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Social policy *paradigms* in Latin America

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In recent years, a new development model has arisen in Latin America whose spread has been facilitated by the changes which have taken place in the world economy (globalization, technological innovation) and their repercussions on the region. A consensus has been generated in respect of the model's economic tenets, and there is also widespread agreement –which is gradually being reflected in concrete measures– on the role that should be assigned to the State. With regard to social policies, an awareness has been growing –with some difficulty– of the limitations of the traditional way of implementing them and the need to develop new criteria on their design and application. On the one hand, this article analyses the ways each development model relates to the role of the State and the social component, while on the other it sets forth two social policy paradigms (the prevailing one and that which is now emerging) currently found in Latin America and contrasts them in various dimensions: institutionality, decision-making logic, financing, objectives, criteria with regard to priorities and expansion, population benefitted, basic approaches and indicators used. Finally, various social programmes are described which illustrate the innovations put into effect in the region.

I

Development models and social policies

Every development model implicitly or explicitly includes within it a conception of the social dimension. This is also true in the case of the models which have prevailed in Latin America. Models are, of course, stylized simplifications of the features characterizing various stages of development (table 1) and do not take account of all the variations that may be found in each country due to the political solutions sought for the social conflicts found in each case.

1. Outward-oriented growth

In this phase, the Latin American countries exported primary commodities and received manufactures in return. The State was of the classic liberal model, so that its functions were limited to external security, keeping order within the country, and striving to ensure the conditions needed for the fulfillment of contracts.

Social policy was not among the concerns of these governments. As the World Bank (1995) has noted, throughout the course of history people have gone to private teachers and private schools for their education, and to private doctors and hospitals when they fell ill. This situation led a Brazilian President of the time to assert that the social dimension was merely a police matter (Cardoso, 1983).

Nevertheless, during this period other "solutions" were emerging for the "social question". Thus, in the countries which had received a large number of immigrants from Europe there were "private" social policies, known under the general title of mutualism, which were promoted by the prospective beneficiaries themselves, organized in cooperatives, mainly for the purpose of providing health services. Furthermore, in the face of international migration, governments began to feel some concern which led them to place stress on basic education, seen as the main

channel for the transmission of national values and a common language.¹ This gave rise to the principle of the teaching State, centrally organized and inspired by a non-religious and liberal ideology, which was to experience rapid growth in those countries which were politically more stable, were further ahead in the processes of urbanization and formation of middle classes, and had higher levels of per capita income and a greater degree of ethnic and social integration (Romero-Lozano, 1993).

2. Import substitution

In the import substitution phase, which is usually said to have begun as a result of the 1929 world crisis –although it began earlier in some countries and much later in others– the State took on new roles (in the fields of regulation, intervention, planning, entre-

TABLE 1
Development models and social policy

<i>Outward-oriented development</i>	
Motive force:	External market
Basic product:	Primary commodities
Type of State:	Classic liberal State
Social emphasis:	"A police matter" (Cardoso, 1983) (Private) self-protection "Nation-building"
<i>Import substitution</i>	
Motive force:	Domestic market
Basic product:	Manufactures
Type of State:	The State as intervening agent, entrepreneur and promoter of social initiatives
Social emphasis:	Protection for wage-earners (organized groups presenting demands). Political and social links with the labour market. Creation of a "middle class": measures to ensure purchasing power for the acquisition of locally-produced goods
<i>Post-adjustment</i>	
Motive force:	External market
Basic product:	Competitive goods incorporating technical progress (often based on the use of natural resources)
Type of State:	Regulator, "neo-social"
Social emphasis:	Investment in human capital

Source: Prepared by the author.

¹ It was out of the question to propose a multi-cultural, multi-nationality or multi-ethnic State such as is currently frequent in the region (at least at the level of theory and discussion). Consequently, there was no question either of the promotion of bilingualism or multilingualism, which is based on the idea that the different languages spoken in a country should be recognized as being of equal value and that it would be desirable to preserve them.

preneurial activities and "social affairs") in order to aid the functioning of the new "inward-looking development" model whose motive force was the domestic market.

In fulfilling these new responsibilities, in a situation where natural barriers had been reduced as the result of the crisis and wars, governments established tariffs in order to defend national industry from foreign competition. The State also carried out activities which were not attractive to private enterprise but which were necessary in order to make possible other productive activities (building up the infrastructure, electricity supply, etc.).

The "easy" stage of import substitution permitted the local manufacture of a wide range of goods characterized by their limited technical requirements. In this context, social policy sought to protect wage-earners in response to pressures from the growing trade union organizations, whose activities were facilitated by the concentration of workers and the increasing importance of industry. The next stage of import substitution—the "difficult" phase—was only within the reach of those countries whose domestic markets were big enough to interest the transnational corporations, who owned the technology needed to manufacture more complex goods. In one case, these comparative advantages gave rise to a "triad" of social actors in the field of industry (national, transnational and State), leading to the establishment in greater depth of the so-called "associate" capitalism (Cardoso, 1973). In other cases, efforts were made to expand the economic space through regional integration agreements, some of which, in their early stages, managed to attract foreign investment and secure a high rate of economic growth.

In this period, social policy helped to create or further consolidate a middle class,² since it was necessary to keep up the purchasing power required to ensure demand for these new high-cost domestically manufactured products, such as motor vehicles. This probably helped to further aggravate the already unequal structure of income distribution.

However, the model began to suffer from increasing difficulties, and this led the groups which felt that their benefits were being adversely affected to press for measures in support of their interests.

² "The development model that prevailed during the period after the war—it has been said—was successful in building new economic structures, in raising the standard of living of the middle class, in forming new social strata, and in furthering the industrialization and urbanization of the region" (Ibarra, 1985).

This led to the deterioration of social harmony and political life and eased the way for the emergence of authoritarian governments which were seen by some as a means of heightening the sway of capitalism (O'Donnell, 1973).

The weaknesses that were intrinsic in the functioning of the Latin American economies were covered up through the application of policies that showed little respect for fiscal orthodoxy, thus leading to serious macroeconomic imbalances and outbreaks of hyperinflation. Excessive use was also made of external indebtedness, facilitated by the glut of petrodollars in the international financial system; this was to lead later to the debt crisis, which burst upon the scene with the cessation of payments by Mexico in 1982.³

3. The post-adjustment model

During the so-called "lost decade" (which was not lost in economic terms for all countries and was actually a decade of progress for many countries because of the restoration of democracy), a new model began to gain currency whose main economic criteria are: i) attaining or maintaining the economic balances; ii) bringing down inflation; iii) withdrawing the State from some areas where private actors can be more efficient; iv) increasing exports, because the motive force of these economies lies once more in the international market; v) raising the competitiveness of national producers, even by eliminating tariff protection, and vi) modernizing the public apparatus so that it uses its resources (especially financial resources) more efficiently and is more effective in achieving its objectives.

In order to overcome the crisis and comply with these criteria, the Latin American countries applied stabilization and adjustment policies which in many cases had high social costs.

The early 1990s have shown some positive results of the economic reorganization measures adopted (lower inflation, recovery of growth, etc.), accompa-

³ During the 1980s there were cuts in the resources devoted to social programmes and there was an increase in poverty. It is worth noting, however, that these programmes were then at an all-time peak and that there is not necessarily a causal relation between social expenditure and poverty. Fundamentally, poverty is linked to the economic cycles. In the period in question, the increase in poverty was due in some cases to the decline in economic activity and the consequent reduction in employment, which was not offset by suitable social compensation measures, while in others it was due to economic failures and exaggerated populist measures, and may be considered as a social cost of failing to adjust or not adjusting in time.

nied in some cases by reductions in poverty (ECLAC, 1994b), although at mid-decade a number of countries may be registering setbacks in this respect.⁴

This new phase of development shows radical changes compared with the region's previous experience in terms of the need to incorporate technological innovation, achieve competitiveness and deal with international competition. It is no longer possible to base a growth strategy solely on abundance of cheap labour or the over-exploitation of natural resources (spurious competitiveness). It is now necessary to incorporate technical progress into the production process in order to raise productivity (ECLAC, 1992). This requires a well-trained and flexible labour force, whose members will very likely be obliged to change their jobs several times during their working life.

At the same time, however, the competition of other countries makes it necessary to try hard to win and keep market segments. This calls, among other things, for an austere State which must give up part of its income in order to reduce the tax burden on enterprises so as to help them become competitive.

This gives rise to a contradiction between the new importance of social matters, which must incentivise the State (and other actors) to create the necessary conditions for the attainment of systemic competitiveness, which naturally requires increasing resources, and the need to reduce public revenue in order to cope with global competition. It is therefore particularly important to analyse the criteria underlying the design and implementation of social policy and to seek new paradigms for carrying out this task.

II

Social policy characteristics in the prevailing and the emergent paradigms

Two social policy paradigms may be distinguished: one which originated in the import substitution phase, and which still prevails, and another which is as yet latent or emergent (table 2).

1. Institutional forms

a) *Centralized State responsibility or a multisectoral approach*

Traditional social policy is based on programmes carried out by the State, which is responsible for financing, designing, implementing, supervising and occasionally evaluating them. In other words, all the functions are unified in the hands of a single actor.

The emergent paradigm takes account of the indications that this concentration of responsibilities in the hands of the State is running out of steam and asserts that the State should no longer do the same things as in the past, or in the same way. The State will be partly responsible for financing, especially of

programmes aimed at the poorest sectors of the population, and it will also have to be responsible for the execution of programmes, although according to some circles it should do so only in a subsidiary manner, when it has to take the place of other social actors who would normally be the prime candidates for these tasks.

It is maintained, however, that social policy functions can be divided up and carried out by other subsectors: by charitable or voluntary, commercial, or informal groups (Bustelo, 1989).

The presence of these subsectors is quite evident. Indeed, in some countries of the region non-governmental organizations (NGOs) handle more resources than the State social sector itself (Anaya, 1990).

The family (informal sector) has always been the main body responsible for social functions, including the main educational function, but it has very gradually been replaced by the State and other social agents. It nevertheless continues to play a role of fundamental importance, yet it is not usually taken into account in the design of social programmes.⁵

⁴ Reducing the number of people who are unable to satisfy their basic needs becomes increasingly difficult if the measures in this respect are not accompanied by changes in social policy guidelines which enable the hard core of poverty to be attacked.

⁵ For an analysis of programmes whereby it is sought to promote the collaboration of the family with the schools in the learning process of children, see Mayorga, 1995.

TABLE 2

Social policy paradigms		
	Prevailing	Emergent
<i>Institutional form</i>	State monopoly Finance Design Implementation Control Unified functions Centralization	Multiple subsectors State Private (commercial) Philanthropic (NGOs) Informal (family) Separate functions Decentralization
<i>Decision-making process</i>	Bureaucratic Macro-strategies "The State knows what to do" Resources allocated administratively Users have no say or choice	By projects Competitive allocation Tendering Allocation proposed by users "Innovative capacity exists throughout society and every effort should be made to take advantage of it" (Social Investment Funds)
<i>Financing</i> <i>Source of resources</i>	The State	Co-financing "No charge=No good" Recovery of costs: "He who can pay should pay" Risk: marginalization of the poor
<i>Resource allocation</i>	Subsidization of supply Absence of competition	Subsidization of demand Creation of quasi-markets Competition Freedom to choose Does the consumer have enough information?
<i>Objective</i>	Universality of supply High cost, low impact Homogeneous available supply favours those who are best-informed and best-organized	Universality of satisfaction "Unequal treatment for those who are socially unequal"
<i>Criterion as regards priorities for expanding the system</i>	Gradual expansion from the top down Segmented access "Less social expenditure = less equity"	The neediest first Instrument: targeting
<i>Beneficiary population</i>	The middle class Organized groups	The poor
<i>Approach</i>	Centered on the means Social infrastructure Current expenditure	Centered on the ends Impact: size of benefits received by the target population, according to ends pursued
<i>Indicator used</i>	Public social expenditure	Cost-impact ratio

Source: Prepared by the author.

The commercial sector serves those groups which have some money to spend. At first sight, it would therefore appear to have very little to do with equity and attention to the needs of the poor. However, its participation can take two forms. Firstly, the existence of this private subsector can help to ensure that State resources are concentrated on the less-privileged, because if the groups with some money were not in a position to satisfy their needs through payment, they would try to satisfy them by pressuring the State to serve them through public programmes. Secondly, the commercial sector can carry out some social service functions –probably very efficiently– through third-party procedures.

Various countries in the region are carrying out reforms whereby responsibility for certain stages of the implementation of social policies is transferred to the private sector. This is so, for example, in the case of health insurance, where although the law may fix compulsory contributions to be paid by wage-earners, it allows the latter to choose the institutions –public or private– which are to manage those resources and provide health care when needed (as in Chile, Argentina, Colombia and Peru), or in the case of pensions, where the public regulations provide for compulsory saving but also allow private firms to manage pension funds, as in Chile, Argentina, Peru and, latterly, Uruguay.⁶ In Chile, this transfer to the private sector has made possible the creation of a successful financial market and the accumulation by those companies of over US\$ 20 billion of resources which have been a factor in that country's increased investment, which now amounts to 25% of GDP.⁷

⁶ This is not a question, as is often claimed, of processes of "privatization" of social security, for the private firms which participate in the management of individually capitalized pension contributions do so within a legal framework which assigns very important functions to the public regulatory bodies. There are supervisory bodies which lay down detailed rules on the functioning of these companies and even on the type, quality and mix of financial instruments in which the pension fund management companies can invest.

⁷ It is necessary to take into account the costs of the transition from a public to a private pension system, however. In Chile, the payment of pensions due under the old (public) system absorbs 40% of total social expenditure.

b) *Centralization or decentralization*

The prevailing model is based on a highly centralized State, whereas the emergent paradigm tends to encourage the taking of decisions at the local level, to which end it promotes both deconcentration and decentralization.

It is worth recalling that the historical tendency in Latin America has been towards centralization. This has been due, on the one hand, to purely economic reasons, such as the indivisibility of scale of certain decisions and the feedback between centralized decision-making and the concentration of economic activity (Boisier, 1976), as well as the process of concentration of the population in big cities, while on the other it has been favoured by political features such as the unitary matrix typical of most States in the region, the underlying leaning towards centralization which exists even in countries which have adopted federal structures, and the cultural influence of traditionally centralized countries such as France. This tendency is also heightened by the weakness of local institutions and their lack of practical experience of taking decisions on matters which concern them.

The criticisms of centralization stress that under that system decisions are taken without having the necessary information on the special features of each area and there is a tendency to adopt homogeneous solutions for heterogeneous situations, which leads to inefficient resource allocation and failure to solve problems.

It is also noted that centralization has sometimes favoured dominant groups installed in the capital, which use resources taken from the rest of the country. It is also maintained that the tendency to increase the functions of the State means that there is a constant increase in the number of important decisions taken in the capital, so that the provinces and regions are subjected to what has been called "the pace of a distant and indifferent governing bureaucracy" which constantly expands, untroubled by the concerns of other areas, is inaccessible, and has generated its own interests which are, or may be, contrary to the objectives for which it was set up.

It is also asserted that centralization inhibits participation, since the way and the places in which decisions are taken makes it difficult for citizens to influence them or monitor the handling of matters of interest to them.

The advantages of decentralization are said to lie in the fact that it can generate greater social consensus, thanks to participation, and greater control of the bureaucracy, which, in the opinion of Tullock, hides in the impenetrable jungle of centralization. Furthermore, smaller scales, both in terms of territorial extension and number of persons, would facilitate calculation of the costs and benefits of the actions it is planned to take and would even make it possible to experiment with alternative methods of providing given services: something that would be almost impossible to achieve with centralization, in view of the great operational complexity of that system (Weale, 1978).

However, there are also arguments against decentralization. Some experts, for example, claim that local autonomy in the provision of social services would lead to unacceptable variations in the standard of provision of services between different areas.

As for the possible link between decentralization and democracy, it is argued that in quite a few cases the central authorities or their representatives have played a fundamental role in doing away with forms of oligarchical domination which existed in more or less isolated regions. One example of this, it is suggested, is the French educational system, which, through the work of teachers appointed by the central government and rotated every so often so that they do not come under the influence of local powers, has helped to establish a common language, to foster "modern" social values, and to consolidate the Nation-State.

It is common practice to maintain that redistributive activities must be centralized in order to ensure a balance between supply and demand, for otherwise there could be an incentive for beneficiaries to flock to areas offering the biggest benefits and for taxpayers to migrate to places where the tax burden is less (Larrañaga, 1994).

This argument coincides with the view that the main reason for educational inequalities in the United States is its decentralized educational system, which allows corporative groups to influence the allocation of resources for education in order to further their own interests. In this way, the financing of education for the poor is limited firstly because the tax base varies with the wealth of the local community, and secondly, because there is little incentive to spend money on the poor because, once they have got an

education and attained some degree of social and economic success, they will probably migrate elsewhere and will thus not contribute in their turn to finance the expenditure of the district which invested in their education (Owen, 1974).

Owen concludes that the decentralization of decisions in the field of education tends to give disproportionate weight to private demands and to adversely affect the satisfaction of social needs in education. He suggests that an educational system centralized at the national level is better placed to help solve the problems in question by setting standards that must be complied with in all schools, even those located in poor communities, which should be given supplementary federal funds to enable them to meet those requirements.

It is important to take into account the degree of decentralization desired and the forms and ways in which it is to be implemented. Thus, many of the arguments put forward by Owen stem from the fact that in the United States the decentralization of education extends not only to management but also to the procurement of resources, and there is little or no general regulation of the system.

This does not necessarily need to be the case, however. A decentralization policy for education could, for example, transfer the management of educational establishments but maintain in the hands of the central authorities such functions as general regulation, monitoring, and all or some financial functions.

Nevertheless, these more detailed decisions can only be taken once it has been decided to adopt one or another of the proposed solutions,⁸ which is a political decision that cannot be taken solely on the grounds of efficiency and efficacy.

⁸ This is an appropriate place to quote Givaudan (1980): "Thus, in the face of equal kinds of tyranny, the question is whether it is preferable to be the victim of a ponderous, far-off system which treats individual cases with indifference, or of a system closer at hand which knows all about its subjects and always holds out the possibility of 'getting another chance'... State administration has its advantages and its disadvantages. In the face of its dusty offices, its laws, its rules and regulations, its customs and its discretionality, the user feels something like fear. In contrast, local administration suffers from its own advantages. In the face of an administration which knows him personally only too well, since nothing escapes its eagle eye, the user has a feeling of mistrust and doubts whether the local administration is really objective".

2. The decision-making process: bureaucratic procedures or a project-oriented approach

The prevailing paradigm is based on the implementation of social programmes by the public sector, which delivers them in the amounts and qualities that it sees fit, for reasons stemming from administrative or political considerations or corporative pressures. It is based on the principle that the State knows what needs to be done. Users have no real choice: all they can do is accept the service offered or not, provided of course that it is not compulsory.

The emergent paradigm, in contrast, tends –as far as possible– to encourage the participation of other actors. It seeks to allocate public resources in the light of projects prepared and presented by the users themselves, according to their own ideas of how given social problems should be solved. This conception believes that the capacity for innovation is to be found throughout the whole of society, not exclusively in the State, and that it is necessary and desirable to take advantage of that capacity.

In the case of education, for example, it is recommended that schools should be given technical autonomy to prepare their own educational “project”, thus making possible the existence of a varied supply which would be better adapted to the variety of situations, needs and value options which exists in the field of education.

Another objective is that the teachers should take on responsibilities in the area of school management, where they could develop alternative projects on the basis of their own experience. In Maringá (Paraná, Brazil), the running of some public schools was transferred from the public sector by handing them over to teachers’ cooperatives with autonomy in technical and administrative aspects, while the municipal authorities retained responsibility for financing the schools and evaluating the results. “This measure created a new relationship between the teachers and the students and parents: a relationship which was much more integrative, responsible and receptive than the other forms of management adopted in the past” and various studies found that there were “marked improvements in the provision of educational services”, but even so, because of the determined opposition and pressure movements of the teachers’ unions, the Prefecture decided to discontinue the project (Silva and Cruz, 1995). In Las Condes (a sector of Santiago, Chile), the Municipality has handed over the administrative and curricular management of several schools to companies formed

by teachers who have taken on this responsibility although they risk losing their status of municipal teachers protected by the State regulations applicable to publicly-employed teachers (Lavín, 1995).⁹

The Educational Improvement Projects of the Chilean Ministry of Education also aim to encourage teachers in schools of medium and high risk levels to submit projects for obtaining resources to facilitate teaching activities (Téllez, 1995).

3. Financing

a) *By origin of resources: provided by the State or obtained through co-financing*

The prevailing paradigm is based on the State, and consequently social policy is mainly financed from fiscal sources, which are faced with growing demands for funds. The resources are always limited in the face of growing needs; as soon as one need is satisfied, another arises which is probably even more complex. Thus, for example, as soon as total coverage of primary education is attained, the problem of its quality arises.

The emergent paradigm, in contrast, considers that the State is not the only actor in social policy and that it should be only one of several possible sources of funding. In the final analysis, what is needed is co-financing, or the contribution of resources by the beneficiaries themselves, which would not only mean extra resources but would also heighten the community’s commitment to the programme. The underlying criterion is that anything which is provided free tends not to be properly appreciated by its recipients. The risk of marginalizing the poorest sectors, who are not in a position to take on financial commitments, can be avoided by establishing the necessary incentives (Larrañaga, 1994; Lehmann, 1994).

Another form of co-financing is the recovery of costs by making a charge for the provision of public social services. The principle applied here is “he who can pay, should pay”, especially in the case of social programmes which are not aimed at the poor: free higher education is an example of this.¹⁰

⁹ For more details on this subject, see Lehmann, 1994.

¹⁰ Measures to recover costs can lead to a substantial reduction in the demand for services (Makinen and Bitrán, 1993), because the charges made drive away those who do not have the resources to pay. It is therefore necessary to establish criteria which distinguish among beneficiaries according to their ability to pay: those with high incomes should pay the whole of the real cost, middle-income recipients should repay at least part of the cost, while the poor should receive attention free (Cornia, 1987).

In Chile, there are possibilities for shared financing in all the public secondary schools and in the primary-level subsidized private schools (municipal schools are obliged to provide education free).¹¹ In that country, 91% of all students receive their basic and secondary education entirely at the cost of the State, which gives the advocates of co-financing grounds for maintaining that families should have a bigger commitment to the education of their children, through a financial effort in keeping with their income and the number of their children. The State could then concentrate its resources on those who are really unable to pay (Passalacqua, 1995).¹² At all events, suitable machinery is needed to ensure that co-financing does not lead to the exclusion of those who are not in a position to contribute.

Co-financing can also come from commercial firms in various ways: i) firms running subsidized schools can help to finance school infrastructure; ii) business firms can make donations or finance the current expenses of schools; iii) business associations can assume responsibility for running schools, and iv) firms can be given tax rebates if they provide resources for education (Martinic, 1995).

b) *By the form of allocation of resources: supply-side or demand-side subsidies*

In the prevailing paradigm, the financing is designed to cover the relevant costs of the supplier (some State body) which provides goods or services to solve or alleviate the social problem in question.

In the case of subsidies for demand, in contrast, the financing agent transfers purchasing power (in the form of coupons or vouchers) so that the benefi-

ciary can "buy" the goods or services he deems appropriate in the (quasi) market thus created. The existence of more than one supplier is a fundamental requirement in this form of subsidy. Calculating the value of the voucher raises some difficulties, however (Levin, 1995).

A way of linking the subsidy to demand is that used by the Chilean Ministry of Education, which gives a direct subsidy to the respective schools for each student who enrolls and effectively attends classes, since when parents select the establishment where their children are to be educated they also decide which of the suppliers are to be given fiscal resources.¹³ In Colombia, too, the authorities have implemented a system of vouchers (jointly financed by the central government and the municipalities) which seeks to increase the opportunities for secondary education open to the poorest children by giving them access to fee-paying private schools. In this way, it is hoped to expand enrolment from 47% to 70% and create 546 000 new school places (World Bank, 1995). It has also been proposed to reform health financing by giving demand-side subsidies so that wage-earning workers can join the private health system (Caviedes, 1994a and 1994b).

This freedom to choose given to users is often criticised on the grounds of the lack of information for making decisions. This problem is also faced, for example, by those who pay for some educational or health service, although it is argued that their economic and social status and consequent educational and cultural level, as well as the fact that they are true "clients" in view of their solvency, naturally tend to make them seek the best offer and demand results (Larrañaga, 1994). The alternative would be to take steps to ensure the provision of "products" which satisfy the needs of those who have no resources of their own to make payments and are not in a suitable position to make informed choices. However, it must be acknowledged that even the State itself has not been

¹¹ Co-financing is applied in 976 private schools and 150 municipal establishments, covering a total of 628,000 students. In 1994 the contribution obtained in this way amounted to US\$ 37 million and in 1995 it was expected to amount to US\$ 50 million (Passalacqua, 1995).

¹² The prevailing system is criticized on account of the way these contributions are allocated and administered. Firstly, when the family contribution is more than the minimum not subject to deductions (which is equal to half the fiscal subsidy per student), the State contribution is reduced, and the amount thus saved is returned to the Ministry of Finance instead of being allocated to education. Secondly, the firms which run subsidized private schools can do what they like with the resources thus received: even use them to swell the firm's profits if they like. Finally, the contributions collected in municipal schools go to the municipality and are not administered by the directors of the educational establishments in question (Passalacqua, 1995).

¹³ With regard to the choice between subsidies and vouchers, it has been noted that "the direct transfer of a subsidy from the government to an educational establishment has clear administrative advantages over a traditional voucher system. On the other hand, it means that the right of parents to choose and make demands in terms of educational decisions is not so clear-cut, since their perception is that they are receiving education free rather than acquiring that service in return for payment. In this sense, a system of vouchers or direct subsidies for demand would be preferable if it could be operated satisfactorily at reasonable cost" (Larrañaga, 1994, p. 529).

able to do this so far, partly because it usually lacks adequate information.¹⁴ One alternative for overcoming this shortcoming could be to establish tests to measure school results (as in the case of the Chilean Educational Quality Measurement System (SIMCE), which is already being applied in other countries too) or whatever is appropriate for each service; publication of the results of these tests would then allow users to make informed choices.¹⁵

The increase in the demand for educational and health services should encourage the emergence of a larger and more varied range of options, which would generate competition among suppliers and thus lead to an improvement in the quality of the services offered. In order to achieve such a competitive environment and link up the public-private mix, the State must regulate, supervise and selectively intervene whenever necessary, so as to induce suppliers to lower costs and meet users' needs.

4. The objective to be pursued: universal supply or universal satisfaction of needs

The prevailing paradigm favours universality, understood as a homogeneous supply open to all. The underlying element in this conception is the need to spread values and beliefs which will further social integration and the idea of equality. In practice, however, the main beneficiaries of the public social services in Latin America have been those sectors which are best educated, best informed and best organized, living in the areas best equipped with services and possessing the necessary resources for covering the transaction costs (transport, time) that have to be expended in order to receive them. Taking advantage of this State supply has always been difficult for those who, although they may have the greatest needs, lack the above-mentioned characteristics and therefore have difficulty in gaining access to the services available.

¹⁴ "Are the officials of the Ministry of Education or of its regional offices better placed to choose the right educational establishments and guide the transfer of resources in the sector?" (Larrañaga, 1995, p. 52).

¹⁵ "Those who oppose publication of the number of points received by individual schools in the SIMCE tests (namely, teachers and Ministry officials) argue that this should not be done because it would create extra tensions in a field where there is a shortage of resources and few real possibilities for making improvements" (Larrañaga, 1995, p. 54).

In the case of education, although national Constitutions lay down the duty to provide a certain number of years of free education, a by no means negligible proportion of each cohort does not even enter school at all, and a further proportion soon drops out of it. This is by no means a matter of chance, as the lowest-income groups form a disproportionate part of these losers.

Universality-oriented policies have a high cost and low impact. It is obvious that a form of supply which serves the whole population will be very expensive, and its cost can only be cut either by reducing its quality and hence its impact on the supposed beneficiaries, or by limiting the "universality" through unclear criteria which focus the services on a restricted group.

The emergent paradigm proposes a different kind of universality: not of supply, but of satisfaction of people's needs. It is based on the principle of equity whereby in order to overcome differences it is necessary to give unequal treatment to those who are economically and socially unequal ("affirmative action" or "positive discrimination"). A homogeneous supply for heterogeneous situations can only result in the perpetuation of the original differences. Such a supply will correspond to the needs of a certain subgroup of the population, but it will not be suitable for all, for cultural or economic and social reasons. Thus, ensuring that children from poor families go to school and stay in it means that they must be provided not only with good-quality education but also with an extended timetable of lessons to make up for the limitations imposed by their family environment on their learning capacity (ECLAC, 1995; Gerstenfeld, 1995), special nutritional programmes, and even a subsidy to cover the opportunity cost of opting for school attendance rather than some job opportunity (Levin, 1995).

5. Criteria on priorities and expansion: gradual expansion from the top down, or priority attention to the neediest

The prevailing paradigm envisages the gradual expansion of the social protection system by the progressive incorporation of those who were initially excluded, as more resources become available. In the final analysis, coverage expands from the top down, beginning with those with fewest needs and most capacity to defend their interests. The most typical

example of this process of segmented access in Latin America has been the social security system (Mesa Lago, 1985), which expands its protection to landless peasants and urban own-account workers only at a very late stage or not at all.

There are three possible criteria for allocating social resources: to allocate them to those who are first to apply, to those with fewest needs, or to the neediest members of society. Of these, the emergent paradigm favours the last criterion, which it proposes to implement through targetting.

Targetting means identifying the potential beneficiaries as precisely as possible and designing the programme so as to ensure a major per capita impact on the selected group, through monetary transfers or the supply of goods or services (Franco, 1990 and 1995).

Targetting allows programme design to be improved, because the more accurate the identification of the problem (the needs to be satisfied) and the nature of the beneficiaries (the target population) is, the easier it will be to design differentiated, specific measures for its solution; furthermore, this approach ensures more efficient use of scarce resources and increases the impact of the programme by concentrating the resources on the highest-risk population.¹⁶

Among a variety of examples of targetting, mention may be made of the Chilean "900 schools" programme, which is aimed at the poorest and most academically unsatisfactory 10%, with the purpose of improving the quality of the education provided and the learning process of the students.¹⁷ The criteria for this targetting are: i) poor average performances by the students in the SIMCE tests and other indicators of the Ministry of Education; ii) low economic and social level of the students' families, as registered in the school records, and iii) the size and accessibility of the schools concerned.

¹⁶ "For a [Chilean] family in a state of extreme poverty, the complete set of State allowances it can apply for represents a monthly income 90% higher than the minimum income" (Vergara, 1990, p. 327), while "targetting heightens the impact produced per unit of resources invested and reduces the final costs" (Schejtman, 1989, pp. 118-119).

¹⁷ This objective is pursued by providing resources for the rehabilitation of the schools themselves and the supply of teaching material, classroom libraries, exercise books, textbooks, learning modules for the students and teaching modules for the teachers.

The Educational Improvement Programme (PME), mentioned earlier, also uses targetting to identify three types of schools (of high, medium and low risk). The criteria used are: i) time series on performance scores; ii) grades of schooling offered by the establishment; iii) rates of dropping-out and repetition; iv) degree of rurality; v) school enrolment, and vi) economic and social level of the student population (Cardemil and Latorre, 1992; Wolff, Schiefelbein and Valenzuela, 1994, and Espínola, 1995).

6. The beneficiary population: organized groups (middle class) or poor groups

Because of its relation with a particular phase of Latin American economic growth, the prevailing paradigm sought to attend to sectors which had some capacity for pressuring the State, especially the middle class. In this way, the State facilitated the expansion of the domestic market, which was important to national industry.

For the emergent paradigm, in contrast, the only way of achieving equity is to take care of the neediest, both because of their situation of extreme need and because the sectors which have received benefits so far are now able (or at least more able) to solve their problems themselves.

7. Emphasis on the means or on the ends

The prevailing paradigm tends to emphasize the importance of expanding the coverage of the services provided. This is very important, of course, but it cannot be the be-all and end-all of a policy. How can success be claimed if the education provided is of unsatisfactory quality? This concern for coverage can even lead to distortions, because it is easier to expand by serving concentrated population groups—especially urban groups—than scattered rural groups, even though the needs of the latter are greater. Likewise, high coverage does not necessarily bring the desired results, as in the case, for example, of nutrition programmes which seek to cover more people by reducing the amounts of calories and proteins supplied to levels below the minimum standards. Furthermore, coverage can be expanded without this having any impact whatsoever, as for example by including among the beneficiaries of a programme people who do not in fact have unsatisfied needs (Cohen and Franco, 1992).

This paradigm also stresses investment in social infrastructure (building schools, clinics, hospitals) even when there are not enough resources for current expenditure (staff, equipment, instruments, disposable materials). On other occasions, current expenditure is raised to pay wages, regardless of whether staff have performed adequately or beneficiaries have benefited from the services provided.

The traditional paradigm allocates resources according to a historically determined budget: with no instruments to check the appropriateness of expenditure, it is accepted that the allocation and implementation are correct and thus changes are only made if existing categories are broadened and, as far as possible, in accordance with established criteria.

The emergent paradigm, in contrast, attempts to use its programmes to change the living conditions of the population and is concerned about their impact: that is to say, about how much beneficiaries really receive compared with the original objectives.

Under this approach, it is necessary to use criteria which permit both identification of the target group and also measurement of results through an evaluation methodology appropriate to what is being measured. Cost-impact analysis measures both the efficiency and the efficacy of projects (Cohen and Franco, 1992). This requires a diagnostic "base line" and an "end line" which, when compared with each other, make it possible to determine the effective magnitude of the changes attributable to the project.

8. The indicator used: public social expenditure vs. cost-impact ratio

The chief indicator in the prevailing model is the size of public social expenditure and its fluctuations. It is tacitly accepted (although it is not explicitly established) that there is an inverse relationship between the level of expenditure and the level of poverty: the more resources are available, the lower the number or the proportion of poor people. However, the level of social expenditure is a poor indicator, both of social development—which is also connected with a country's economic performance—and of investment in human capital. The level of such expenditure could be high, and yet it might be put to poor use to achieve those ends.

Social expenditure is the sum of "all expenses with some social significance that the State incurs" (Haindl, Budinich and Irrázabal, 1989). Opinions

differ as to which budget items to include. There is usually agreement on education, health and housing, but not on justice and other expenditure.¹⁸

The Human Development Report (UNDP, 1991) suggests four ratios for use in measuring human development: public expenditure/GDP, social spending/total public expenditure, social priority spending/social spending, and social priority spending/GDP. These ratios represent a questioning of the idea that there is a direct relationship between total resources allocated to the "social side" and the level of social development. However, in no way do they indicate how progressive the expenditure is, since it may be that the actual recipients of "social priority" programmes—where resources should be concentrated, according to UNDP—are not the neediest. Nor do they show the efficiency with which resources are used, nor the efficacy of the programmes which they finance.

In order to appreciate these aspects it is useful to disaggregate social expenditure and analyse who its real beneficiaries are. Public social expenditure, as defined above, contains an administrative element that does not signify real benefit for the population: "there only has to be a rise in public administration salary levels for public social expenditure to go up accordingly. An increase in the size of the State bureaucracy also raises expenditure defined in this way, without necessarily improving the situation of the poorest people" (Haindl, Budinich and Irrázabal, 1989). Fiscal social expenditure only includes the fiscal contribution which reaches beneficiaries (subsidy) and the amount which goes to finance part of the administrative apparatus of the various ministries: it excludes financing contributed by the beneficiaries themselves. Direct social spending is the fiscal contribution which is converted into monetary transfers or goods and services provided directly to people (subsidies), and excludes administrative costs. Lastly, effective social expenditure is that part of direct spending that reaches the poorest sectors of the population. On the basis of the results of surveys such as Chile's socio-economic CASEN survey, which show

¹⁸ There are also many unanswered questions: "Should private-sector contributions be included, or only those of the public sector? Should only fiscal contributions be taken into account, or total public-sector expenditure? Should fiscal contributions to pension funds be included? How should administrative costs be accounted for in these programmes and, even more important, what is the status of the administrative costs of ministries whose work has some social significance?" (Haindl, Budinich and Irrázabal, 1989, p.31).

how the income generated by social programmes is distributed among the different deciles of the population, it has been possible to determine that in some countries of the region the amount received by the poorest 30% of the population (effective social spending) is only a very small proportion of total public social expenditure (*ibid*).

This confirms the results of several studies which show that social spending (like any other kind of spending) can be used more or less efficiently and can thus have a varying impact on beneficiaries. The World Bank (1990, p. 37) maintains that "data for Latin America show that the pattern of social expenditures is regressive in most countries", which means that increasing it "is not always the answer to improving the well-being of poor people. Better allocation of expenditures within the sector and more efficient use of funds are often more important" (p. 46), and adds that "further spending on social

services in general will not automatically help the poor. The structure which exists for provision of those services needs to be reoriented in their favour, both quantitatively and qualitatively".

Another problem with using social spending as an indicator is its level of aggregation. It is difficult to make adjustments to a given programme on the basis of changes in social spending or on the basis of some relationship between social spending and social indicators at the macroeconomic level. Any relationship that may exist is affected by innumerable variables which are not taken into account.

This is why the emergent paradigm stresses the need for indicators related to each specific programme. Use of the cost-impact ratio is recommended, since this makes it possible to judge whether the programme optimizes resource use, or, in other words, if it achieves maximum impact at minimum cost.

III

Conclusions: a model that works

There is a growing consensus as to the limitations of the prevailing paradigm, which are very well-known because it has been in operation for so long. In many cases, the State has become more of a hindrance than a help to development and to improving the population's living conditions. These deficiencies in State action have given rise to efforts to "reinvent government" (Osborne and Gaebler, 1992) and to make changes in the traditional institutional structure of the State, the functions it should take on and the way it should carry them out. It is therefore necessary to try to adopt an innovative approach, presented here in the form of an emergent paradigm.

Social policy contributes to governance and renewed legitimation of the State (Franco, 1991), but its importance today lies above all in its contribution to the formation of human capital, which is indispensable for the medium-term competitiveness of our countries. Knowledge has become the main factor in

production, and consequently any delay in the implementation of social policies which increase the possibilities of expanding human capital is not only a failure in terms of ethics but also an economic error which deprives society of qualified, flexible resources capable of adapting to the rapid incorporation of technical progress into production processes.

Social policy is thus an economic as well as a political prerequisite. However, it has to be implemented in situations where resources are scarce and there are constraints imposed by considerations of competitiveness. This is why it is so important to analyse the possibilities for reforming social policy and exploring fresh options in this field.

It is likely that the greatest efficiency and efficacy will be achieved through a combination of the best features of these two paradigms – the prevailing model and the proposed emergent paradigm.

(Original: Spanish)

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