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A REGIONAL BASIC INCOME: TOWARDS THE ERADICATION OF EXTREME POVERTY IN CENTRAL AMERICA

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The word "dollars" refers to United States dollars, unless otherwise specified.

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ABSTRACT

Central America continues facing high poverty and indigence levels, while being the most unequal region in the world. This paper therefore proposes the eradication of extreme poverty in the region through the implementation of a universal, unconditional cash transfer to all citizens. Such a regional Basic Income would guarantee every citizen, independently of occupation, age, or family background, survival. Simultaneously, the proposal would further income redistribution, enhance education, future productivity and growth, promote macroeconomic stability, and alleviate emigrational pressures. Such a scheme would establish a paradigm change in development policy thinking by moving away from the uncertainty of palliative, short-term oriented programs featuring conditionality and means-testing, towards a rights-based, preventive approach of poverty eradication. Central America invites for such a proposal, considering its countries' blatant inequality and poverty levels, on the one hand, while on the other its existing common market and relative degree of integration could facilitate such undertaking. The paper estimates the costs of covering the entire region's population with a Basic Income, and shows that such a proposal would be feasible, and economically affordable and beneficial, while offering a novel and universally just stance on poverty eradication.

RESUMEN

Centroamérica sigue enfrentando niveles muy altos de pobreza e indigencia, siendo además la región más desigual del mundo. Por lo tanto, este ensayo propone la erradicación de la pobreza extrema en la región a través de la implementación de una transferencia monetaria universal e incondicional. Esta Renta Básica garantizaría la sobrevivencia a todo ciudadano, independientemente de su condición personal, familiar, u ocupacional. Simultáneamente, la propuesta fomentaría la redistribución de ingresos, avanzaría la educación, productividad futura y crecimiento, promovería la estabilidad macroeconómica, y aliviaría la presión migratoria. El esquema establecería un cambio en las políticas de desarrollo, substituyendo los programas condicionados paliativos y orientados al corto plazo con un acercamiento a la erradicación de la pobreza preventivo y basado en derecho. Centroamérica invita para tal propuesta, considerando la ostensible desigualdad y los niveles de pobreza de sus países por un lado, y por el otro la existencia de un mercado común y grado relativo de integración, que podría facilitar la tarea. El ensayo estima los costos de cubrir la población entera de la región con una Renta Básica, y demuestra que dicha propuesta puede ser viable, y económicamente accesible y benéfica, mientras ofrezca una postura novedosa y universalmente justa hacia la erradicación de la pobreza.

INTRODUCTION

Extreme poverty is much more than insufficient income. It means hunger, deprivation of proper health and education, diseases and chronic malnutrition, not being able to make life plans, fear for the future and minimal job options, diminished life expectancy, powerlessness, lack of representation and access to public services, marginalization and social exclusion, experience of violence, and loss of liberty to design one's own life[1]. In today's world of splendor, it is outrageous that still one in every four people lives under conditions of extreme poverty (World Bank, 2010). Despite years of attempts of extreme poverty eradication and temporary improvements in the first years of the new Millennium, trends are volatile, and from 2008 onwards, indigence levels actually started to rise again in Central America, the most unequal region of the world (ECLAC, 2009). Concerned by this distressing development, this paper proposes the eradication of extreme poverty in this region through a new and straightforward means: the implementation of a universal Basic Income (BI) grant, guaranteeing every citizen, whatever his/her occupation, age, or background, survival. The proposal simultaneously furthers income redistribution, enhances education, future productivity and growth, alleviates emigrational pressures, and promotes macroeconomic stability, by paying each citizen of the Central American region the local equivalent of 1.25 $ per day, the international extreme poverty line[2]. By this means, extreme poverty in the most unequal region of the world is effectively eradicated. Such a wide-reaching proposal must surely be both infeasible and unaffordable? As a matter of fact, it is neither: most features necessary for the implementation are in place, and costs are relatively moderate considering the momentum expected from the scheme. In spite of the novelty of this particular proposal to the region, there is ample room for optimism that a paradigm change towards this new concept will improve a wide array of poverty-related issues. In the remainder, this paper will demonstrate the foundation for such realistic optimism.

To this end, the paper is divided conceptually into two main parts, of which the first deals with the theoretical and analytical notion of a Basic Income as such. Firstly, it illuminates the choice of region, justified by the relentless current circumstances of poverty and inequality in the region. Subsequently, the concept of a BI will be introduced and defined, as well as briefly contrasted with other development approaches like in-kind aid, and somewhat more thoroughly compared to conditional cash transfers (CCT), the predominant measure in the region. Thereafter, the estimated impacts the implementation of a BI in the region might have will be outlined. Lastly, indicators to measure progress of the scheme and its impacts will be suggested. The second half of the paper deals with the specificities of the particular proposal for the region, which will firstly be sketched out, specifying its individual phases and costs. In continuation, the possible sources of financing such a scheme will be investigated, followed by a brief look upon institutional responsibilities issues to be resolved. Finally, the conclusion will present a brief future outlook of the Regional Basic Income for Central America.

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1 This list describes but some of the wide-reaching effects the different dimensions of poverty in terms of depth, breadth and duration exert on all areas of human existence, far beyond "just" income, consumption and resource deprivation (Clark& Hulme 2010). Deliberately, this proposal to some degree omits deeper analysis in areas of impact in political, social, personal, philosophic and other realms of being, concentrating chiefly on (socio-) economic and financial implications.

2 Stipulates the revised 1$/day extreme poverty line. In spite of the World Bank using 2005 Purchasing Power Parity terms, this paper uses current exchange rates considering significant political-economy changes influencing livelihood of the population in the countries in question over the past couple of years.

I. NEED AND URGENCY TO ACT IN THE REGION OF CENTRAL AMERICA

Two main factors indicate the rationale for this proposal, contemplating the "why here" and the "why now": for one, the region of Central America hosts some of the most unequal countries in the world with an unambiguous need for progressive action. On the other hand, current development programs are not efficient enough to alleviate substantially existing circumstances of poverty and meet agreed targets such as the Millennium Development Goals (MDG), constituting an urgency to exploit other options.

Economic change enticed by technological revolution enables humanity to reach unknown levels of wealth with ever less physical work. The flip-side of these extraordinary technological, labor saving achievements, however, is that they lower workers' bargaining power over wages for fear of redundancy. Consequently, ever fewer jobs paid ever less money, for an increasing number of people, leaves them with less disposable income. Nationwide, this lowers private consumption capacity, ultimately stagnating economic growth. In a situation of skyrocketing under-/unemployment, this leads to increasing levels of poverty and misery (Huerta, 2009). Such a vicious circle holds true for the entire, interconnected world, but disproportionately affects those regions already hampered by high incidents of poverty and inequality.

Central America boasts to be a "Region of peace, development, liberty and democracy" (www.sica.int), while really over half its population of roughly 41 million people suffers from poverty and extreme poverty; it is the most unequal region of the world in terms of income distribution and social equity, and experiences extreme levels of violence (Cantón, 2010), facing an unambiguous need for progressive action[3].

The persistence of poverty and aggravation of inequality in the region have profound implications for development: existing forms of aid and conceptual paradigms have shown "limited effectiveness, especially in contexts of systemic shocks, where there are mass entitlement failures in which whole communities are blighted by economic setback, an ecological disaster or an epidemic" (Standing, 2008, p.2). Neither do the programs seem to propel "trickle down" to the poor and economically insecure. Economic insecurity, however, is extremely high in a context of informal labor markets reaching over half the population (ECLAC, 2010a)[4], and where losing ones jobs means losing ones livelihood. Concomitantly, fostered by globalization and climate change, external shocks have become more numerous and the risks communities and individuals are exposed to, are intensifying in scope and breadth (Standing, 2008). Suffice it to mention that 42.4 % of Nicaraguan children live under extreme poverty conditions, and half the children under 5 years old in Guatemala suffer from chronic malnutrition (ECLAC/UNICEF, 2010).

In this setting, the Sistema de la Integración Centroamericana (Central American Integration System, SICA) inter alia, aims to "achieve a system of regional welfare and economic and social justice" for all citizens of the area, eradicate extreme poverty, and endorse sustainable development (according to its Mission Statement). In other words, it wants to promote a "sustainable social, economic and political

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3 The region, geographically, comprises seven countries, while economic and political integration is mainly encompassing the five "traditionally" Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, which will also be the focus of this proposal. This focus is justified e.g. by Guerra-Borges (2009), p. 108 ff: "El articulo 1 del Protocolo dice a la letra que 'Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua y Panamá son una comunidad económica y política, que aspira a la integración de Centroamérica.'", continuing on p.112: "…no obstante que ninguno de los presidentes de Panamá libremente electos ha considerado que su país es miembro de la comunidad centroamericana". It is, however, by no means meant to be exclusionary, and should be viewed rather as a starting point to be extended to other countries eventually.

4 Informal sector in the region comprises 50% of the male and 64% of the female labor force, the latter in Guatemala reaching 73%, according to Valladares (2010).

development for the member states and the region as a whole" (ibid). This regional commitment is an important asset for a potential region-encompassing scheme, and coincides with the ECLAC (2010b) report, "La Hora de la Igualdad" (Time for Equality), declaring that the central value in a development context for the region of Latin America is Equality. Accordingly, this equality is to be understood as a "regional commitment" and birth right for all Latin American citizens, in line with the right to food and health, as opposed to being a function of income. This change of direction indicates the crucial importance of responsible, quality politics, and points towards the need for institutionalized protection for the population, a "universal social security" based on long-term oriented public policy (ibid). In the same vein, Howard (2007) cautions that political culture grounded in little commitment to equality, strong lobbyism restraining movement into a more egalitarian direction, and "the role of money in the electoral process" might be "a greater obstacle to serious consideration of a regional minimum income than the structural differences". Since existing institutions reinforce political culture, change towards a more egalitarian society must be accompanied by a reform of those institutions (ibid). A regional BI for Central America would address those needs while effectively placing equality at the center of (healthy) regional development.

The commitment to the Millennium Development Goals in 2000 represents "the most important promise ever made to the world's most vulnerable people" (UN MDG Report, 2010). Today, ten years later, this promise is far from being fulfilled. Even though some important progress has been made, the critical question remains the transformation of the pace of change throughout the last decade, into dramatically faster progress (ibid). Disturbingly, in its 2010 progress report, the UN asserts that for Latin America and the Caribbean in relation to the first and most basic goal, eradication of absolute poverty and hunger, "progress is insufficient to reach the goal if current tendencies persist" (UN MDG Report, 2010), while ECLAC (2010c, p.23) estimates chances as "more remote" now then two years ago.

Not only are the targets not met, which could be considered problematic on a symbolic sphere "only", but the situation for the most disadvantaged in society is actually exacerbated: while incomes of poor households diminished due to higher unemployment following the economic downturn, prices of staple foods remained high in 2009 (UN MDG Report, 2010). This development contributes to a considerable reduction in the effective purchasing power of poor consumers, who, spending a substantial share of their income on basic foodstuffs (ibid), see their situation further deteriorating. This indicates that current attempts to curb poverty have not been able to ameliorate the inexorable effects of external shocks like international food and financial crises for the poorest part of the population.

The second target set out to lower the percentage of "working poor"[5]. These workers, in spite of having jobs, are unable to offset times of crises and low demand for their lack of safety nets and ability to generate sufficient savings. Sadly, working poverty in fact is on the rise due to global (financial) crises and related declining output per worker/ low productivity of vulnerable employment (ibid) and the intimately connected problem of the "vicious cycle of technological progress" described above. Albeit these factors holding true for most regions in the world, the demographics constitute an additional, specifically developing country influence: CA suffers from an "infantilization of poverty" (ECLAC, 2010c) due to a demographic structure of an extraordinarily large youth[6] unable to escape their social heritage of pressing poverty. This means that a disproportionate part of the population of these countries is extremely vulnerable and dependent, with little options to escape their "fate".

Irrespective of the urgency, reactions to these developments are lethargic. Despite advancements reached by existing programs throughout the region, especially CCT programs, efforts do not seem to

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5 The "working poor" are defined as those who are employed but live in households where individual members subsist on less than $1.25 a day.

6 For instance, over 60% of Guatemalan population is aged 0-24 (CELADE/ECLAC 2010).

bear sufficient fruit to rid the isthmus from its deep-rooted problems. After over 70% of the time allotted to meet the MDG elapsed, only about 60% of the target has been achieved (ECLAC, 2010c). On a more positive note, however, the widespread usage of CCT has familiarized the population with monetary transfers as such, and is likely to prove an asset when proposing monetary transfer schemes. Nonetheless, the MDG cannot be seen as an objective in itself: even should the target of halving poverty levels from 1990 be met, Central America would still be facing extreme poverty levels affecting more than 20% of its population. This is not only a violation of their Human Rights (to dignity, food, etc), but unacceptable from a social ethics point of view (Sen, 2008).

In sum, considering this double rationale for "speeding up" development of urgency and need, contrasted by the alarmingly sluggish developments taking place, this paper suggests a change in the current development paradigm, away from palliative, short-term oriented charity programs, towards an efficient poverty eradication program, a universal, unconditional, rights-based support scheme for the region: a Basic Income. The objective of this paper is thus to elaborate and present a scheme that addresses the various, interrelated problems of the region by a straightforward and uncomplicated, yet effective mechanism, and how it functions as a feasible and viable, less bureaucratic alternative to existing programs.

II. BASIC INCOME IN A DEVELOPING COUNTRY CONTEXT

To appropriately comprehend the potential consequences of a BI, it is contextualized and compared to existing programs in the region; thereafter obtained insights are applied to the region-specific proposal.

Conceptually, the Basic Income represents a right to an unconditional, universal cash transfer safeguarding access to basic rights such as food and shelter, to all individuals of a defined area, possibly bound by citizenship or residence (Basic Income Earth Network, BIEN[7]). It is universal, meaning everybody qualifies, independently of age, gender, income, origin. The fact that it is unconditional means that the money is transferred, usually by a government, independently of any behavior by the recipient, for instance whether s/he works or not/want to work or not, or of characteristics like level of wealth/income and other means tests (Standing 2008; Huerta 2009).

Scholars from the most diverse backgrounds have advocated the concept of a universal, unconditional cash transfer as a means for redistribution of income and poverty alleviation in one form or another throughout the last couple of decades: van der Veen & van Parijs (1983/2006) as a "capitalist road to communism"; Milton Friedman as a genuinely liberal proposal for a Negative Income Tax (1962), Tobin (1968) as an unconditional transfer on the basis of a global transaction tax, and André Gorz in his Critique of Economic Reason (1989), to name but a few. Historically, scholars even trace the BI legacy back to Thomas Paine's "Agrarian Justice" (1795)[8].

The concept of BI has, in preceding decades, mainly been developed for high income countries (Künnemann, 2004). Also, historic experiments like the Alaska Dividend established in 1982 and still in existence, paying in 2010 $1,281 to each citizen[9], or the brief phase from 1974-1979 of a Canadian BI in "the town with no poverty", Manitoba (Forget, 2008), are located within the Northern Hemisphere[10]. Consequently, literature on the application of a BI for developing countries is rather scarce. Notwithstanding, it is in the global South that the last couple of years have witnessed a growing interest for the implementation of a basic income as a means to development for middle- and low-income countries. On the basis of these latest developments approaches specifically designed for this hemisphere, both on a grassroots level and from the scholarly or political elite, become increasingly significant and advocates become aware of the immense potential of the concept for the developing world – and from within this most populous and yet poorest part of the globe itself.

Beyond an academic debate, a couple of Southern countries have moved forward in the process of implementing unconditional cash transfers in their constituencies: Brazil approved a law in 2004 establishing the right to a, gradually implemented, Citizen's Basic Income for all Brazilian citizens, irrespective of their social and economic condition, upholds an unconditional rural pension program (Suplicy, 2007), and in 2009 the civil rights group ReCivitas started a BI pilot project in the village of Quatinga Velho, where villagers are paid about US$13 per head per month (ReCivitas, 2009). Similarly, the settlement of Otjivero in Namibia stars a – privately initiated – successful experiment, while a national coalition for the implementation of a guaranteed minimum income is struggling for official political endorsement (Haarmann & Haarmann, 2007). In South Africa, Bolivia and Mexico, universal

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7 BIEN upholds a webpage with extensive information about BI at www.basicincome.org.

8 Since this paper is not concerned with history of BI, for historic accounts please refer e.g. to Pereira (2009) or Standing (2008), and the bibliography.

9 Details about Alaska's Permanent Fund Dividend Division can be obtained at www.pfd.state.ak.us.

10 Considering conceptual differences grounded in context, not much space will be devoted to exploring BI in a developed country context. For further information here see footnote 7.

pension schemes have been introduced (Yanes, 2008) that grew out of existing conditional programs such as the extension of the Mexican conditional transfer program Oportunidades, rural old-age component “70 y Más” and the unconditional Pension Scheme for elderly over 68 in the Federal District (Yanes, 2010). Argentina just amended its conditional transfer program to encompass all children (Rodriguez, 2007); further expansions of those and similar existing conditional support programs towards other sectors of the population are now being discussed in the public debate. The most recent proposal in the wider region, conceived in the aftermath of the massive earthquake in early 2010, advocates a basic income for Haiti, of about $10 per person (BIEN, 2010a), while the quick and virtually silent legal establishment of a nation-wide BI in Iran financed by oil gains this fall has caused some upstir in the community (BIEN, 2010b).

A number of those designs specifically conceptualized for the developing world are interesting in the context of a proposal for Central America. Considering Otjivero in Namibia being the only current experiment under sufficient scrutiny and including an entire (though spatially limited) population, it serves as an interesting source of empirical data for tentative estimation of impacts on a societal level. Künnemann (2004) suggests a minimum food income for the least developed countries to guarantee the right to sufficient food intake, anchored as a Human Right by the UN, financed through a combination of indirect taxes and international contributions from donor countries. Albeit the suggested level of transfers paid at ca. 0.3$ purchasing power parity (PPP) is arguably too low for Central America, his proposal offers an elegant solution for poor countries’ finance of the scheme by proposing combined international and national financing. On a different premise, Huerta (2008) calculates costs for the implementation of a Basic Income in Mexico, as the gradual expansion of the unconditional, universal pension scheme implemented in Mexico City from 2000 onwards to eventually cover the entire population (see also Yanes, 2008). The geographic and structural/institutional proximity of Mexico to the region under scrutiny allows for his calculations to serve as a benchmark to approximate levels in Central America and indicate feasibility for the region based on his suggestion for gradual phase-in of the grant. Finally, Howard, 2007 poses some important questions relating to BI as a regional program, in his case for a “NAFTA Dividend” that is grounded conceptually in the argument of a BI disincentivising labor migration in the NAFTA region. Concomitantly, this would be an important step towards reducing regional and international inequality. Notwithstanding the different premises in Central America, economic migration is an issue there, too, establishing Howard’s proposal as inspirational for a regional proposal.

To date, Howard’s NAFTA Dividend seems to be the only suggestion for a regional BI in a developing country context. Notwithstanding, Central America invites for such a proposal, considering its countries’ blatant inequality and poverty levels, on the one hand, while on the other its existing common market, relative degree of integration and small country size and existence of funds – although not “well-distributed” – could facilitate such undertaking Also, certain expectations on behalf of the population towards social transfers and extensive experience with CCT[11] could prove beneficial. Moreover, it would ensure a “regional commitment to poverty eradication” (Howard, 2007), which would further claims of the SICA for a regional project and common goal for development.

Additionally, the overarching regional goal must be embraced collectively to enable such an interstate project.

[11] All countries in question host CCT programs at the time being: Honduras and Nicaragua both started their programs *Programa de Asignación Familiar* and *Red de Protección Social*, respectively, in 2000, followed by El Salvador featuring *Red Solidaria* since 2005, in 2007 Costa Rica initiating *Avancemos*, and finally in 2008 Guatemala joined with its *Mi Familia Progresa* (Johannsen 2009).

III. BENEFITS OF UNCONDITIONAL COMPARED TO CONDITIONAL CASH TRANSFER PROGRAMS

Trying to replicate the achievement of "poster child" programs such as Mexico's PROGRESA/ Oportunidades and Brazil's Bolsa Familia in the mid-1990s, virtually all Latin American countries started their own, more or less successful, CCT programs during the last decade. Lavinas (1998) reviewing minimum income schemes throughout Latin America in the 1990s, concludes that these cash transfers have a redistributive impact that is non-existent in the traditional compensatory programs, introducing into the debate on the restructuring of welfare the idea of basic security for all. Meanwhile, ample evidence of its effectiveness has cash transfers becoming increasingly popular throughout the Latin American continent (Standing, 2007), overcoming the presumption of an overall trade-off between redistribution or insurance on the one hand, and growth on the other (Ravallion, 2003 in Standing 2008). Likewise, following Oxfam International (2005, in Howard 2007, p.16), cash transfers are both faster and more effective than most food distribution, while "common fears surrounding cash transfers, such as increased risk of insecurity, gambling, purchase illicit items or domestic violence, are all unfounded". While this is a desirable development considering additional verified impacts of CCT including for instance linkage effects in the local economy, multiplier effects through self investments, and improvements in primary school enrollment (de la Brière & Rawlings, 2006) and the positive changes these bring about, a significant number of CCT-related shortcomings can be observed and documented, far beyond the mixed impacts on actual school attendance and learning identified by de la Brière & Rawlings (2006). Albeit means-tested CCT programs like Oportunidades and Bolsa Familia are steps towards the "right direction" and have shown to be less expensive than to distribute food aid, "awkward questions remain about the efficiency and equity of the selectivity process" (Standing, 2008, p. 25). Considering a poverty percentage of over 70% of the population for Honduras, for instance, a mere 17% of those poor are covered by the PRAF[12] transfer program. Should this be defended as a result of bare shortage of funds, it must be considered that in terms of relative costs, a UNDP simulation study from 2005 postulates that cash transfers targeting all children instead of only those identifiably poor, "would have a greater poverty reduction effect for an allocation of just 0.5 percent of GDP" (Standing, 2008, p. 25). Such statements request further scrutiny comparing conditional to unconditional transfers[13]. Omitting the cost argument (which will be taken up again in Chapter 3) for an instance, though, a large number of further, qualitative differences speak in favor of a BI.

"Welfare Mess" and Reach: While conditional transfers do prove successful in certain aspects, they are likely to create a "welfare mess" of "bureaucratic, costly, stigmatizing patchwork of highly complex means-tested welfare" that is "riddled with built-in disincentives to work" (Pereira, 2009, p. 6). The often overlapping structure of a plethora of existing programs deprives the entire system of the necessary efficiency on a macro level – de la Brière & Rawlings, 2006 assert that CCT program's highest costs occur from targeting and conditionality monitoring – whereas its constant monitoring by official bureaucracy causes the invasion of privacy on a micro sphere. Whether it is in spite of or due to the extensive bureaucracy created, most CCT programs suffer from structural biases; for instance, although extreme poverty is more pronounced in rural areas, due to massive rural-urban migration numerically the amount of poor in urban areas is larger by now; Johannsen (2009) stipulates that in 2007, 78% of total poor where to be found in urban areas[14]. This bears important implications for the design of programs in a context of insufficient information about the population. Moreover, to find out who qualifies for transfer,

12 Programa de Asignación Familiar; Family Assignment Program.

13 Standing (2008) offers a comprehensive comparison of different transfer and redistribution programs, featuring most prominently the comparison of a BI with food aid and CCT including social pensions and the like. Valid comparison on an empirical level is very difficult though, due to the lack of data to date.

14 ECLAC (2009) holds this number to be 66%. Despite the difference, this still represents a significant bias towards urban areas.

means tested schemes require an operational definition of “income”, obstructed by the high incident of undocumented incomes in developing countries, with its erratic and substantial fluctuations. Often, thus, income proxies such as quality of housing need to be collected and analyzed, involving substantial administrative costs (Standing, 2008; Howard 2007). The result of these (practical) difficulties is a very uneven and incomplete coverage of the disadvantaged population, frequently not reaching the most impoverished in society (Standing, 2008), or only reaching a fraction of those entitled transfers. Households with pre-school children, without children, and orphans or others living outside family households are not included in education or family programs. Such biases not only further skew poverty patterns towards particular groups, the difficulty and costs of implementing the criteria used for identifying beneficiaries can lead to merely token or discretionary application of the formal conditions in practice (ibid), opening the field for corruption.

Universal security schemes, on the other hand, are characterized by simple and low-cost administration, and a universal reach, while bureaucracy, and its related misuse, would disappear under a BI (ibid). By this token, a BI should be conceived of as a right (in line with Human Rights to food, shelter, etc), not charity; as such it can be compared to universal suffrage, which is simple enough for everybody to be informed about it and have easy access to (Künnemann, 2004). As Howard, 2007 argues, a means-test would make the transfer a “compensation for exclusion”, instead of a basic right. Since everybody is entitled the same amount, no social stigma is attached to the collection of a transfer, an issue often resulting in limited reach of CCT programs. Moreover, by being non-exclusionary, this transfer introduces an element of dignity for the individual receiving it, eliminating the pejorative “deserving” and “undeserving” poor categories in favor of a sense of unification.

Poverty and Unemployment Traps: Labor force, especially low-skilled, are prone to fall into poverty traps or unemployment traps[15], and remain in the informal sector when supported by a means testing scheme. Since taxation of additional income and threat of losing transfers makes marginal gains of picking up a new job very small, income thresholds for receiving grants effectively function as a disincentive to work (Künnemann, 2004; Standing 2008). Conditional transfers impose de facto minimum wages, keeping people from taking up jobs (even if they would like to) that earn less than the guaranteed minimum income, since this would make them financially worse of than maintaining the subsidy (van der Veen & van Parijs, 2006). If, on the other hand, the transfer is unconditional, people start earning additional income as soon as they take up work, independently of the magnitude of the wage paid.

Unconditional programs must nevertheless go hand in hand with public sector policies to incorporate informal employment into the formal sector. Removing administrative obstacles to entering the formal sector will incentivize further job creation, in order to spread paid, formal employment more widely than it is now (ibid), curtail the problem of informal sector and amplify the tax base. Simultaneously, through diminishing the danger of falling into the poverty trap, a BI would immeasurably reduce the incidence of moral hazards and petty tax evasion on the individual level (Standing, 2008).

Labor force: Critics, especially in the developed world, tend to discard BI on the presumption that welfare encourages “scrounging” (people choose to be unemployed and live off the state transfers rather than look for work). However, this choice is encouraged if transfers are means tested rather than universal as has been explained above. Moreover, the combination of social assistance and extremely high unemployment in a developing country context subverts the often-presumed association between welfare and withdrawal from the labor force (Seekings, 2007). Cash transfers do not breed “dependency and passivity” it has been shown, but foster independence and activity (Standing, 2008). The argument of poor

[15] Limited choice to working a lot (to make it “worth it”) and not working at all (living off the other’s work/ the state transfer) due to high opportunity cost.

people not spending incomes responsibly leading to a preference of state transfers “in kind” or pegged to certain conditionality, is empirically defeated: very poor households with little access to paid work, have been shown to spent money received on basic consumption goods and education and healthcare for family members (Schubert, 2005; ReCivitas, 2009), well capable of taking strategic decisions on how to improve family livelihood in the medium and long term through responsible spending patterns (Standing, 2008).

Conditionality: Conditionality, on the other hand, presumes that a poor person is not capable of learning to deal with financial issues and acts irrationally, cannot know his/her or her children’s long-term interests. According to Standing (2008, p. 18), “dealing with those issues directly would surely be more effective than imposing behavioral conditions that eat up public resources in administering them, while perhaps ignoring the structural factors that impede seemingly rational behavior”. Conditionality like in the Brazilian Bolsa Famlia program, for instance, can only be fulfilled when adequate schooling, health and transportation infrastructure exists. While this might hold for urban areas throughout the region, the rural population is likely to encounter large-scale supply (and demand) side market failures, and might have to face large costs and obstacles to comply with the imposition of a clinic-attendance condition, disproportionately affecting the poorest (Standing, 2008). Thus, programs with less conditionality imply a more efficient and equitable outcome (ibid).

Macroeconomic effects: In macroeconomic terms, universal schemes are fundamentally market neutral, i.e. they do not introduce market distortions, thus having little negative effect on competitiveness: BI schemes do not, unlike means tested transfers, introduce negative incentives to dissave. A BI is thus not only cheaper than food aid, it is also less damaging to the local economy when local production exists in the first place, by not depressing local demand but instead helping to stimulate local markets (Standing, 2007). Notwithstanding, cash transfers on their own might become inflationary if local food supplies are not available. Especially in the aftermath of a disaster, food aid might need to be used complementarily to restrain inflationary pressures. Therefore, cash grants are not to be seen as pure alternatives to other forms of commodity-based aid, but rather as a complement, to become a central part of development policy (Standing, 2008). This also applies in the case of inflationary pressures due to overly rapid growth. It goes without saying that complementary policies need to be in place for inequality not to surge around a different corner. Empirically, nonetheless, it has been shown that social pensions improve old age poverty better than any alternative by being redistributive, affordable and transparent, while counting with low administrative costs. Following the African continent’s example, many Latin American countries have introduced similar schemes as well, including Bolivia, Brazil, and Mexico City, due to their typically small costs relative to GDP. Costa Rica’s pension scheme, for instance, cost 0.3 % of GDP in 1999 (ibid).

In sum, a BI offers a number of advantages over other development aid programs. Albeit proving positive outcomes, means-tested programs still only come into action ex-post, i.e. after poverty has affected peoples’ lives profoundly already (Cassadas, 2007). As opposed to such efforts of poverty alleviation that try to deal with poverty when it already harms the victims, a BI scheme aims at poverty prevention, and, depending on the amount paid out to citizens, effectively rids the region of extreme poverty (overall). It is then important to abandon the purely corrective, “patching” strategy of poverty intervention, to come to a politics of preventive rationality of empowerment. This does not imply abandoning all existing projects or disqualifying success CCT programs did reach, but rather marks a change of direction towards a holistic and universally just approach to poverty alleviation. Simultaneously, such a regime can help ridding the region from its jungle-like systems of diverse interfering transfer programs. In light of the underlying assumptions of innate insecurity in “today’s life” on the one hand, and the defeat of the supposition of full employment, on the other, a BI offers a basic minimal security for everybody, while displaying strong redistributive effects. This both diminishes people’s fear of losing their job, and substitutes for the debilitation of employment as “a mechanism of inclusion and mobility” (Yanes, 2010).

IV. ESTIMATED IMPACT AND MONITORING

In light of these characteristics of a BI, which impacts can be expected for the region upon the introduction of such a scheme? A noteworthy yet by no means exhaustive list of – mutually reinforcing – issues affected will be outlined below.

A. SHORT TERM

Poverty Alleviation and Food Security: The immediate effect, as is necessary to repeat, is the eradication of extreme poverty, and parallel relative poverty alleviation. Importantly, a BI would ensure food security by providing some level of income security. Upon introduction of the scheme in Namibia, child malnutrition plummeted from 42% to 17% in only six months (Jauch, 2010)[16]. By securing nutrition, a BI becomes a human capital investment (Haarmann & Haarmann, 2007) in future productivity that, taking into account cumulative levels, points towards a high multiplier effect of improved health/physical condition leading to improved education to better jobs to higher income, additional to the intrinsic value of the individual stages improved. Since current chronic child malnutrition levels in Guatemala are even higher at comparably high inequality levels, similar impact can be expected. Consequently, it is especially the young population that benefits from the introduction of such a scheme, through its profound implications for future productivity. The generally improved health through better nutrition (and possibly hygiene) will additionally lower costs of an overstrained public health system.

Growth: However, the introduction of a BI in the region will have additional important macroeconomic impacts. For one, a large effect on GDP can be expected, considering the growth generated from an increase in private consumption (due to more disposable income yet low savings rates in the region), augmentation of productivity in the medium and long term and possibly competitiveness, as well as an amplified internal market (through the inclusion of a large part of the population formerly excluded on the basis of lack of income). Anticipated autochthonous growth rates based on the private consumption levels will be estimated below.

Wage dynamics: A BI will have important impact on the wage dynamics by pushing up wages for unattractive, unrewarding work once no-one is forced to accept it to survive (van der Veen & van Parijs, 2006). Thus, even if a BI would create small negative effects on employment upon introduction as some critics argue, these would be offset by the positive effects on labor-market participation (Seekings, 2007). Meanwhile, through the partial decoupling of income and wage labor, workers “get a stronger position to deny demeaning and exploitative working conditions” without fear of losing livelihood (Künnemann, 2004). What is more, empirical evidence from Namibia states that beneficiaries saw their household incomes increase substantially “over and above” the value of the actual transfer payments. While household incomes from wages surpassed those by 19%, income from farming allegedly increased by 36%, and from self-employment even by 301% during the first year (Jauch, 2010). Disregarding the comparable sectoral composition, these numbers might appear very optimistic for the region in question; however, similar trends could be expected here, too. Regardless, Künnemann (2004) explains that individuals may chose, or be forced to, not to use the opportunities in the market or common sector and

[16] Considering the limited number of existing cases as mentioned above, empirical evidence where cited for comparison, derives from the Namibian pilot project in Otjivero, being the most carefully studied and at the same time most apt for comparison with CA at the time being: Both are among the most unequal areas in the world, part of the developing countries “club” and with similar sectoral compositions. With the exception of Guatemala, all have a rather small population although Namibia owns a vast territory compared to the Central American countries, and is situated in the Southern Hemisphere.

thus not receive a “decent income”; however, they would continue enjoying their right to a minimum income, which does not discriminate between waged labor and other forms of work comprising care and non-profit work for the common good, including education, and domestic work, the latter still mostly executed by women (Samson, 2004 and others; in Standing, 2008).

Civil registration and Tax evasion: Independently of a person’s general occupation, since transfers are granted over some sort of registration system, families are incentivized to register their children upon birth, as well as allowing for a “proper” registration/formalization of the entire population, and thus promoting a public sector’s better knowledge of the population and its needs. This has significant social implications including identity issues on the one hand, while on the other, by combining increased registration with a simplified tax system, tax evasion can be reduced significantly, increasing the tax base and thus the state’s financing power of the program, and inducing further redistribution. Foundations for this development are laid already in the short-term, while full advantage of such changes can be reaped in the medium- and long-run.

B. MEDIUM TERM

Education: Providing families with “income” for their children will enable those to go to school instead of being obliged to work for basic survival, this way activating the multiplier effect of both lowered incidence of child labor and youth criminality, and furthering education[17]. Again, empirical evidence from Namibia shows that school dropout rates upon introduction of the BI diminished from 30-40% to 5% in half a year, and after one year reached a level of virtually nil (Jauch, 2010). Furthermore, with more parents able to pay school fees, the schools’ stronger financial situation will improve teaching materials for pupils. Transfers will also incentivize young adults to continue schooling up to technical and professional training or university, if they are not exposed to the fierce obligation to take the “first best” job once leaving school, but are enabled to increase their chances for decent work improving their productivity. This, ultimately, improves options for value added production in the country. At the same time it is likely to lower violence significantly (Namibia saw a reduction in its crime rates of 42% following Jauch, 2010), considering that especially the youth is prone to get mixed up with (violent) criminal activity.

Inequality: The other main result will be a positive impact on inequality through redistribution of income, especially if it goes hand in hand with a progressive tax reform as indicated above. This income redistribution will have significant welfare effects and further elevate demand (Huerta, 2009), implying both a broadening and deepening of the home market through endogenous consumption and savings. In combination with the increase in productivity workers’ upgrading will bring, employment opportunities will grow significantly (ibid).

Security and Entrepreneurialism: Economic insecurity prevents people from taking entrepreneurial risks, because it leaves them with the choice of either buying food for the day to survive, or risking delayed or no returns by investing the money into self-employment. Quite understandably, many people choose personal and family survival as a priority over an entrepreneurial commitment. Notwithstanding, in CA self-employment is responsible for roughly 40% of regional employment (ICAES). From an economic point of view, thus, a BI is productive, since it fosters risk-taking and innovation[18] (Standing, 2008) without jeopardizing livelihood, providing income security that can free resources for entrepreneurial investment (Haarmann & Haarmann, 2007). Related, social grants also

[17] Implementation of the system in Namibia had the number of parents paying for school fees double (to 90%) (Jauch 2010).

[18] In Europe, upon its introduction, “old-age security acted as a powerful force in modernizing agriculture” because it led to more risk-taking innovation (Standing 2008).

provide potential labor market participants with the necessary security to invest in higher risk-higher return job search, since they can travel further, prepare and educate themselves better than in the pressing situation of being forced to accept the first offer, no matter how “inconvenient”. Michael Samson found a correlation in 2004 between living in households receiving social grants and a higher success rate in finding employment, due to improved productivity – which again results in higher wage increases (ibid). Once the system is established, it will thus have important effects on macroeconomic stability, ameliorating potential negative effects of future crises.

Empowerment: Since the transfers are paid to individuals, not to units such as families or households, they have an important empowerment effect, especially for vulnerable groups often unable to obtain their own, legitimate, incomes, such as women, children, elderly, and indigenous, possibly changing/shrinking dependency patterns within the family, e.g. through gender emancipation. Moreover, self-esteem and confidence will increase on an individual and group level. The pilot project in Namibia has shown that community participation increases markedly with the introduction of a BI, by committee-building, counseling each other on how to improve their lives with the money received and general community mobilization and empowerment (Jauch, 2010). The impact on personal liberty should not be taken lightly either, considering that it will free energies to act as a responsible and concerned citizen whose voice is to be taken into account. Besides increasing self-determination in relation to choice of life paths for individuals, this development is of utmost importance for the eventual creation of a more active civil society in the region, autonomously addressing its own problems.

C. LONG TERM

Migration: It is well-appreciated that migration is a phenomenon not to be associated with extreme poverty, but rather with “simply” poor households. Notwithstanding, since a BI also supports the next-poorest income groups, significant effects on migration patterns can be assumed to materialize in the longer run. However, the intention of curbing migration – from South to North, rural to urban etc – is a two-edged knife: for significant reduction of migration, remittances need to be taken into consideration. Today, they have reached more than double the size of net official flows, second only to FDI as external source of finance for developing countries (Howard, 2007), and thus play a pivotal role in local development, and its impact on the national economies should not be underestimated. On the other hand, it becomes clear that remittances cannot compensate for the losses of migration in terms of brain drain, dysfunctional families and demographic changes in the countries of origin. Since most migrants in the region flee from the economic circumstances and for lack of options at home, it is here that circumstances have to be changed. If those conditions are addressed directly instead of propelling ever-stricter migration control, perversely feeding into organized criminality (e.g. the coyotes), i.e. they can survive at home, most people will not feel the same need to migrate. In other words, incentives have to be created for staying, instead of enforcing disincentives to leaving, which will never be as effective considering the current push – no “future” at home – and pull – strong demand for immigrant labor in host countries – factors in the wider area. A BI in many cases can prove a reasonable alternative for citizens considering migration, while at the same time buffering the impact of loss of these remittances on the local economy already in the short- and medium-term. The BI transfers would take over the role as seed money for rural/local economic development, supplying not only those households with migrant workers, but all households (Howard, 2007). This way, transfer policies do not have to be intrinsically connected to migration policies for having a positive impact on the issue by reducing local desperation and inequality over time, and thereby assuaging the underlying causes leading to mass migration (ibid). In the even longer term, as jobs are created, poverty declines and income differences shrink (ibid) population increases will moderate and migration pressure is likely to sink.

Self-esteem and Social Cohesion: A BI helps strengthening social solidarity and reinforces community and social cohesion, while – being universal – it is non-stigmatizing (Raventós, 2007). Receiving a dignified income affects people's self-esteem and confidence, and will positively encourage and motivate people that today are marginalized and suffering, and often have lost belief in their own capabilities (Fryer, 1992). Yanes (2010) asserts that social relations as well as usage of public space among Mexico City's elderly changed dramatically, when they started to conceptualize themselves as a solidary in-group upon introduction of the unconditional pension scheme. Socio-economically, beneficiaries become autonomous economic and social actors of a community through taking their own decisions on how to spend the money (Standing, 2008). This will also change dependency ratios (old versus young, working to non-working) both on a family- and societal level. Making the transition to universal "social and economic security" coverage now, can become an important advantage in the future, when demographic changes such as the inevitable aging of the population will make those measures indispensable. Dealing with these changes at a point where costs can be borne by the largest part of the population instead of a small percentage of younger people in the future will prove less expensive, and politically feasible.

Taken together, it becomes clear that important cross-country benefits can be obtained from the "side effects" of unconditional income schemes, beyond their principal benefit of poverty eradication.

V. THE REGIONAL BASIC INCOME PROPOSAL

After having shed light on the contextual and conceptual particularities and expected impacts of a BI in CA, in the following the proposal for the region will be elaborated.

The overarching, ultimate goal of the proposal is the complete coverage of the Central American population by a secured income above the extreme poverty threshold, as described below[19]. Although a broad and multifaceted conception of poverty as capacity deprivation (Sen, 2008) such as pictured in the introduction is embraced as the more realistic picture of the true nature of the problem, this paper, chiefly for sake of clarity and comparability, deliberately makes use of the – rather limited – international definition of extreme poverty as personal income below $1,25 PPP per day, irrespective of local deviations[20]. It can be argued that this constitutes a gross omission of real differences on the local level and thus ignorance to the special needs of specific groups of individuals. However, this paper does not pretend to address these special needs at all; rather, it aims at creating a different minimum for everybody below which nobody can fall (Fourier, 1803). This means that differentiated needs beyond a basic security continue to exist, and will have to be addressed appropriately and independently, beyond the reach of a BI and the scope of this proposal.

A. BASIC INCOME LEVEL

A explained above, this paper uses the extreme poverty line of 1,25 International Dollars per day as the threshold, both for reasons of simplicity and the need to establish a comparative level among the countries of the region. Moreover, it surpasses the "food security income", below which there is a definite risk of hunger and malnutrition (Künnemann, 2004)[21]. To lift people out of extreme poverty, it is thus necessary to guarantee them an income of above 1,25 international dollars at PPP per day, or the equivalent of 37,5 dollars per month in their national currency. The resulting amounts are calculated and presented in Table 1 below for the countries of the region, both in US$ converted amounts based on a PPP conversion rate[22] and in local currency equivalents. This means that the region will be covered by an "equal but differentiated" cash transfer: differentiated in that it takes local differences in costs of living into account, equal since purchasing power of the individuals covered will presumably rise by the sake token[23]. In other words, the proposal considers a program that is uniform, for sake of comparability, and differentiated, for sake of

[19] To adequately evaluate the results and ensure desirable outcome, trustworthy and reliable indicators need to be identified and subsequently tested regularly. Including indicators for the different realms of life affected, the monitoring of the program allows for a more valid outcome, since potential flaws in its structure/composition can be corrected rapidly. Furthermore, close monitoring permits adjusting levels correctly should changes in the macro economy ask for that. Depending on observed outcomes, strategic changes can be undertaken in the set-up and timeliness of the program.

[20] This is because there is no consistency throughout the region on measuring (national) poverty using income and measuring it using expenditures. This lack of consistency makes it difficult to compare rates of poverty in different LAC countries. Consider, for instance, Honduras, where 72% of the population in 2005 lived below the country's poverty line, while 36% lived on less than $2 a day, or Chile with 5% of the population living on less than $2 a day, but 19% below the country's poverty line. By contrast, in Jamaica about 22% of people lived below the country's poverty line, but 43% made less than $2 a day, and in El Salvador the numbers were 39% and 41%, respectively (Perry et al. 2006).

[21] Obviously, only elementary food needs can be covered by 1.25 $. Such income (in cash or kind) is seen as necessary (but not necessarily sufficient) for food security, while such a crude quantification certainly does not cover the human right to food (Künnemann 2004).

[22] IMF 2010 suggested rates. Alternatively, ECLAC indigence lines could be considered, implying somewhat higher levels and thus costs for most countries considered.

[23] Self-evidently, probably significant *within*-country differences exist in purchasing power and costs of living. However, considering the rather modest size of the included countries and for sake of simplicity, these differences are temporarily omitted.

"fairness", i.e. larger dividends would be going to the wealthier countries, smaller ones to the poorer. This option would make poverty reduction "a shared goal of the region" where everyone receives "a tangible benefit of the scheme of cooperation" (Howard, 2007, p. 3), while it simultaneously also avoids BI-enticed migration within the region.

TABLE 1
MONTHLY TRANSFERS PER CAPITA UNDER A REGIONAL BASIC INCOME FOR THE REGION OF CENTRAL AMERICA

Country	Total population (Millions)	Monthly transfer /capita (dollars)	Monthly transfer (local currency) [a/]	GDP (Million dollars)
Costa Rica	4.58	27.00	13600.50	33 180.00
El Salvador	6.16	18.75	18.75	21 810.00
Guatemala	14.36	21.66	173.25	39 760.00
Honduras	7.47	17.22	325.88	15 290.00
Nicaragua	5.74	13.67	293.63	6 250.00
Central America	38.31	20.00 [b/]		116 290.00

Source: own construction, based on CELADE/ECLAC:
http://www.eclac.org/celade/proyecciones/basedatos_BD.htm.
[a/] Local Currency Exchange rate XE.com 12.08.2010.
[b/] Regional average.

Comparison with existing programs of conditional transfers: A further rationale for defining the level at its designated position is the comparison with existing CCT programs, illustrated by the case of Guatemala:

Since 2008, under the program of Mi Familia Progresa (MIFAMPRO) the Guatemalan government pays 150 Quetzals (Q) per family for Education, if these have at least one child of age 6-15, and 150Q for Health[24]. This means that a family, independently of how many members it has, will receive a maximum of 300Q a month, on the conditionality of the family's timely compliance with the schooling and health requirements. Under all conceivable family constellations, a BI will always grant a higher actual income than MIFAMPRO, if and when its level is superior to 150Q (US$18.68), which it is in the proposal at hand. For a simulated family of two parents with two children, MIFAMPRO will pay 300Q, while the same family would receive 693Q under the proposed BI regime (173.25Q per head). Moreover, there is no threat to take away the benefit from the individual, allowing recipients to include transfers in their long-term life plans, leading to differing investment patterns. Further differences laid down above come into action: MIFAMPRO only aims at covering those in extreme poverty, of which, however, the program can only reach those covered by the term "family", and even those only partially. A BI, conversely, would also alleviate the situation for families that are just minimally above any defined threshold. This is crucial because wherever a conditionality of some income threshold is considered, those immediately above but still very poor are excluded, and thus incited to cheat, as is a family becoming slightly too "rich" to qualify for the grant, describing the infamous poverty traps mentioned above. Moreover, a BI by virtue of being universal also covers non-families, i.e. poor people outside a family constellation of whatever sort such as orphans, elderly, young adults over 15 years old, and families with older children.

Other programs throughout the region rely on similar ranges of transfers, suggesting that the level of the present proposal is comparatively competitive. Self-evidently, this does not allow for any

[24] For details on the program refer to www.mifamiliaprogresa.gov.gt.

assumption on real costs in financial terms of the programs compared. Although the paper would have liked to compare costs of the two programs to estimate relative efficiency, it does not seem possible unfortunately to obtain complete and/or unbiased numbers for the costs of the program to the Guatemalan public sector, beyond the insight that it received loans over US$350 Million from the Inter-American Development Bank. Notwithstanding, the case of Mexico City could serve as an illustration: in 2010, the Federal District government spend over MN$10 Billion on direct transfers alone (www.educacion.df.gob.mx). Divided over a population of about 8.8 Million citizens in its jurisdiction, this would suffice for monthly transfers of almost MN$ 100 to every citizen throughout the year. This amounts to more than half the amount suggested for Nicaragua in this proposal.

B. PHASING-IN

Universal coverage is not to be achieved instantaneously and needs to be inserted gradually: to ameliorate the start-up costs of such an endeavor, implementation of the full proposal is divided into five individual phases[25], each including one additional part of the population. How to divide these groups? A convenient separation, grounded in the demographic structure and existing support programs for its two extremes in the region, could be dividing the population by age group. Due to the region's very young average population, immediate impact will be extensive upon the inclusion of the entire youth of the region into a program providing for their basic wellbeing since earliest age. Physical and mental development of the new generations will be significantly impacted. For Guatemala, particularly, a category of age 0-20 would imply roughly half its population! To buffer the costs an inclusion of such large part of the population at once would imply, the phases are delimited as follows: in the first year, children aged up to 14 years will be covered; the second phase sees the incorporation of the youth between 15 and 24 years. In the third phase, the BI is extended to those residents over 65; by the time of phase fourth all those between 50-64 years join, for the program to finally, in the fifth phase, cover all citizens (phases will be described in more detail below). Additionally, inclusion can proceed following local poverty maps. This option allows for the coverage of the socially and economically most vulnerable part of the population and simultaneously that with the biggest impact on future productivity and security, first, followed by incorporation of the other groups by decreasing urgency. At the same time, this implementation configuration allows for a gradual transfer from existing conditional programs to the new universal scheme[26].

C. COSTS

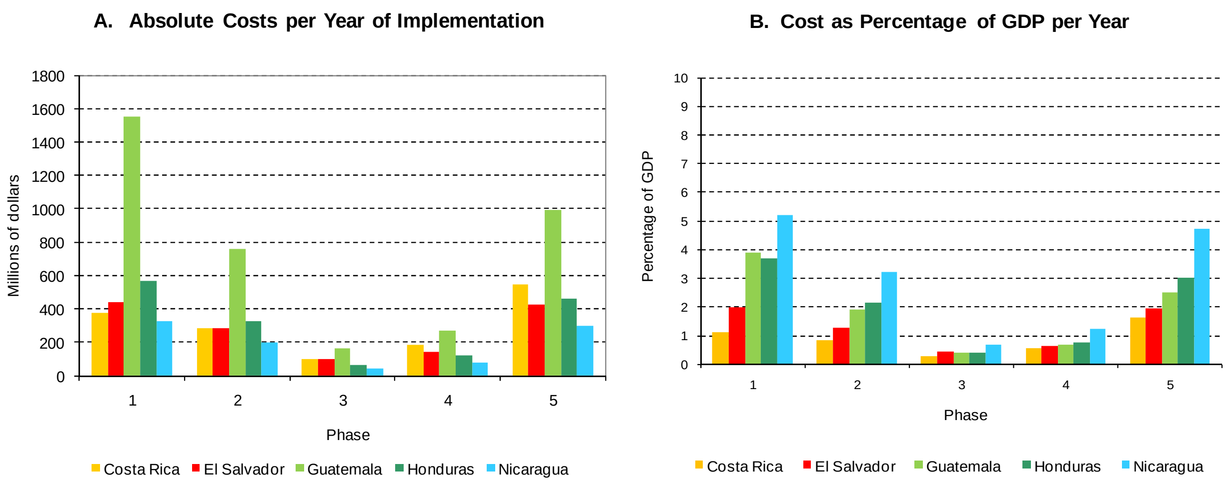
As can be deduced from Table 1 above, considerable intraregional differences exist concerning the monthly transfers. Based on its comparatively high GDP and relatively small population, it can be seen from Figure 1 below that Costa Rica is the country in the region facing least relative costs upon introduction of the program. In contrast, Nicaragua, despite an only slightly larger population, is the country facing highest relative implementation costs due to its low GDP. Guatemala, on the other hand, faces highest absolute costs as can be appreciated in Figure 1, based on its population size exceeding the double of the other countries. Besides absolute GDP size, the first year shows to be particularly costly for Nicaragua due to its demographic structure: just like Guatemala, its population on average is much younger than Costa Rica's, resulting in a high percentage of the population in this category. This means that implementation of the

[25] Phases could, but do not need to, be considered years. Different (structural) factors might inhibit the timely implementation of phases in reality.

[26] Should existing transfers exceed the BI level, both programs can be thought of as a complementary support rather. Beneficiaries will continue receiving the same support (or more), while the –so far excluded – rest of the population will be integrated into the program.

proposal will impact differently according to country. In terms of cost, Costa Rica would need only 4% of its GDP to include its entire population, while Guatemala would require 9% and Nicaragua even 15%[27]. Notwithstanding, these numbers are misleading in the sense that they describe absolute costs, should the entire population be covered at once, irrespective of growth generated in the meantime, and were no external sources of finance included. Factually, for the region as a whole, the average cost per phase is of 1.5%, overall costs for one phase never exceed 2.8% of GDP, which is the level of the first phase, and the third year is with 0.41% the least expensive phase on a regional average. Significantly, after having implemented the first three phases, with a cost of 4.8% of regional GDP, 60% of the most vulnerable population of Central America would be covered.

FIGURE 1
COMPARISON ABSOLUTE COSTS AND COSTS AS PERCENTAGE OF GDP



Source: own construction.

Moreover, turning to Table 3 with the current public social expenditure of the country governments for the region, the numbers of the present proposal might not seem as overwhelming anymore.

[27] The numbers used in these different phases do not include cumulative growth, i.e. program-induced GDP growth is not added in the consecutive phases. Self-evidently, this results in much higher costs for the phases following Phase One than will be the case in reality. Notwithstanding, the rationale for using every year's GDP with the base value of 2010 estimates for calculating costs for the respective phase is that, this way, phases (especially among countries) are easily comparable; moreover, in case of alternation of phases (absolute) calculations still hold, making them exchangeable in case of necessity: should introduction of phases not coincide among the individual countries, numbers would still hold, allowing for certain flexibility to take national context into account. Expected growth, then, will be considered later in connection with financing of the proposal. Clearly, to make the calculations "more realistic", a number of contingent factors would have to be included: inflation, population growth, annual expected growth of the economy, both program-generated, and "autochthonous". However, these factors, in terms of their inflating or depressing effect on the costs, can be assumed to cancel each other out for the purpose at hand, and for sake of clarity, are excluded. The numbers presented here are approximations, illustrating that the proposal is feasible in economic/finance terms. Therefore, monies reallocated from existing programs towards a BI that will obviously lower the overall cost of implementation significantly (esp. in the first phase), are not included, either (see below, finance).

TABLE 2
YEARLY COSTS OF TRANSFERS FOR THE COUNTRIES OF THE REGION

Country		Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America [a/]
Monthly transfer/person (dollars)		27.00	18.75	21.66	17.22	13.67	
Phase 1	Age 0-14 %	25.3	31.5	41.5	36.8	34.5	33.9
	Cost % GDP	1.13	2	3.9	3.72	5.2	2.8
Phase 2	Age 15-24 %	19	20.4	20.3	21.3	21.4	20.5
	Cost % GDP	0.85	1.3	1.91	2.15	3.23	1.59
Phase 3	Age 65+ %	6.5	7.3	4.4	4.3	4.6	5.4
	Cost % GDP	0.29	0.46	0.41	0.43	0.69	0.41
Subtotal Phase 1-3	% Population	50.8	59.2	66.2	62.4	60.5	59.8
	Cost % GDP	2.27	3.76	6.22	6.3	9.12	4.8
Phase 4	Age 50-64 %	12.5	10.2	7.2	7.7	8.2	9.2
	Cost % GDP	0.56	0.65	0.68	0.78	1.24	0.68
Phase 5	Age 25-49 %	36.7	30.6	26.6	29.9	31.3	31
	Cost % GDP	1.64	1.95	2.5	3.02	4.72	2.34
Total cost (Million dollars) [b/]		1 483.19 (4%)	1 386.45 (6.4%)	3 732.97 (9.2%)	1 544.59 (10.1%)	942.18 (15.2%)	9 089.38 (7.82%)

Source: own construction, based on CELADE (2009), IMF (2010); exchange rate: www.XE.com, 12.08.2010.
[a/] Central America; regional average.
[b/] Includes all Phases. In parenthesis: Costs as % of GDP

TABLE 3
PUBLIC SOCIAL EXPENDITURE AS PERCENTAGE OF GDP IN CENTRAL AMERICA IN 2009

Country	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America (average)
Public Social Expenditure 2009 (% GDP	17.2	11.1	7.4	11.4	11.6	11.74

Source: own construction, based on SICA and ECLAC.

Real differences, notwithstanding, do not only bear important implications that have to be considered for financing the scheme, they also offer the opportunity to construct a “regional solidarity plan” of differentiated obligations, if member countries commit themselves to prosper as a region, and combat intraregional inequality and poverty beyond their national borders. The importance of achievements in the fight against poverty on a regional level for an economically and culturally, and recently especially in terms of security interdependent and –related area cannot be understated. Implementation of the proposal would then not only strengthen ties within the region, but ultimately strengthen the region’s position towards the outside.

In the following the individual phases will be described.

VI. THE FIVE PHASES OF THE IMPLEMENTATION PROCESS

A. PHASE ONE

In the first year, the transfer would be paid to children aged 0-14. It is the most expensive phase since the percentage share of the population in this age group is the largest for all countries. However, in terms of future productivity this is a specifically important phase: as elaborated above, effects on health, education, levels of child labor are crucial for economic and social development. Moreover, this phase creates the basis for Phase Two by capacitating youngsters for higher education thanks to their having completed primary schooling first. This group would become the first to be protected universally by a social security, marking the beginning of an integral reform process of the social security system (Barbeito & LoVuolo, 2009).

TABLE 4
PHASE ONE: COSTS OF COVERING CENTRAL AMERICAN CITIZENS AGED 0-14 WITH A BASIC INCOME

Phase 1	Age 0-14 (%) [a/]	Total cost (Million dollars)	Cost as % of GDP
Costa Rica	25.3	375.25	1.13
El Salvador	31.5	436.73	2.00
Guatemala	41.5	1 549.18	3.90
Honduras	36.8	568.41	3.72
Nicaragua	34.5	325.05	5.20
Central America	33.9	3 254.62	2.80

Source: own construction, [a/] based on CELADE/ECLAC.

Costs for implementation of this phase vary greatly among the countries: while Costa Rica faces a 1.13 % of its GDP, Nicaragua confronts 5.2%. Beyond GDP size, this discrepancy is mostly explained by the different demographic structure among countries: in Guatemala, for instance, over 41% of the population is younger than 15 years, incrementing costs for this phase. Notwithstanding, it is also Nicaragua and Guatemala that consequently can expect the highest program-generated growth rates, and most impact on their future productivity given the large share of their population, which is about to enter the economically productive age, affected by the measure.

B. PHASE TWO

The second phase sees the integration of the group of youth between 15 and 24 years. After having started with the group most important in terms of future productivity and education (i.e. the children), the integration of this next group will have the strongest effects on security and reduction of criminality, in view of this being the population group most vulnerable to organized crime recruitment and victimization (Cantón, 2010). Young people are encouraged to follow their own self-chosen life paths as opposed to being forced into (illicit) careers including drug trafficking and prostitution. Instead, this phase incentivizes youth to continue studying after a basic education and improve their options for the future by increasing their human capital.

The second phase will be somewhat less expensive than the preceding one, albeit being costly nonetheless in comparison to the following phases. All countries have a similar proportion of 15-24 year old citizens (about 20%), yet costs as percentage of GDP still differ – between 0.85 % for Costa Rica and 3.23% for Nicaragua.

TABLE 5
PHASE TWO: COSTS OF COVERING CENTRAL AMERICAN CITIZENS AGED 15-24 WITH A BASIC INCOME

Phase 2	Age 15-24 (%)[a/]	Total cost (Million dollars)	Cost as% of GDP
Costa Rica	19	281.81	0.85
El Salvador	20.4	282.84	1.30
Guatemala	20.3	757.79	1.91
Honduras	21.3	329.00	2.15
Nicaragua	21.4	201.63	3.23
Central America	20.5	1 853.06	1.59

Source: own construction, [a/] based on CELADE/ECLAC

C. PHASE THREE

In the third phase the elderly will be included, i.e. those citizens aged 65 and older. The rationale for covering this group now is twofold: for one, it is a fairly small group, meaning that this year will be the least expensive in terms of paid out monies. Furthermore, in many countries some sort of pension scheme already exists, which can be supplemented. This means that infrastructure probably already exists where a transfer system is in place, lowering costs for registration, just as likely holds for the first phase. Thus, urgency of including this group is lower. Nonetheless, as stated above, the elderly is a specifically vulnerable age group, given that they reach a stage where they become physically unable to provide for themselves.

TABLE 6
PHASE THREE: COSTS OF COVERING CENTRAL AMERICAN CITIZENS AGED 65 AND OLDER WITH A BASIC INCOME

Phase 3	Age 65+ (%)[a/]	Total Cost (Million dollars)	Cost as% of GDP
Costa Rica	6.5	96.47	0.29
El Salvador	7.3	101.21	0.46
Guatemala	4.4	164.25	0.41
Honduras	4.3	66.42	0.43
Nicaragua	4.6	43.34	0.69
Central America	5.4	471.69	0.41

Source: own construction, [a/] based on CELADE/ECLAC

It can be seen from the graph that costs are relatively modest in this phase, lying between Costa Rica’s 0.29% and Nicaragua’s 0.69% of GDP. Upon conclusion of this phase, between half and two thirds of the population (depending on the country) are protected through the BI scheme.

D. PHASE FOUR

The first three years cover the elderly, children and the youth, considered the most vulnerable groups of society. Also, implementation at the lower end of the age scale will have the most pronounced effects on growth and “upgrading” of the entire country. The fourth phase now allows for the inclusion of the 50-64 year old, only slightly more expensive than the prior phase due to a somewhat larger part of the population belonging into this group. The rationale for integrating this group now is that, on the basis of ever-fewer available jobs for this age group, especially considering better educated and prepared youth, this group becomes increasingly vulnerable as well.

This fourth phase is the second smallest in term of population integrated, and of costs, remaining below 0.8 % for all countries but Nicaragua. After this phase every citizen below 25 and above 50 will be covered, for a cost equivalent to less than 5.5% of regional GDP.

TABLE 7
PHASE FOUR: COSTS OF COVERING CENTRAL AMERICAN CITIZENS AGED 50-64 WITH A BASIC INCOME

Phase 4	Age 50-64 (%)[a/]	Total cost (Million dollars)	Cost as% of GDP
Costa Rica	12.5	185.40	0.56
El Salvador	10.2	141.42	0.65
Guatemala	7.2	268.77	0.68
Honduras	7.7	118.93	0.78
Nicaragua	8.2	77.26	1.24
Central America	9.2	791.78	0.68

Source: own construction.
[a/] based on CELADE/ECLAC

E. PHASE FIVE

The final phase includes the integration of the remainder of the population into the program, those aged 25 to 49. This is the most productive part of the population, and thus by assumption the one that is "less urgent" to include in comparison to the others. Nonetheless, extreme poverty also in this category needs to be eradicated. Furthermore, an important number of benefits accrue from the inclusion of this part of the population: labor market changes, augmentation of bargaining power of workers, minimum wage and private sector effects to recap some factors enlisted above. In the longer run, migration patterns are likely to change.

TABLE 8
PHASE FIVE: COSTS OF COVERING CENTRAL AMERICAN CITIZENS AGED 25-49 WITH A BASIC INCOME

Phase 5	Age 25-49 (%)[a/]	Total cost (Million dollars)	Cost as% of GDP
Costa Rica	36.7	544.33	1.64
El Salvador	30.6	424.25	1.95
Guatemala	26.6	992.97	2.50
Honduras	29.9	461.83	3.02
Nicaragua	31.3	294.90	4.72
Central America	31.0	2 718.29	2.34

Source: own construction.
[a/] based on CELADE/ECLAC

This fifth phase incorporates the remainder of citizens, for the countries in question about a third of total population or somewhat less. Since this is the second largest proportion (after the first phase), it is also the second to most expensive.

VII. FINANCING A REGIONAL BASIC INCOME

From the numbers presented, it becomes clear that should the whole program be auto-financed, cost burdens are differentiated throughout the region and extensive in some countries. Nicaragua, for instance, would face considerably high costs as percentage of GDP. However, this is not outright an impediment to the proposal. As Standing (2008, p.25) holds, “the cost of cash transfers is not the primary issue, since even poor countries could afford modest schemes, and most could do so if more aid were diverted to that end”. This statement encapsulates various important aspects. For one, costs are relative, considering the extensive positive impacts on the entire population implementation of the proposal would have. Secondly, countries can adapt the transfer level to their capacities, like proposed in this paper. Thirdly, considerable monies will be freed from other programs that become obsolete, and should be employed first (Huerta, 2008), for instance transfers by the Guatemalan MIFAMPRO program and the remaining countries' counterparts[28].

A. TAX RESOURCES

A BI could be almost exclusively financed through a more efficient and just tributary system, in combination with the state subsidies system in place today. To achieve this, first and foremost, a tax reform based on equity is needed, and tax evasion must be combated strictly. This point is extraordinarily important, considering that for Costa Rica, for instance, evasion represented 3.6% of GDP in 2009 (Mayorga 2010) – an amount only slightly inferior to the total cost of the BI system proposed covering the entire population. The situation invites to assume that in the remaining countries of the region evasion lies at similar or even higher levels[29], and thus impact even more on redistribution policies of governments, reaching levels that could cover the costs of the proposal. Incidentally, El Salvador faces a situation where only 1-3% of its companies are tax registered (IADB, 2010). This describes a de facto subsidy, or transfer, for (big) companies. When recollected, it can be counted towards the “disposable resources” for a – comparatively infinitesimal – cash transfer to citizens instead (del Val, 2007). This requires, however, for tax systems to be simplified greatly, and hurdles and time required to comply with tax regimes, decreased.

With complexity reduced, improving tax collection, especially towards the higher income spheres is Huerta's (2008) suggestion for financing a BI. He suggests progressively taxing everybody receiving income above the basic income level, implying that higher end income receivers pay much more than they will actually receive from this system, guaranteeing redistribution of resources. Independently of the final threshold level, this way, as opposed to general resource and value-added taxes, it can be avoided to “charge” the poorest population disproportionately. The additional advantage of financing over income tax is that every citizen will be (tax) registered when applying for the transfer. Thus, the data base of the population will be enhanced and since the same tributary number is used, compliance with tax regimes can be controlled easily for any commercial or financial transaction. Beyond restraining tax evasion, this base will serve demographic research purposes.

Howard (2007) calculates that a doubling of tax rates of top 10% of income earners for the NAFTA region would allow for a BI of US$1,000 per person in the region. These calculations imply that a modest increase of tax level for the upper decile would probably suffice to finance the greater part of the transfers

28 It has to be emphasized at this point that, even though parts of the money used for these programs could be transferred to a basic income, financing the latter will not divert resources from the current system related for instance to education or health beyond the reach of a BI, but substitute any conditional subsidy for an unconditional one should the former be lower (Huerta 2008).

29 ICEFI estimates that in El Salvador and Guatemala evasion levels represent 3.2%, and 5.4% of GDP, respectively, with levels of income tax evasion lying at 63.7% in Guatemala (Observatorio Fiscal no. 115).

for a much lower transfer level[30]. However, other forms of taxation could be considered, including value-added, resource, and private sector profit tax, the latter based on the rationale of companies' strong impact on existing inequality patterns[31] (Huerta 2008)[32].

B. PORTFOLIO FINANCING

Moreover, countries in the region do not have to rely exclusively on internal sources, but could combine these with international cash flows, and maybe regional funds. This combination would, especially in the initial years of implementation, alleviate costs and concurrently minimize risks of such extensive a program. In the case of the Mexican Oportunidades program, for instance, between the years 2005 and 2009 almost half of financing lay with the Inter-American Development Bank (IADB) (IADB, 2006)[33]. This way, to ameliorate start-up costs, a regional BI program could be co-financed with partner countries' ODA, international and intergovernmental organizations such as the IADB or World Bank. Conceivably, a percentage of national finance could be specified, leaving the remainder to be financed through international transfers. It could for instance be agreed that each member country directs four percent of its GDP (roughly the total cost for Costa Rica), divided over the individual phases, to the program. Alternatively, phase-bound thresholds of between 0.5-1% could be considered. This way, again, responsibilities are "equal but differentiated" for the individual countries and ensure ability to proceed with the scheme irrespective of their different income levels. As distribution becomes more equal, poverty declines, and tax base rises/evasion diminishes, own full financing should be considered, also with view to potential effects of global crises, and dependency issues more generally, initiated by a phasing-out over time of international funds. By this token, an additional advantage of a partial financing through donor countries lies in the program's capacity to link transfers from North to South (international) to transfers from wealthy to poor in the South (national). This way, the program simultaneously addresses national and international inequality (Howard, 2007). Concerns by potential donor countries that funds going to developing countries will necessarily "fall into the hands of a corrupt bureaucracy, and thus will not address the needs of the poor" (Howard, 2007, p. 3) can simultaneously be dismantled, since "cash going directly to the recipients can entirely bypass the bureaucracy" (ibid).

C. ENDOGENOUS SOURCES AND THE MULTIPLIER EFFECT

Besides exogenous inputs, the program will free substantial funds from existing programs that become obsolete, and is expected to create significant endogenous growth as explained above. Taking into account private household consumption levels of 84% on a regional average, growth rates induced by additional disposable income are considerable and almost as high as initial investment. Albeit exact numbers should be handled with caution, due to their interdependence with numerous external factors, parts of the costs could be covered by capitalizing on program-generated growth. Over the five phases, autochthonous regional average growth is expected to exceed 7%, though large national differences prevail due to differences in investment[34].

[30] For the case of Central America, the upper/lower income deciles ratio is arguably larger than in most other regions, allowing for significantly lower necessary top tax rate, or higher BI.

[31] He holds that until the mid-1990s, income distributional changes where mostly determined by salary differences, while towards the end of the decade, the determining factor started to become private sector and entrepreneurial activities rents, which are held to be the decisive part of the explanation of inequality.

[32] For a more comprehensive list of possible additional (national) sources see Pereira 2010, p. 22-24.

[33] \$1200 Million versus \$1650 Million paid by the Mexican State.

[34] Besides Costa Rica (2.7%) and Nicaragua (13.65%), the remainder of countries lies around 7%.

TABLE 9
EXPECTED GDP GROWTH GENERATED BY A BASIC INCOME IN CENTRAL AMERICA

Expected GDP growth (%) per country	Phase One	Phase Two	Phase Three	Phase Four	Phase Five
Costa Rica	0.6856	0.5149	0.1762	0.3388	0.9946
El Salvador	1.9215	1.2444	0.4453	0.6222	1.8666
Guatemala	3.3698	1.6484	0.3573	0.5846	2.1599
Honduras	2.9293	1.6955	0.3423	0.6129	2.3800
Nicaragua	4.7093	2.9211	0.6279	1.1193	4.2725
Central America	2.6152	1.5790	0.4179	0.7062	2.3916

Source: own construction

D. REGIONAL FUND

Another option for finance is the establishing of a regional fund. Senator Suplicy (2007) suggests for the case of Brazil the introduction of a fund similar to the one financing the Bolsa Familia program today, receiving 0.08% contribution on all financial transactions in Brazil[35]. It could thus be imagined to create a similar, regional fund for Central America, financed through a transaction, resource, or even income tax. Different options could be conceived of for the financing of this fund: it could be decided that everybody exceeding a certain income threshold will have to pay a percentage, allocated to the fund (much like Howard's suggestion of taxation for the higher income strata in North America), or that each country contributes with an agreed amount of GDP to the fund. The money can thereafter be distributed according to cost burdens as % of GDP needs of the participating countries. This regional option could foster unification and a sense of commitment among the countries, while addressing intraregional inequality much more effectively. Through the imposition of regional control, moreover, capture by local politics can be avoided.

On a different note, considering the urgency of environmental action in the region related to hazard and climate change, as well as the adverse impact large program-generated growth could have in the long run on the already devastated region, the proposal of an Energy Tax (Howard, 2007)[36] should be further explored, applied these days by Iran in terms of financing its transfers through oil tax. One could, for instance, conceive of a resource (petrol, carbon) tax of reasonable size[37] for the region. This suggestion could be applied grounded in a GPD-based contribution by each state (Van Parijs & Vanderborght, 2001, in Howard, 2007), and would have the advantage of encouraging energy efficiency. Despite this solution not being strictly "protective" of the environment, it nonetheless, in combination with (environmental) education, could mitigate impacts of hazardous production through responsible consumption, on the one hand, and disincentivize use of finite/non-renewable resources, on the other. Such a tax is most likely to be effective when applied on a regional level – as opposed to national – so as to discourage evasion through transnational transactions and prompt acceptation among the population.

Also in terms of political reasons, a coupling of poverty reduction and environmental protection issues could be highly recommendable. Howard (2007) declares that a program of this kind must have great appeal and generate positive feedback, considering it "is affordable without excessive cost for the

35 Pereira 2010, p.15 ff. offers an overview over different countries' funds and their input source.
36 For details and calculations refer to Howard 2007, p.20.
37 Were energy taxes really high, they would fall disproportionately on the lower deciles of the population, thus counteracting the actual intention of the program of redistribution.

better-off and promises, in combination with other policies, to ease migration pressures [and] links reduction of energy consumption with economic justice and demographic stability" (Howard, 2007, p. 3).

Summing up, this proposal, following Künnemann (2004), suggests an initial combination of autochthonous, tax-based finance, and international contributions. For the region, two different yet not mutually exclusive, general directions could be imagined, national and regional finance, respectively. Contributions could be collected based on some form, or a combination of income, energy, wealth, and corporate profits taxes (Howard, 2007).

Manifestly, in terms of cost and financing, the substantial cost of not-implementation needs to be considered: current status imposes large financial burdens on the state and hence a small part of the population in the formal sector paying taxes, while social costs in terms of poverty and lack of options, and opportunity costs related to persistently low productivity and competitiveness, circumvent the countries' attempts to improve quality of life for their citizens.

VIII. INSTITUTIONAL RESPONSIBILITIES

Thanks to new and ever-improving technology, administration and distribution of transfers could proceed over a centralized banking system directly, or alternatively be organized through municipality distribution. Considering registration, the incentives for parents to register their newborns are quite obvious. For listing of the existing population, most straightforward, yet with significant systemic risks, is the optional procedure of "everybody who registers receives" Iran plans to implement for its hardly approved, brand-new version of a national BI (BIEN 2010b). Under such a system of voluntary registration, however, asymmetric information problems, especially in rural areas, have to be taken into account and compensated for by special mobilization.

Registration of the population for the program is not a minor issue. One can conceive of numerous incentives for fraud confronted with the situation of having to register for cash transfers. Biometric information like fingerprints in combination with birth certificates or other identification can be used to ensure beneficiaries only receive "their" transfer, like successfully practiced in Namibia: Having one of the most advanced yet simple and efficient systems of paying cash grants, Namibia uses an electronic card with fingerprint identification of claimants. Each month vans with mobile cash-dispensing machines and computers[38] drive out to the payment spots all over the country, and the recipients present their cards and receive the cash grant (Haarmann & Haarmann, 2007). Standing (2008, p.25) explains how the authorities counter the possibility of fraudulent claims made on behalf of dead people: "[they] ingeniously introduced a burial insurance scheme within the pension; the pensioner, on registering to receive the pension, takes out a mandatory life insurance, whereby funeral costs are covered when he or she dies; application for the burial funds enables the authorities to cancel the card at the same time. Given the symbolic significance of decent burials and their cost, the insurance scheme has been found to be very successful in all respects".

Finally, to allow citizens to institutionally claim their right to a BI, it needs to be constitutionally secured, like it is in Mexico City for the elderly, in Brazil and Iran now, and equipped with the legal instruments necessary for citizens to be assured of its enforcement. This can be ascertained only if political authority for the program is not concentrated in the hands of a few individuals.

[38] Take-up rate for the grant is close to 90 percent – remarkably high by comparison with all other pension schemes in developing countries, and higher than any means-tested scheme operating anywhere. Costs are equivalent to about 30 US cents per person per month, also remarkably low by comparison with other systems. The Namibian scheme is administered by a private company which the Government contracts (Standing 2008).

IX. CONCLUSION

The study outlined here describes the possibility to eradicate extreme poverty in the region of Central America through the implementation of a universal, unconditional cash transfer to all citizens. Such a scheme would establish a paradigm change in development policy thinking in so far as it moves away from conditionality and means-testing on the one hand, and charity and "altruism" on the other, towards a rights-based, "preventive" approach. As such, it marks a strategic turn in socio-economic development for the region (Huerta, 2009).

The estimations of the study presented defeat the claim that in the developing countries in general no universal system of social protection is financially feasible (Standing, 2007). It has been shown that through a combination of input sources from both national/regional and international resources, as well as program generated growth and a more efficient tax regime, the costs calculated to be relatively modest compared to their reach, could be covered. This holds especially considering that the problem of the region is not its lack of resources, but rather their distribution (Yanes, 2008).

Depending on political willingness, other – maybe more ambitious – regimes could be imaginable and feasible. Thus, this study is a starting point for further elaboration, and can be expanded over its conceptual trajectory from a regional extreme poverty eradication program towards (eventually) a dignified income on a level comfortable enough to guarantee a reasonable and ethical living standard for everybody throughout the region (or beyond). Simultaneously, costs can over time be internalized, so as to decrease dependency on foreign donors and guarantee sustainability. Ensuring economic sustainability, however, does not safeguard environmental thresholds. Rather, the ecologic impact of sustained economic growth is likely to stress natural equilibrium. Since poverty is closely linked to environmental problems, an integral solution is forwarded in this context, promoting the implementation of an environmental tribute like a petrol, carbon or similar tax, collected in a regional fund to be paid out in transfers directly to the people.

Self-evidently, a BI is a policy, not a universal panacea, and needs to be embedded into a framework of other policies and broader politics. There is, therefore, in view of the immense difficulty attainment of a political coalition on the regional plane promises to become, the need for daring yet responsible politics in the region. In the end, Van der Veen & Van Parijs (2006) hold that political feasibility depends to a large degree on what can be shown to make economic and ethical sense. A regional BI makes economic and social sense. It could be the starting point of a profound, constructive change towards a more equal society, and effective eradication of extreme poverty.

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