more universal policies and discussed his preferred path to achieve universalism while minimizing negative economic incentives.



The first of three panels reflected on the changes of the past decade. Diego Sánchez-Ancochea discussed the extent to which Latin America has moved towards universal social policies (understood at those who cover a majority of the population with similar, generous benefits). He acknowledged the advances in coverage of the poor, but was more critical of the problems of quality and unequal benefits. Sánchez-Ancochea called for more attention to the study of different trajectories to deliver universalism. Rafael d'Aquino Mafra of the Brazilian Ministry of Planning, reminded the audience of poverty's many dimensions, showing data describing poverty trends in Brazil among different age groups over time. Brazil has exemplified, and often surpassed, many of the generally positive changes that Latin America has seen in the past decade: for example, between 2002 and 2014, extreme poverty in Brazil dropped from 9.5% to 1%, a shift that—among many other improvements to poor people's quality of life—has involved a huge increase in access to drinking water. Even with lesser resources to execute social programs, Mafra emphasized the potential for making advances in their management, and potentially in addressing Brazil's regressive taxation.

In the Venezuelan case, said León Fernández Bujanda (pictured above), much of the income for distribution through social programs has come from oil revenues, now lowered by changes in international prices. Many Venezuelan social *Misiones* have been rebranded in order to satisfy different communities, but at the same time creating problems of identity and

stability. By favouring speed of implementation, one drawback of the design of these programs is the lack of a strategy for rigorously assessing their impact.



Cesar Zucco Jr., of FGV, asking question.

The second panel discussed the political determinants of social policy. David Doyle, of the University of Oxford, noted that there is very little survey data on tax preferences in the region. Doyle presented early-state research that tries to make sense of the taxation choices of different governments in the region. Leftist governments, he said, in contexts where formal employment is much more widespread than it tends to be in Latin America, are generally associated with income tax increases that fuel greater social spending. But in Latin America, those who vote for the left frequently find work in the informal sector, so this option is far more difficult. Many leftist governments in the region have therefore opted to increase consumption taxes—an inherently regressive move—as opposed to more progressive income taxes. Doyle then presented a model to predict how governments choose to engage in redistribution and taxation, given the level of labour informality in a country and its degree of business coordination. One of the outcomes of this work is the expectation that economic slowdown, and a fall in commodity prices, will exacerbate regressive taxation.

On the same panel, Christina Ewig of the University of Wisconsin reminded the audience that a direct targeting of poverty through social programs was entirely new for the region in the late 1990s and early 2000s. Her institutional legacy approach views technocrats as ‘idea conduits’ of social policies, and, she noted, it was through this mechanism that *Bolsa Família* has reinforced the mother-infant dyad concept rather than greater individual rights for women and young children. In keeping with this historical perspective, Marta Arretche, of the University of São Paulo, showed that many things have happened in Brazil’s northeast beyond the introduction of programs like *Bolsa Família*, and that such changes have also contributed to the social shifts seen there. She presented data describing the expansion of the minimum wage beginning during Fernando Henrique Cardoso’s presidency, explaining the dynamics of this expansion through the proportion of retired people and low-skilled workers.



Left to right: Christina Ewig, Roberto Dutra Torres, David Doyle, and Marta Arretche.

The next group of speakers explored the future of social policy in the region now that the commodity boom has ended. Daniela Campello's research has demonstrated the importance of international commodity prices in determining the popularity of presidents going back to the early 1980s, especially in Latin American countries where the economy is oriented towards primary resource exports, such as Brazil. She also presented work that seeks to predict when a left-wing government will switch to right-wing policies, which generally occurs in times of scarcity: when commodity prices are low and international interest rates are high, governments face pressure from the markets. Campello (pictured below) noted that the low popularity of leftist governments across the region at present has coincided with such changes and recognized that this can constitute a significant obstacle towards expansionary social policy in the future.

Alongside her on the panel, Juan Vargas of CAF put forward the argument that social policies should be designed, even during economic good times, with potential bad times in mind. Ideally, in his view, such policies should generate skills that are of general use not only to the labour market, but also to citizens' broader wellbeing—promoting, for example, the development of personality traits like openness, and reducing others like neuroticism. To round off the discussion, José Pineda, of the University of British Columbia, Canada, proposed a new indicator to measure advances in social indicators in Latin America. Based on those indicators of relative achievement, Pineda argued that the region might not have used the commodity boom as



well as it should. From these numbers, he made the point that poverty reduction appears to have ceased in Latin America in the year 2011—in effect underscoring Santiago Levy’s message earlier in the day: the social policies that have created so many benefits in the past 10 to 15 years need careful reevaluation if they are to consolidate and hopefully continue the regional progress that has already been achieved. Timothy Power, pictured below, offered a summary of the day’s discussions focusing particularly on the links between social policy and politics.

Diego Sánchez-Ancochea from the LAC and Jorge Abrahão de Castro from the Ministry of Social Development, closed the meeting, thanking CAF, IPEA, and all of the day’s speakers and summarizing some of the challenges for Brazil and the whole region.



Timothy Power, of the University of Oxford.

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