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Selectivity as the crux of social policies

*Percy Rodríguez Noboa**

The social cost of the crisis of the 1980s and the consequent application of adjustments to the economy has been giving rise to a number of problems in the region which, together with the marked regression in the main vital indexes, are causing fresh social tensions in the systems of institutions as well as taking other forms of expression too, despite the substantial advances made in the exercise of representative democracy in recent years.

In view of the complexity of the situation, the countries of the region have redoubled their quest for fresh institutional and technical channels for increasing the redistributive capacity of their economies, optimizing benefits, and lending greater dynamism to the mechanisms available to society for furthering the satisfaction of personal and collective needs.

In these circumstances, it is worth stopping to analyse the behaviour of fiscal investment and expenditure, its links with social compensation programmes, and the corresponding institutional frameworks made up by the current emergency and social investment funds. In the case of social compensation, targeting (or selectivity) has come to be one of the instruments most used in recent years. The application of this instrument, however, calls for some clarifications and caution, as set forth in the present article.

The issue of social compensation raises conceptual and technical challenges which are evident from the many recent national experiences in the establishment or functioning of social funds. Among other items, queries have arisen in connection with the limits between objectives of social welfare and the efficiency of investments, the viability of social policies in the short term, and the implications of the expansion of the informal sector or popular enterprise in the region.

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Introduction

The long-standing and familiar debate on effective ways of linking the economic and social variables of growth is far from over. The instances of dissatisfaction and deterioration registered in the 1980s have highlighted fresh limitations on those links, as well as emphasizing the need to expand the channels for the political and technical interaction of these two dimensions of development at a moment of grave crisis for the region which has led to the application of economic adjustment measures of high social cost.

The social shortcomings of recent years have given rise to a new phenomenon in development planning: the rapid expansion in the formulation and execution of emergency social policies. This has meant that short-term social measures, put off for decades because of the long periods over which social phenomena unfold by their very nature, have rapidly become –under various names and in various forms– a leading instrument of public and non-governmental action through the concept and practice of social compensation programmes.

Thus, measures to compensate for social shortcomings and rigidities have become a temporary means for recovering lost levels of living, which, however, can only achieve its purpose within the framework of a set of economic policies whose objectives coincide with each other and give prominence in the short term to criteria of both growth and redistribution, essential in order to make emergency social programmes effective.

Among the economic variables most closely linked with social behaviour in the present situation, public investment and spending call for some comments which will be briefly set forth in this article in order to try to contribute to the recent advances in the knowledge of these matters and, more generally, of the effects of fiscal behaviour on short-term social programmes.

Within the framework of the examination of the scope and possibilities of short-term social policies carried out by UNDP/ILPES Regional Project RLA/86/029, an analysis is also made here of the concept and practice of selectivity or targeting, which has become one of the central elements of the new efforts being made in the region to correct in the short term the most serious adverse consequences of the crisis and the economic adjustments.

At the same time, together with the rapid expansion of these new social programmes, other noteworthy features are the establishment of new institutional forms consisting of social or social investment funds, and the valuable instrumental and operational experience being accumulated by the region in the field of social compensation, since such programmes are being applied in almost all the countries of Latin America.

The implementation of compensation programmes has given a boost to the consideration of important complementary aspects such as systems of formulation, evaluation and management of social projects, and has also been linked with current issues such as the expansion of popular enterprises, the emphasis on regional decentralization programmes, the strengthening of local government, and the adaptation of the basic social services to the new demands of the region.

I

Economic adjustments and social compensation

The severity of the crisis of the 1980s, and the application of stabilization and adjustment programmes in recent years, has led to an acute deterioration of the living conditions of the population in the region. The regression registered in the most important economic and social indexes brings out the true magnitude of the situation and the difficulty of securing a significant reversal of this process in the 1990s.

The most obvious consequences of the deterioration of the standard of living of broad sectors of society are to be seen not only in the unsatisfied needs for goods and services but also in the demands expressed through various forms of social action and the further dissolution of the structure of society.

The most systematic response of the public sector and civil society as a whole to these increasingly massive needs has been expressed, since the second half of the 1980s, in a set of emergency and short-term social policies and in the organization of flexible and effective institutional responses which, with additional domestic resources and others obtained from external co-operation, are taking the form of concrete programmes of social compensation for the most under-privileged sectors of society.

In this way, efforts are being made to set afoot specific action within the State and non-governmental sectors to recover average levels of satis-

faction of basic needs and stable economic benefits designed to match, initially, those reached before the process of regression began. For planning purposes, these levels could be taken as those prevailing at the beginning of the 1980s, although they will naturally vary according to the conditions of each country and the overall behaviour of its main economic and social indicators.

It is essential to establish the numerical magnitude of these main social indicators, together with their most significant directions and trends, in order to have a reliable empirical basis for determining more precisely the objectives and goals of the compensation effort (ECLAC, 1989a). This shows the need for the rapid and effective adoption of specific economic policies with a high capacity for redistribution, together with social policies which are in line with the operational criteria and give the opportunity for equitable access to the economic development process and to the benefits of modern life to all social groups, but particularly to those suffering most seriously from the effects of the crisis and the recessive adjustments of recent years (ECLAC, 1990, p. 123). In this way, it may be sought to obtain valid, homogeneous and comparable instruments for the identification and follow-up of the short-term evolution of the main variables and their most significant indexes with regard to social promotion or "human development" (UNDP, 1990, p. 320).

II

The economic impact of the crisis

The contraction of the economy in the 1980s was reflected in a sharp slackening in growth and accentuations in external constraints and in the shortage of resources for growth and expenditure. The stabilization and adjustment programmes, applied at a high social cost, have mainly sought to recover the principal macroeconomic balances through the reduction of inflation, the expansion of exports, some selective increases in purchasing power, a marked reduction in public spending and increases in indirect taxes in order to reduce the fiscal deficit (Rodríguez Noboa, 1988, p. 52).

When we look at the social demands of the 1990s, we see the need for substantial changes in the current distribution of the benefits of the economy. Distributive change alone, however, even if authentic and structural, will not be enough unless there is a process of expansive growth and greater resources are available from the processes of domestic accumulation and saving in order to keep up a suitable rate of investment. Growth must restore the "reproductive capacity of the economy" and hence ensure the expansion of productive em-

ployment and income creation; at the same time it must seek to satisfy mass demands through the production of essential goods and services in order to overcome the poverty which currently affects 40% of the population of Latin America (Castillo and García Hurtado, 1990).

Widespread dissatisfaction and social contradictions have led to dramatic expressions of unsatisfied essential needs, to socio-political pressures, and to demands for the fulfilment of compensatory institutional goals, all of which can hardly wait for the trickle-down effect of growth, which in any case has its own priorities and limitations.

Consequently, the strategies of the 1990s must include systematic proposals for integrating the above-mentioned variables of economic behaviour with social processes which give a leading place to consensus-building as a means of uniting objective wills in order to expand the production process and make it more equitable and to further the exercise of democracy by easing it through its critical phases and helping to clarify the current prospects of the region.

III

The social implications of investment

When dealing with the subject of public investment and its links to social policy, the following points must be taken into account:

Firstly, the decline in economic activity sharply reduces the domestic saving available for financing investment and keeping up public expenditure (Gambarotta, 1988). Criteria of efficiency and the incremental approach to investment continue to prevail as the framework for resource allocation in the region, both for objectives of growth and for social development, bearing in mind the residual position that the latter has occupied historically in fiscal expenditure.

Secondly, while it is important to give uniform treatment to public investment with a view to the

well-planned utilization of scarce resources, at the same time it is necessary to apply precise criteria of social promotion in the assignment of resources to the social components, even though the magnitude of the latter may be small compared with overall levels of investment and expenditure.

Thirdly, it is necessary to keep in mind the possibility of optimizing the use of non-monetary domestic resources – "work for food" systems, informal production, community contributions of services, forms of direct marketing, and intensive utilization of the participative capacity of the population – as well as the possible procurement of extra external resources through the conversion of debt paper with a view to applying them in social

programmes and international co-operation projects.

Finally, it may be noted that various social or social investment funds have been seeking specific forms of return (or differentiated internal benefits) from their programmes by trying to replace those of an essentially assistance-oriented nature by others of a promotional character,

while taking care to maintain the efficiency of investment in social projects of varying characteristics and sizes. This highlights the importance both of the processes of formulation and evaluation of social projects in project banks and possible "virtuous circles" in investment which are reflected in integrated systems of social projects.

IV

The economic variables of recovery

With regard to the set of economic variables which have the greatest and most direct effect on the social situation of the region and hence represent the main instruments for laying the basis for subsequent recovery, the following points should be taken into consideration:

Short-term social programmes need priority access to public or private investment resources in order to promote economic activity in those sectors, programmes or specific activities which can bring about significant social advances, particularly in providing stable *employment* for the labour force, and which can ultimately generate greater *income* and better primary distribution, thus facilitating the access of the population to strategic goods.

Traditionally, a predominant role in the financing of social sectors or programmes has been played by public expenditure, and especially social expenditure, which is directed above all to the provision of essential public services but which showed a downward trend in the 1980s. There are various clear guidelines, which have been applied in various countries, for *optimizing the use made of social expenditure* (Montiel, 1988) through the establishment of clear priorities, the reduction of administrative costs, increases in the productivity of investment, the adaptation of the supply of strategic mass-consumption goods to current needs, the suppression of leakages, etc.

In view of the limited resources available to society, social programmes try to give special weight to the *economic benefits of social investment* by focusing attention both on their immediate and their longer-term yields which are of import-

ance for achieving the promotional purposes of the expenditure –particularly in the sectors of nutrition, health and education– and their real effect on production and productivity, institutional development, and the elimination of marginal costs, *inter alia* (World Bank, 1980).

Participative forms of action connected with the production of community goods and services are now being used in an effort to consolidate existing mechanisms or apply new means of enhancing the redistributive capacity of State or private investment and expenditure and increasing employment and real family income.

Among the promotional instruments and mechanisms for furthering and complementing strategic *redistributive capacity* for social compensation purposes, mention may be made of the following:

i) Measures designed to facilitate the access of small-scale *production units* (Necochea, Durán and Trivelli, 1990) –generally micro-enterprises, small firms and associative forms of production– to preferential lines of credit and especially production assets, in order to further the linking up of the most common informal activities with the global economic process, or the extension of increasingly important forms of "popular enterprise".

ii) Policies and *specific measures* to further and strengthen the redistributive orientation of *economic policy*. Among the first-named are policies on relative prices, wages and taxation, while among the second type of measures are subsidies and transfers which channel benefits to under-privileged social sectors, within the limits

permitted by the need to maintain the stability of the economy in different national situations.

If the orientation and management of the economy have a compensatory aim, this can have a marked influence on demand by facilitating the access of the poorest sectors of the population to mass-consumption goods and essential services and linking up these aims with changes in the *system of production*, particularly of goods of strategic importance for mass needs: for example, those forming the basic shopping basket, plus others which are no less essential such as goods connected with sanitation (water), and the most commonly used medicines and construction materials.

With regard to *basic services*, in recent years various measures have been adopted to maximize the use of the installed institutional capacity in order to keep up the *real coverage* of such services

—particularly those provided by public establishments— in the face of growing demand and to improve their quality and orientation and make them compatible with strategic policies for the recovery of economic growth and with the new demands of the process of changes in production patterns (Tedesco, 1989).

In social sectors heavily dependent on mass-consumption staple goods, programmes designed to change *consumption patterns* can be very useful, since they can significantly raise the level of satisfaction of personal and family needs by inducing changes in cultural forms and traditional values. In order for these programmes to be successful it is necessary that there should be clearly defined collective processes linked with the socio-cultural identity of broad sectors, together with educational processes which can achieve positive results in a short space of time.

V

Social and institutional components

In addition to the compensatory orientation that can be imparted to economic policy, there are also substantive social and socio-political instruments which can be of value in the operation of short-term programmes.

The intervention of the beneficiary population or of the most depressed social sectors is particularly important for the proper orientation and functioning of social promotion programmes and, in general, for the taking of decisions affecting them. The *mobilization* and subsequent *participation* of the population heighten the representativeness of community action, act as positive factors in the execution of social projects through their contribution to effective management and have other well-known effects such as saving of resources, control over the process of implementation, and better use of the existing infrastructure.

Furthermore, participation can promote quicker *project execution* through the encouragement of traditional systems of community action or mutual help or the generation of new processes of grass-roots solidarity in order to meet primary needs collectively. There are many examples in the

region of effective support for the execution of specific projects through participation.

An institutional component of a politico-territorial nature which involves public action and has important territorial expressions (Boisier and Silva, 1989) is the furthering of *decentralization and deconcentration* of public organization and action in order to achieve greater *effectiveness and representativeness* in the management of social programmes in particular areas or functions (Palma and Rufian, 1989). Processes of regionalization or differentiated spatial development, together with the corresponding systems of regional, local or community government and their participation in the democratic and pluralistic exercise of power, have a well defined and effective role in short-term social policies (Johnson and others, 1989).

The institutional capacity of the public authorities and of private or non-governmental sectors has markedly increased its importance in the management of social programmes. This has been achieved through the promotion of agents or bodies with a high level of autonomy, dependent

on the highest political levels, freed from the need to comply with the cumbersome rules of the central administration and flexible in their management and financial administration. These agents or bodies can attain a remarkable level of dynamism—as has happened in almost all the social compensation funds—which enables them to act with the effectiveness and promptness that the unsatisfied social needs demand.

Furthermore, the nature and urgency of emergency programmes have given rise to generally concerted action by *society as a whole*, and especially by non-governmental institutions of wide coverage and high organizational capacity which—according to the particular needs of

each country—have come to play leading roles in compensatory processes of extensive scope. The action of the church, trade unions, private enterprise and other representative institutions has been particularly noteworthy in many such initiatives.

In the politico-institutional field, much interest has also been shown in establishing, within the central administration of the State, a *social authority* or similar institutional mechanism which can ensure the co-ordination, promotion and complementation of social sectors and programmes and can also put forward the demands of the population at the highest level of political and technical decision-making.

VI

Redistribution and targeting

Since the beginning of the stabilization or adjustment programmes applied in the economies in crisis in the region, and especially since the initiation of the reforms of public social services, continued stress has been laid on the importance of taking measures of a selective nature to support the social sectors bearing the brunt of the crisis. Thus, in the 1980s many Latin American countries pursued the criterion of selectivity rather than the principle of universality, and one of the means used was that of compensation funds or programmes. The Social Investment Fund of Bolivia, for example, incorporated the experience of the previous Emergency Social Welfare Fund which operated between 1986 and 1990; it further developed it in some areas and placed emphasis on the importance of increasing the absorption capacity of the beneficiary social groups through activities in the medium term in strategic sectors, particularly health and education (Bolivia, Emergency Social Welfare Fund of the Presidency of the Republic, 1990, and World Bank 1990).

The criterion of selectivity is applied through the targeting of resources and benefits onto the neediest groups in the corresponding social universe, in combination with such policies of comprehensive scope as it is possible to apply in each case. The selection naturally covers broad so-

cial sectors, so that it transcends operational divisions at the level of projects or specific actions.

In view of the rigidity of economic and social policies in the medium term, the fact of selecting a particular targeting option—even though such an option does not constitute a paradigm—means the adoption of a criterion which will have many promotional effects in the short term and which can also help to orient future public action aimed at avoiding the generational reproduction of poverty.

In principle, the criterion of selectivity in the allocation of benefits or targeting of access to essential goods and services represents a positive response which seeks to restore levels of equity, to make it possible to meet vital and urgent concrete needs of the most under-privileged groups, and to permit orderly operation by simplifying and optimizing resource allocation. At the same time, it is not easy to attain the redistributive aims pursued by short-term economic policies when social objectives are by their very nature many and complex, and targeting helps to secure a better redistribution of benefits by proposing a simple and practical criterion for their allocation.

The clearer concept which now exists of targeting, however, and particularly some conclusions and recommendations on concrete experiences of its application, have led to the pro-

posal of some limits on selectivity which call for further clarification (ECLAC, 1989b).

As a rule, the time context in which targeting is proposed and practiced covers only short periods. The social compensation programmes in which it is usually included as a fundamental element are generally of *short duration*. Thus, the corresponding social funds and institutional management systems generally lay down periods of three years for the execution of their specific projects and programmes, as is now the case, for example, in Mexico, Honduras and Panama.

Since they are *designed to bring about the recovery* of particular objectives, short-term programmes, as already noted, generally seek to recover average indexes and levels of living similar to those of the early 1980s. This confirms that their purpose of compensation is of quite different scope from the objectives pursued by structural changes or alterations in the system of social relations typical of processes of social change.

The correct application of targeting calls for a *system for the provision of precise information* on changes in the levels of satisfaction of the needs of the groups to which it is directed, for the constant fluctuations in the line separating poverty from extreme poverty, for example, cause appreciable changes in the factors affecting decisions on the supply of goods and services and complex systems of organization, infrastructure and supply. This may result in the mistaken maintenance of emergency treatment for groups which are now in a better relative situation, or the failure to provide

support measures for sectors which have only just sunk into a situation of extreme deprivation.

With regard to urban middle-income sectors, various concerns have been expressed, from various points of view. The "middle classes" of the region, which have special social characteristics and frequently distorted consumption patterns, generally come from sectors which are "fully employed", but at real wages which are below minimum requirements; from under-employed groups engaged in informal activities; or from groups holding only temporary jobs. In different ways, and in line with different recent experiences recorded in the region, these strata tend to suffer from abrupt drops in real income in both absolute and relative terms. As they are not protected by wage systems and have no organized forms of representation and presence in the regular statistical systems, they are not covered by the prompt application of compensatory measures which should really include them for normal purposes of social promotion.

Public sector targeting is directed towards the neediest and often most numerous sectors of the population, thus involving limitations in both the coverage and the quality of the protection provided. On the demand side, however, this gives rise to a repeated tendency towards increased benefits for the relatively better-off sectors and concentrates improved benefits on these groups, as in the case, for example, of some elitist trends in educational services and various forms of privatization or increased cost of health services.

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