



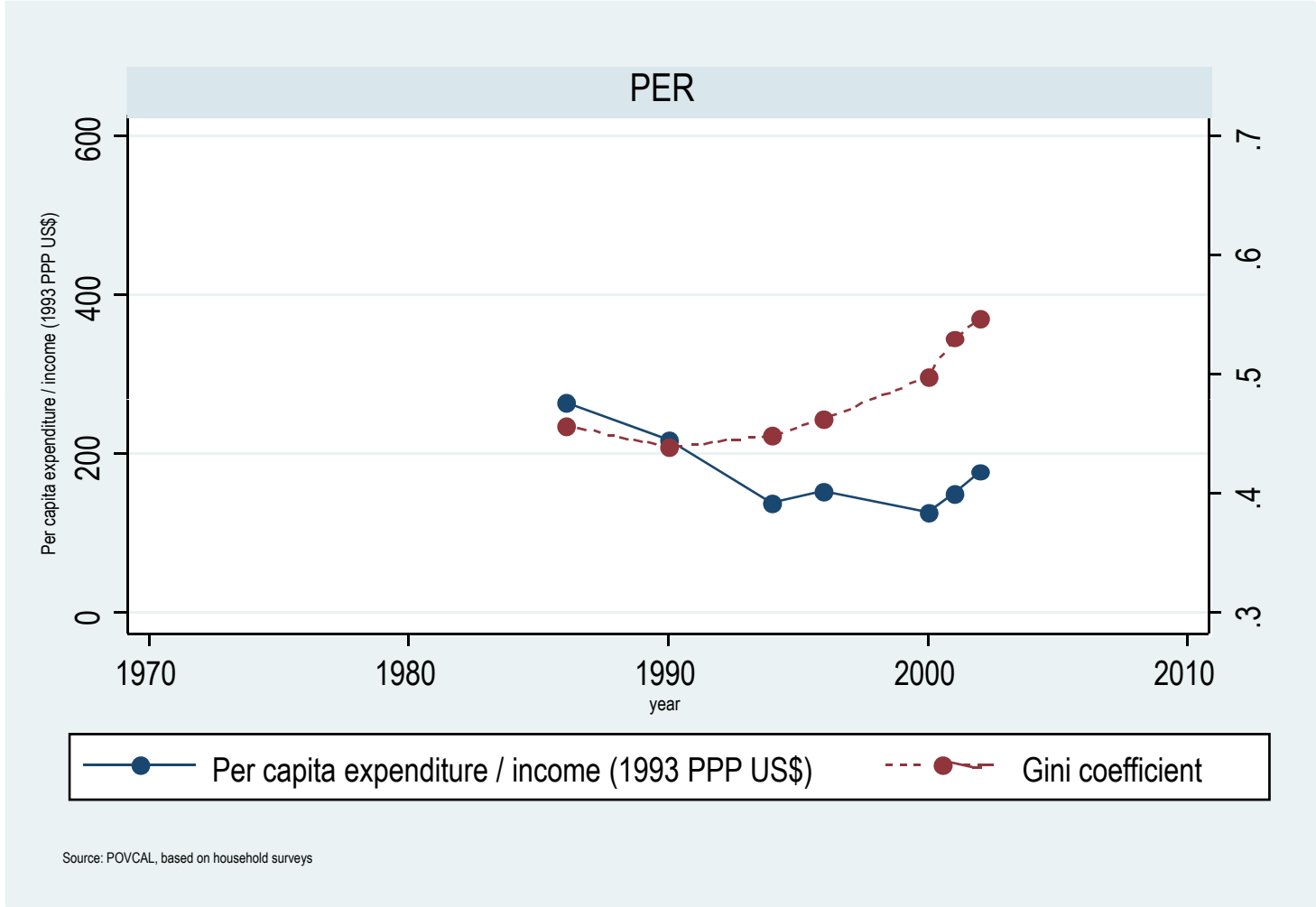
2020 Vision Seminar

*******Action for the World's Poorest and Hungry*******

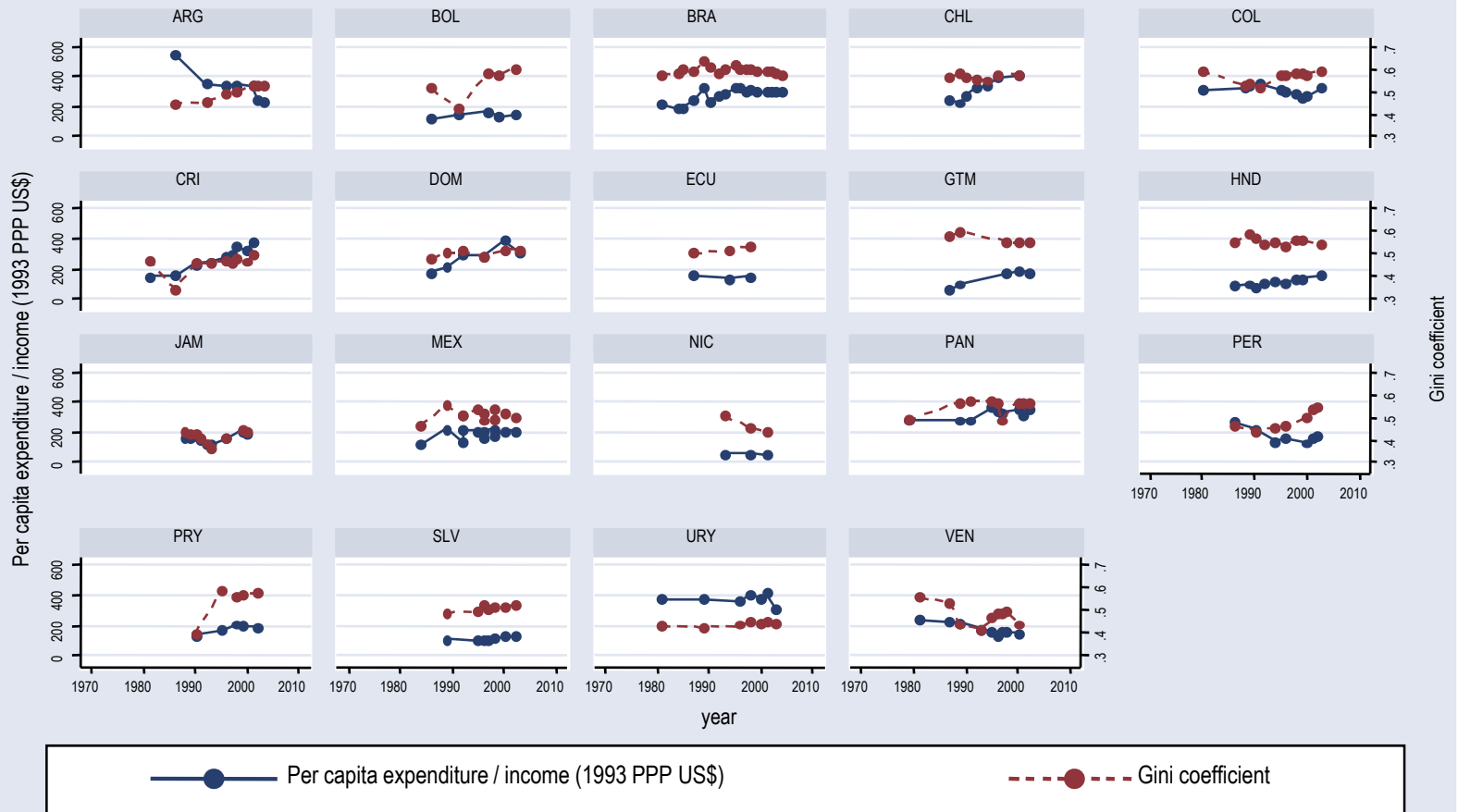
Policy Responses to the Spatial Concentration of the Poorest in Lagging Regions: Looking to Latin America

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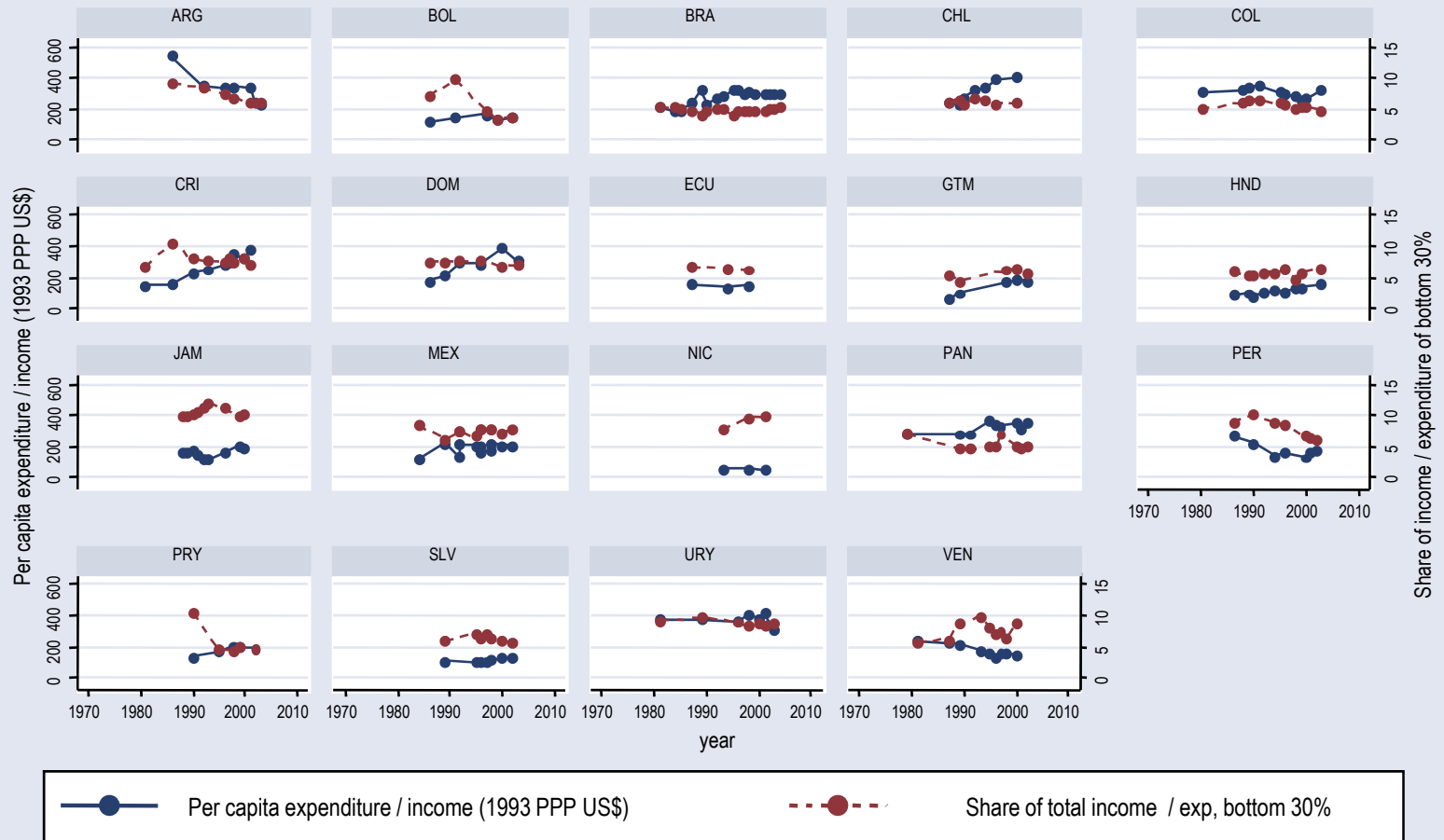


Income and inequality in Latin America (selected countries)



Source: POVCAL, based on household surveys

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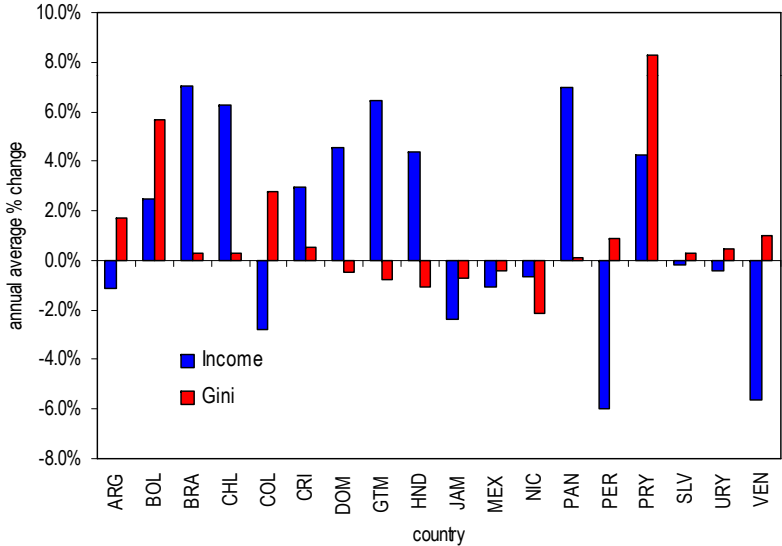


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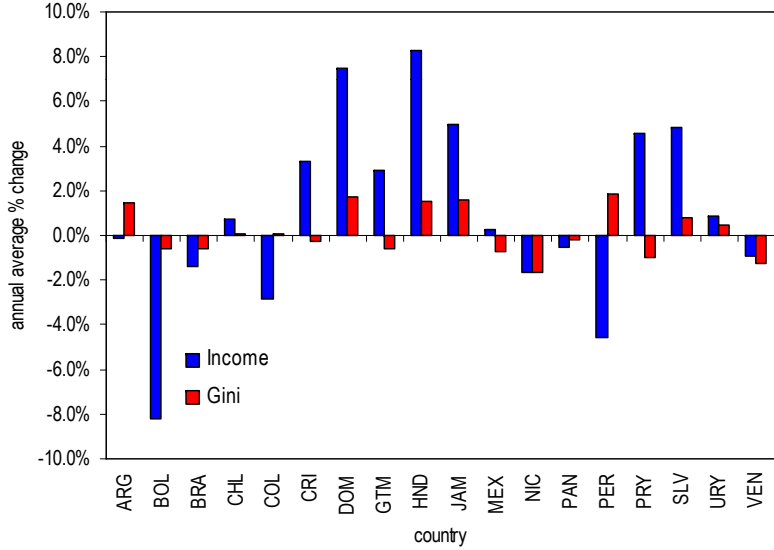
Changes in per capita Income and Inequality, selected countries

(Circa 1990, 1995 and 2000)*

1990-1995



1995-2000

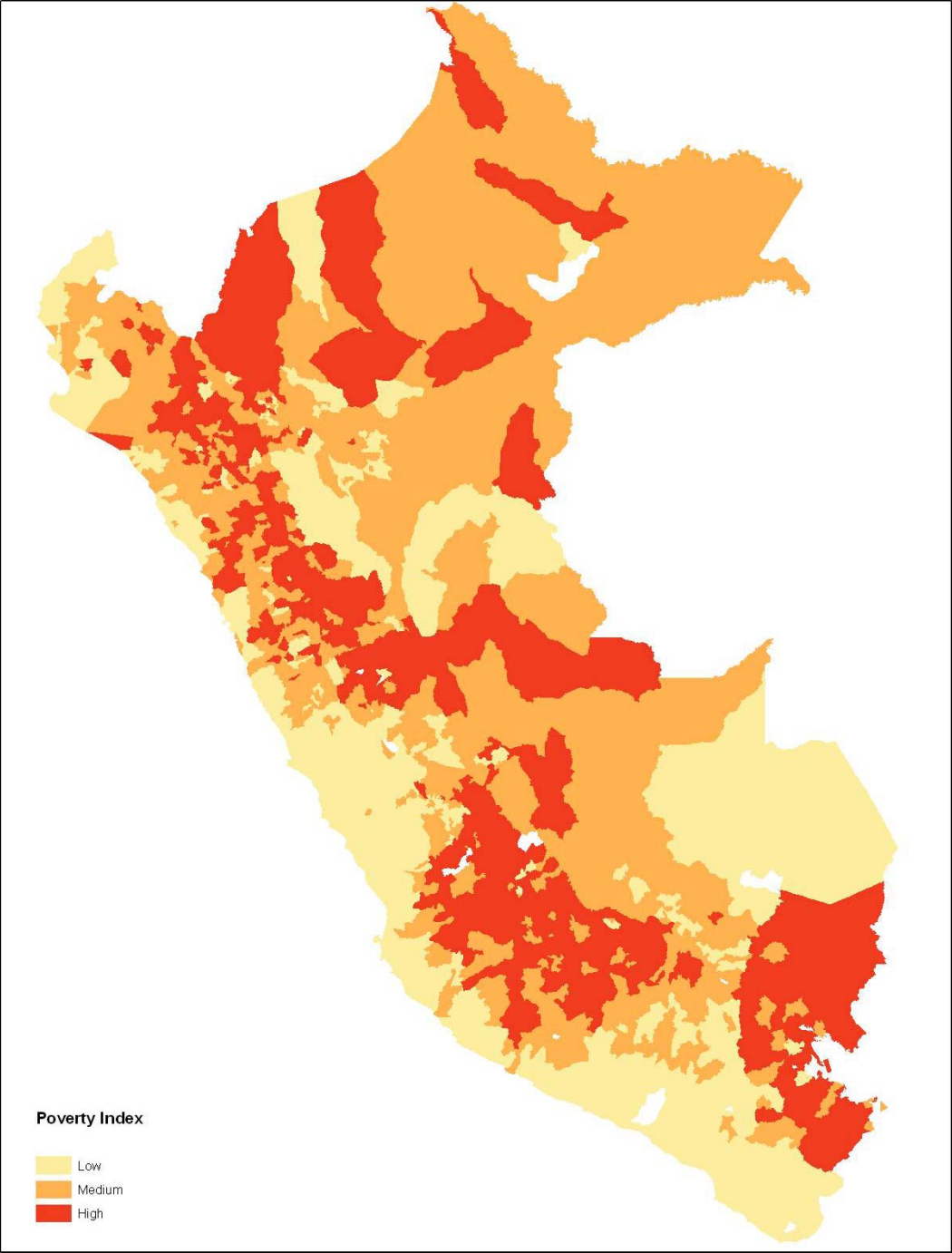


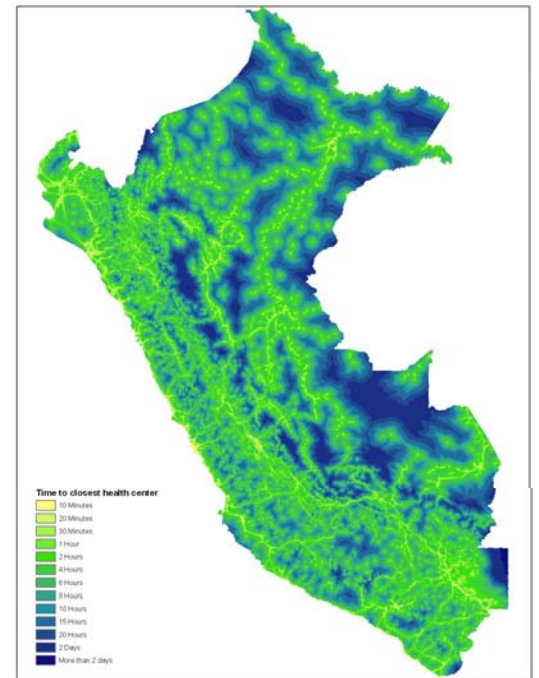
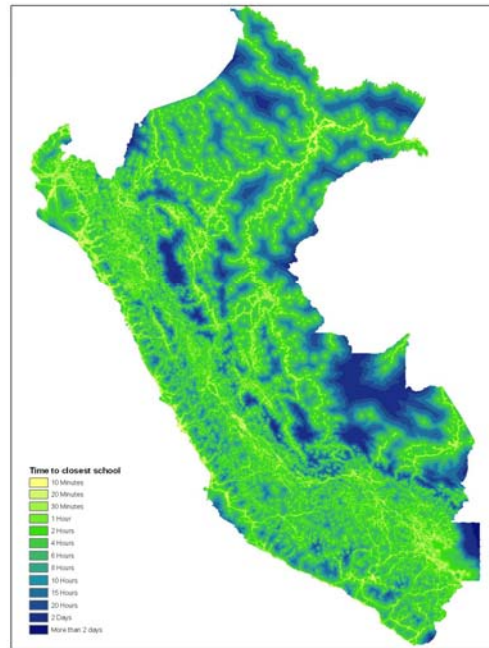
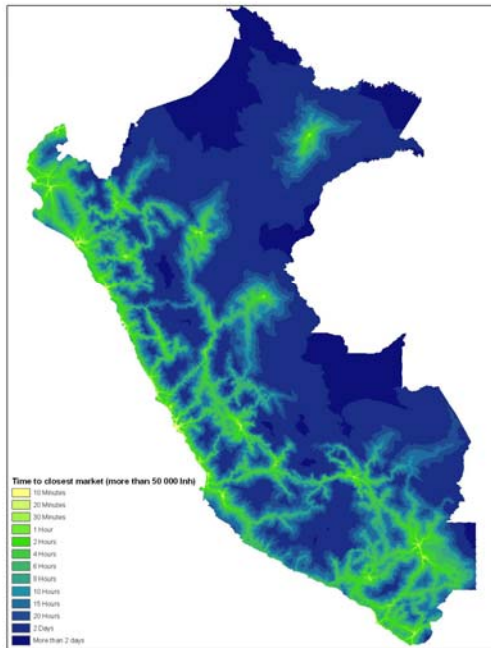
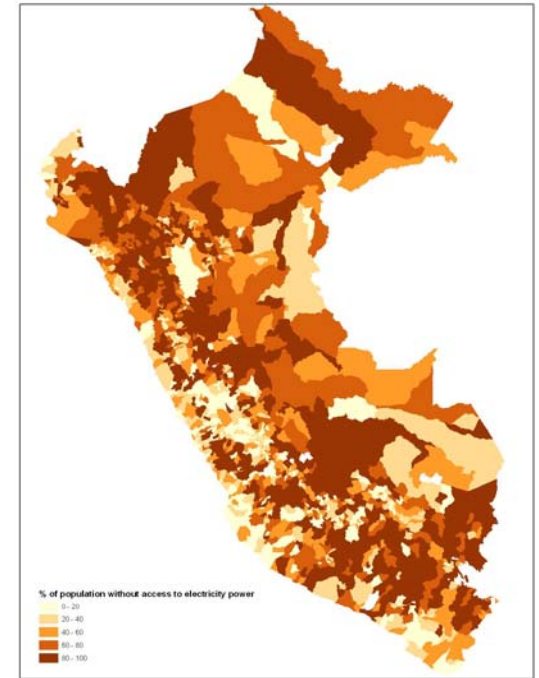
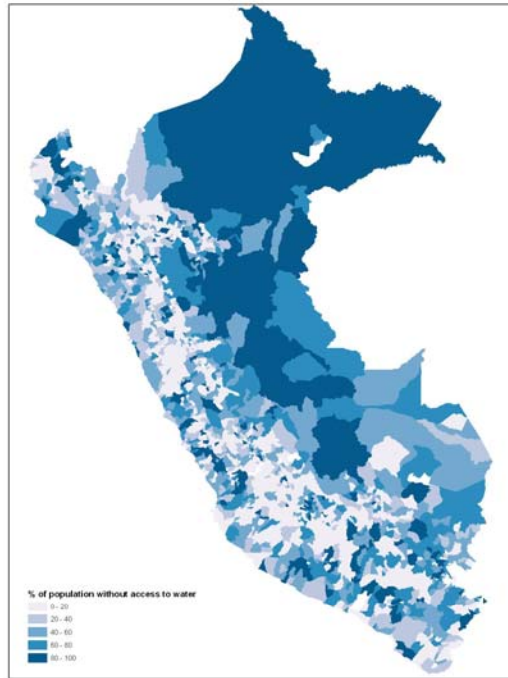
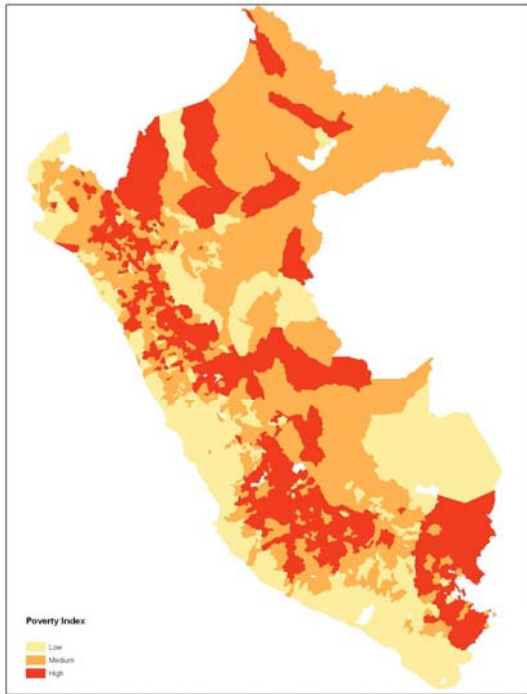
*Years for each country. Argentina: 1992, 1996, 2001; Bolivia: 1991, 1997, 1999; Brazil: 1990, 1995, 2001; Chile: 1990, 1996, 2000; Colombia: 1991, 1995, 2000; Costa Rica: 1990, 1996, 2000; Dominican Republic: 1989, 1996, 2000; Guatemala: 1989, 1998, 2000; Honduras: 1990, 1996, 1999; Jamaica: 1990, 1996, 2000; Mexico: 1989, 1995, 2000; Nicaragua: 1993, 1998, 2001; Panama: 1991, 1995, 2000; Peru: 1990, 1996, 2000; Paraguay: 1990, 1995, 1999; El Salvador: 1989, 1995, 2000; Uruguay: 1989, 1996, 2000; Venezuela: 1989, 1995, 2000.

Source: POVCAL, based on household surveys.



**An example of
spatial
concentration of
the poorest**





Is there really no improvement?

Sahn and Younger (2006) find evidence that despite increasing income inequality, non-income dimensions of well-being (child's height and young women's education) have improved in Latin America over the last 20 years.

Sahn, David E., and Stephen D. Younger (2006). "Changes in inequality and poverty in Latin America: Looking beyond income to health and education", *Journal of Applied Economics*, 9 (2): 215-233.

What are the possible types of Assets over which interventions can take place?

Asset	Examples	Mobility
<u>traditional infrastructure</u>	Transportation, water, sewer systems, irrigation, electricity, etc	Fixed
<u>human-capital & Labor</u>	schooling and health services, labor programs, reverse discrimination, etc.	Mobile
<u>Land</u>	Settlement schemes, land reform, transmigration of landless, property rights, yield related technology	Fixed
<u>social capital</u>	potentiated social networks through telephone, internet, etc.	Quasi-mobile with Network Externalities

A typology of Programs to alleviate poverty and inequality

Type of Program Interventions by objectives	Examples
Protection for vulnerable groups	<ul style="list-style-type: none"> • <u>Transfers</u> <ul style="list-style-type: none"> ✓ Cash transfers ✓ Near cash (food stamps, rations, etc) ✓ Food based (school feeding, mother and child health, supplemental feeding, etc) • <u>Price and tax subsidies</u> (food, utilities, etc)
Managing risk (income generating)	Public-works, labor programs, etc
Managing risk (growth enhancing)	Conditional cash transfers, fee waivers for health and education, microfinance, productive projects, property rights, etc
Improving well-being	Access to utilities, housing
Types of program interventions by target group	Life cycle approach, special groups

Summary findings on conditional cash transfer programs

- The recent literature has focused almost exclusively on conditional cash transfer programs, with an **overall consensus that these programs have been mostly successful** in achieving their core objectives.
 - (Morley & Coady (2003), Attanasio et al. (2006), Handa and Davis (2006), Das et al. (2005)).
- There exists some evidence in favor of the **cost-effectiveness of CCTs compared to supply-side programs**
 - (Morley & Coady (2003), Caldés et al. (2006), Coady and Parker (2004)), but others remain skeptical (Handa and Davis (2006)).
- Exclusive focus of CCTs on human capital accumulation misses the broader context of poverty alleviation programs within rural development, **crowding out programs oriented to productive activities**,
 - (Handa and Davis (2006)).
- By **targeting children of school age and leaving out infants, CCTs have less horizontal efficiency** than other programs.
 - (Barrientos and DeJong (2006)).

Summary findings on microfinance and titling interventions

With respect to Microfinance

- Evidence suggests that they are **mostly ineffective in reaching the core poor**, but might help reduce poverty by reaching the better-off poor or potential micro-entrepreneurs (Weiss and Montgomery (2005)).
- Consistent with the **role of microfinance institutions as a vehicle for the development of the micro-enterprise** sector in Latin America, rather than the role as a tool for the removal of core poverty in Asia.

With respect to institutional arrangements: for example titling and property rights

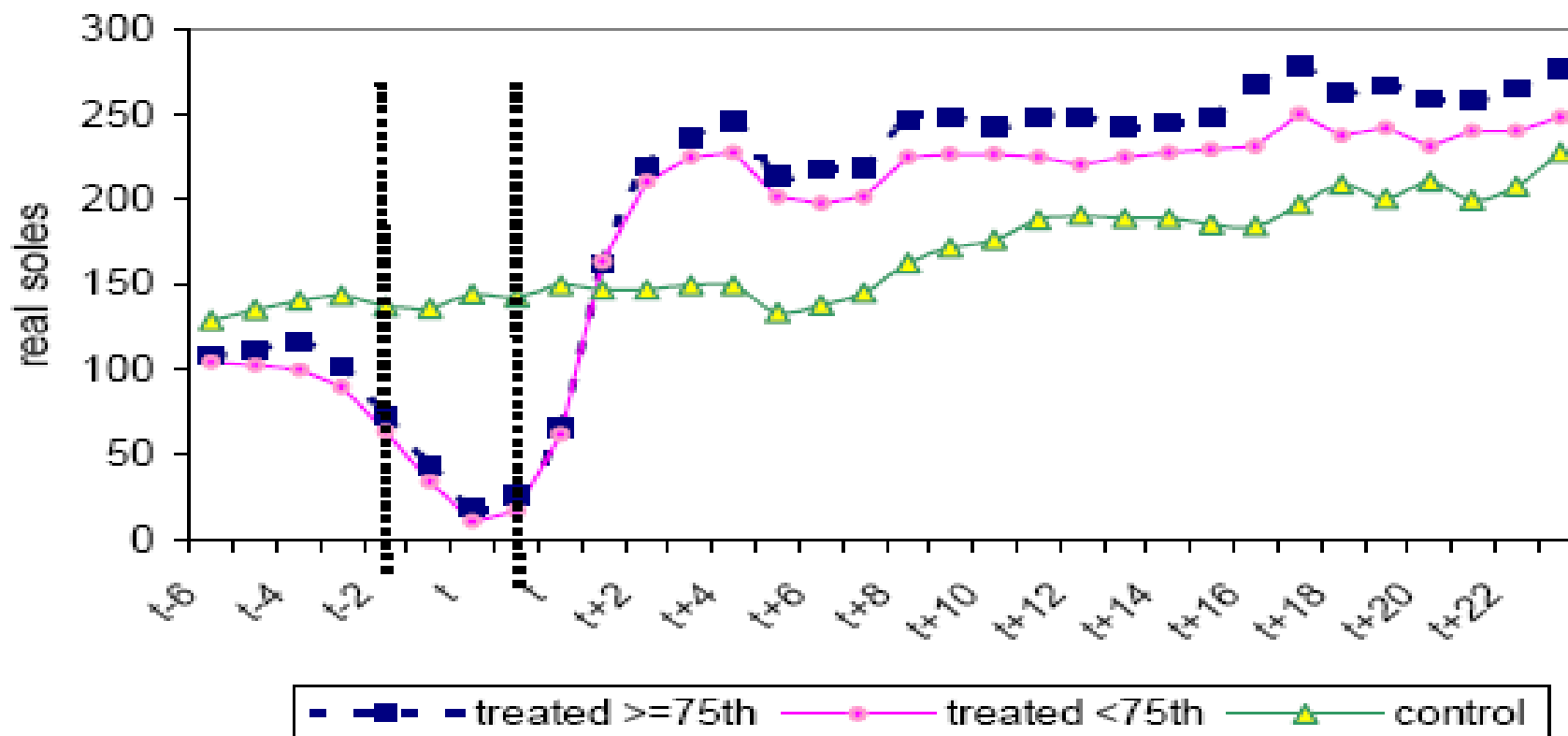
- *First channel - risk of expropriation:* Some impact in Field 2005.
- *Second channel is gains from trade of land:* Clear gain in value of the plot (Torero&Field; 2006 and Galiani et.al;2006)..
- *Third channel is Collateral and Credit Markets:* No impact. Titles is not enough, we need to look into information asymmetry and the supply side (Field and Torero; 2005 and Galiani et.al; 2006)
- *Provision of Public Goods at the level of the Neighborhood:* No clear impact (Torero & Field; 2006)

Summary of Findings on labor market impacts of job training programs

Country	Methodology	Employment rate	Formality	Wages
Argentina	Quasi-experimental, four rounds	0% - 11%, 10-30% for youngest (<21)	0% - 3%, 6% - 9% for youngest in one cohort	No significant pattern
Chile	Quasi-experimental, one round	18-22% larger for youngest groups	15-23% larger for youngest groups	22-25%, imprecisely estimated
Dominican Republic	Experimental, one round	None, higher (5-6%) but not significant in the East & Sto Dom	Health insurance 9% higher for men (43% vs 34%)	17% (marginally significant), larger for males under 19
Mexico	Quasi-experimental, six rounds	Overall, no clear pattern; on-the-job training robust positive effects (12-30%)	Positive effects (10-20%) since 2002	No consistent patterns, at best small and mostly not significant
Panama	Natural experiment, one round	Overall not significant 10-12% for women and in Panama City	Overall not significant, probably higher outside Panama City	Overall negligible, large for women (38%) and in Panama -25%
Peru	Quasi-experimental, five rounds	Large, 13% (much higher for women)	Large: overall 11%, 14% women, and 5% men.	12 - 30% Heterogeneity in response to training quality

Source: Ibarrraran, Pablo and David Rosas. 2006. IDB's Job Training Operations: Thematic Report of Impact Evaluations, OVE

Projovent: Training Quality and Monthly Earnings 1996-2003



Note: Pooled means are unweighted. The quality index is constructed by using first principal component of factor analytic methods.

Source: Chong, Alberto and Jose Galdo. Training Quality and Earnings: The Effects of Competition on the Provision of Public-Sponsored Training Programs. IZA 2006

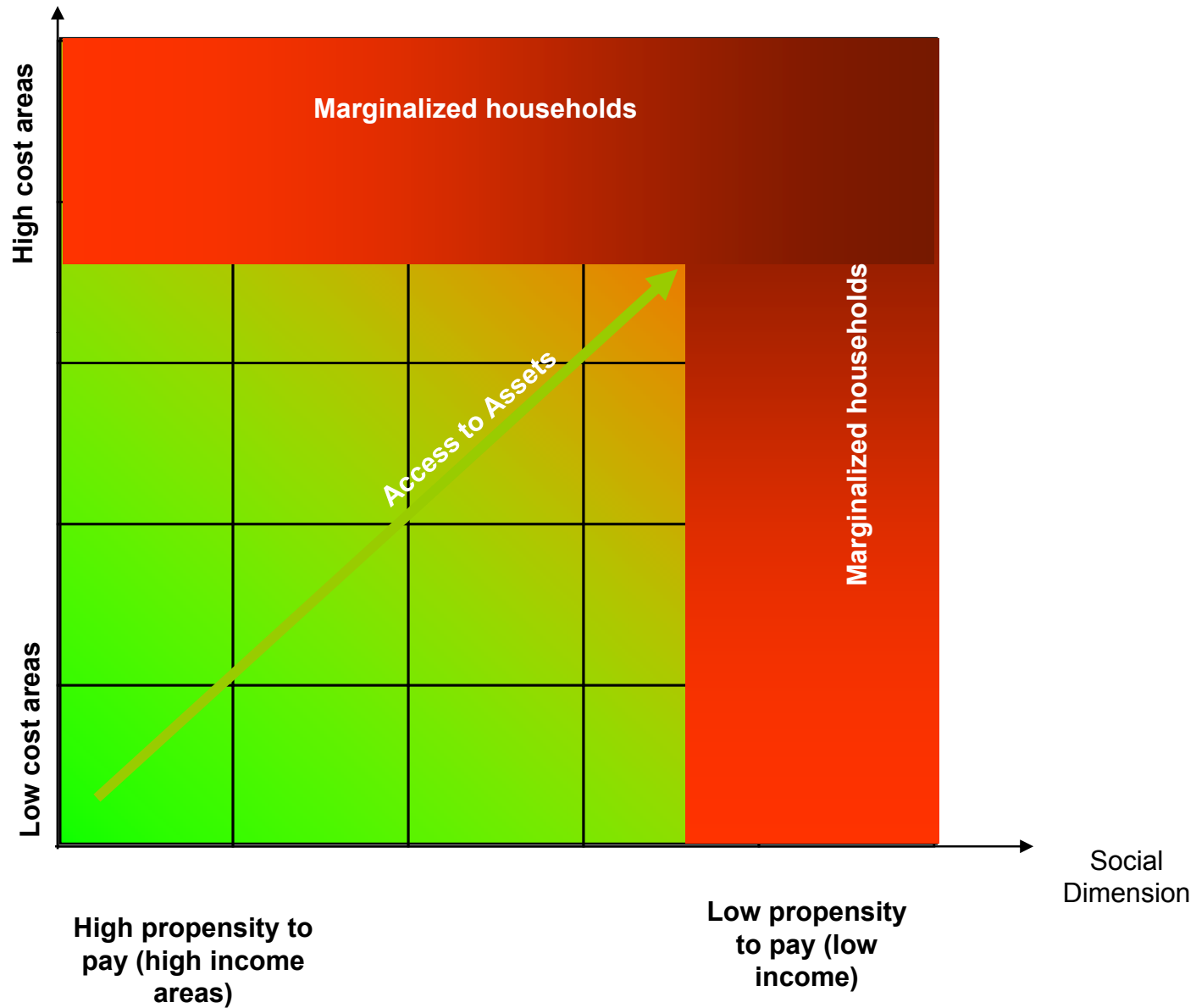
Summary findings in terms of targeting strategies

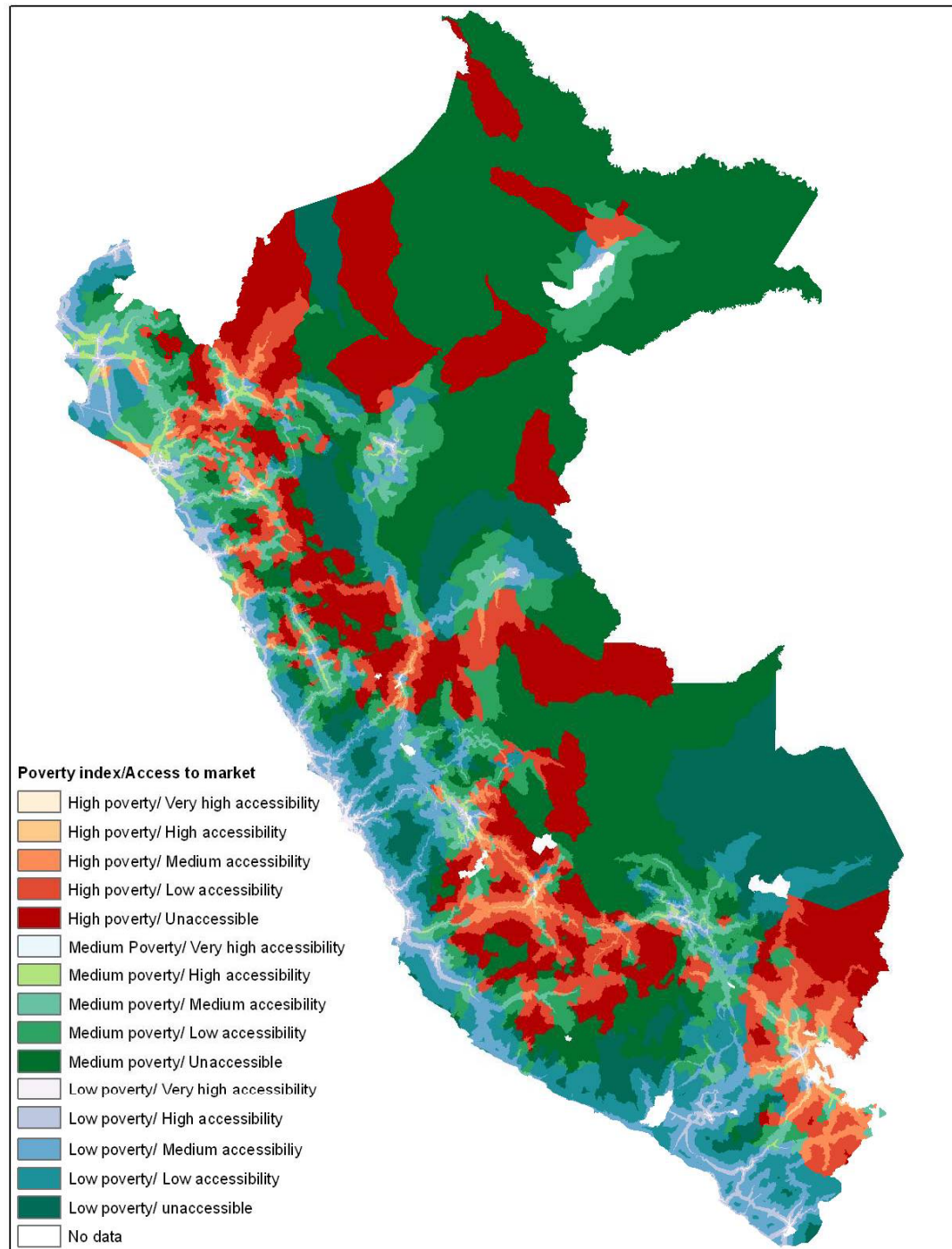
- Evidence from poverty maps in Ecuador shows the **poor are geographically concentrated in that country**, particularly in the central Andean region, supporting geographic targeting (Elbers et al. (2007), Farrow et al. (2005)).
- Coady (2006) **finds that geographic targeting dominates demographic and household proxy-means targeting in the case of *PROGRESA* in Mexico.**
 - However, differences in implementation play a crucial role in the success of reaching the poor (Coady et al. (2004)).
- Evidence from Peru indicates that the **choice of geographic targeting indicator might not have an important bearing on poverty outcomes** (Schady (2002)).
 - Community-based decision makers may play a more important role in the degree of overall targeting of poor individuals than the central government's choice of districts (Stifel and Alderman (2005)),
- There is also evidence that **demand-driven programs compare well with other programs in reaching the poor** (Van Domelen (2002))

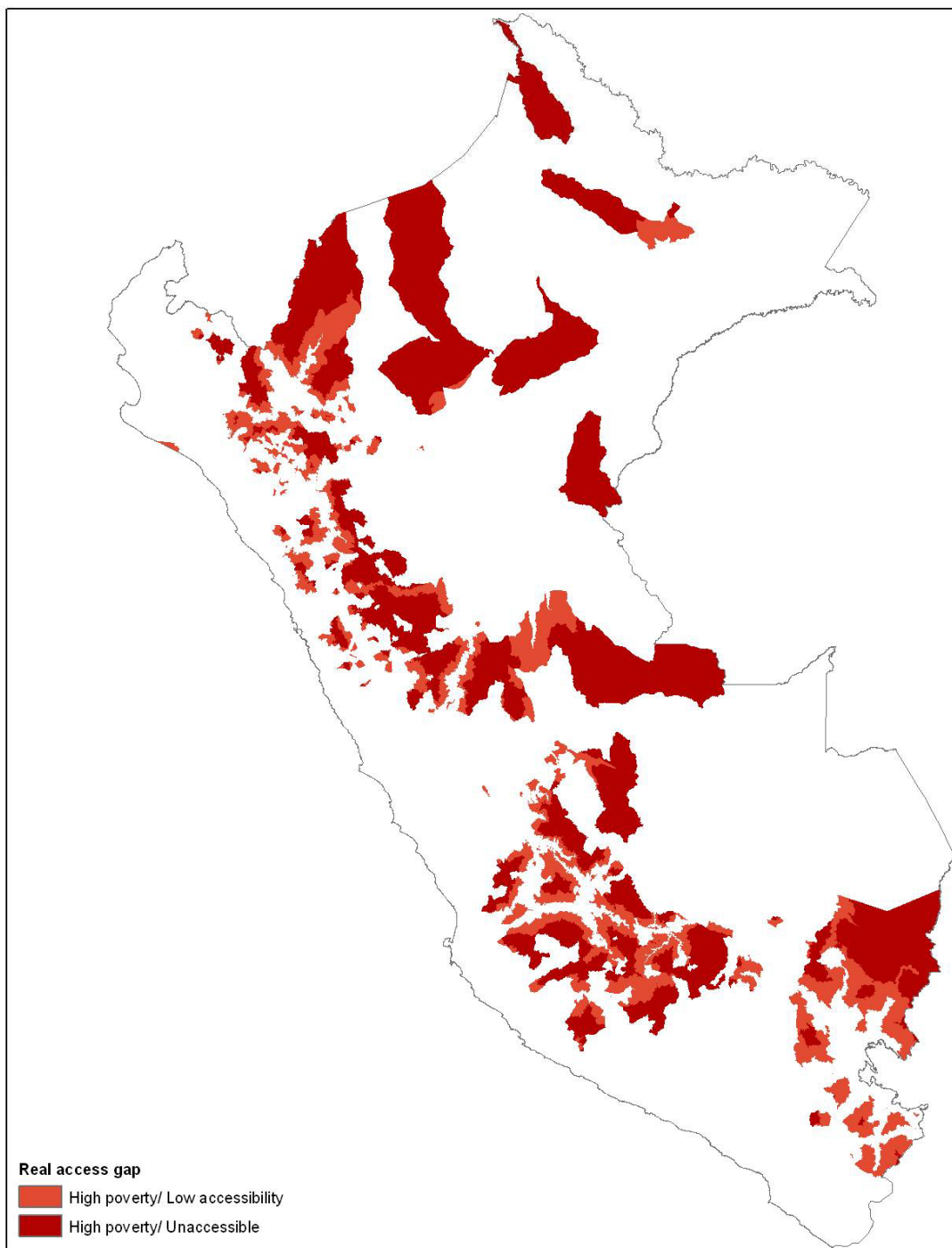
Two possible ways to go

- Identifying areas where different types of interventions could be maximized:
 - Market efficiency gap
 - Real access gap
- Maximizing complementarities of interventions

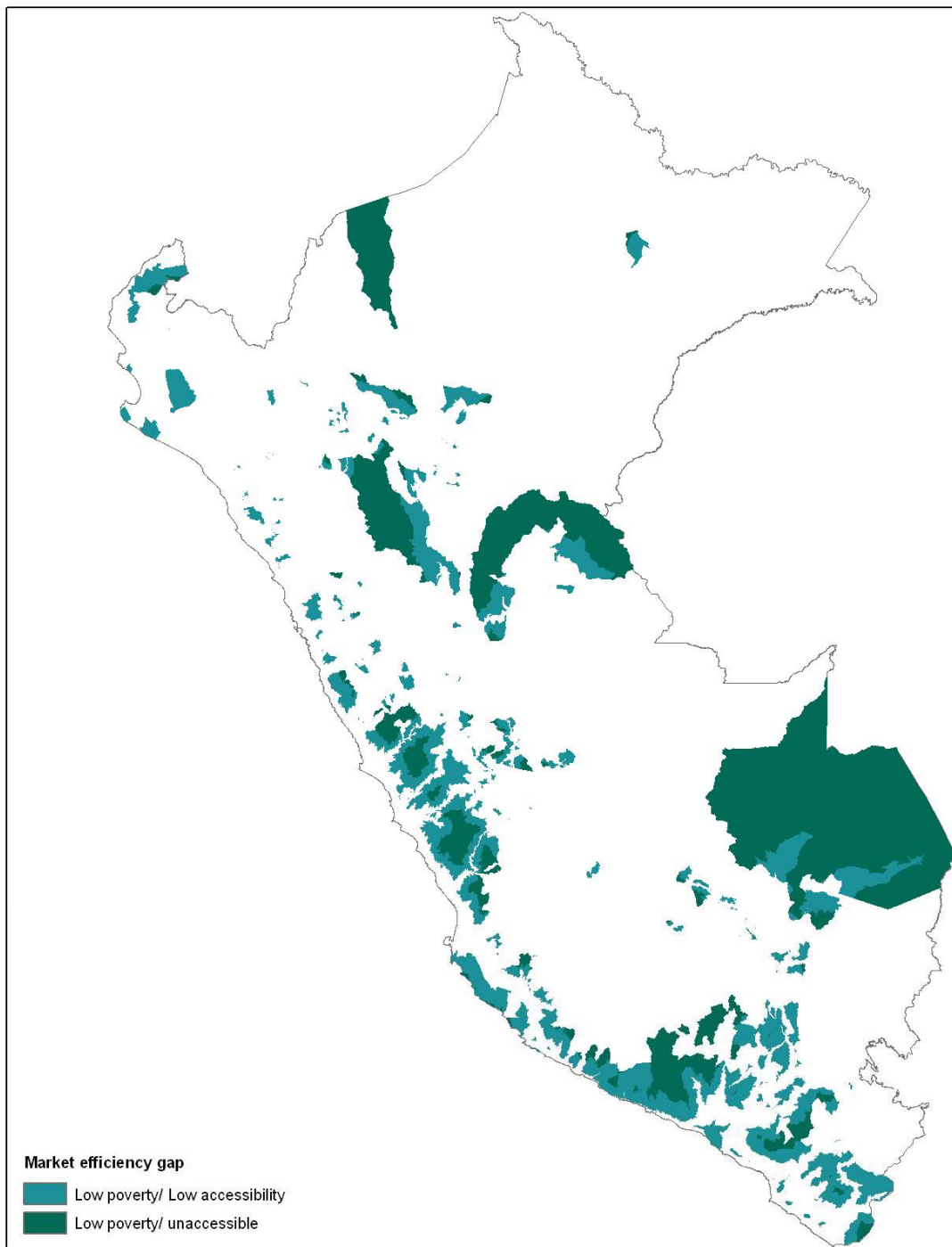
Market efficiency versus real access gap



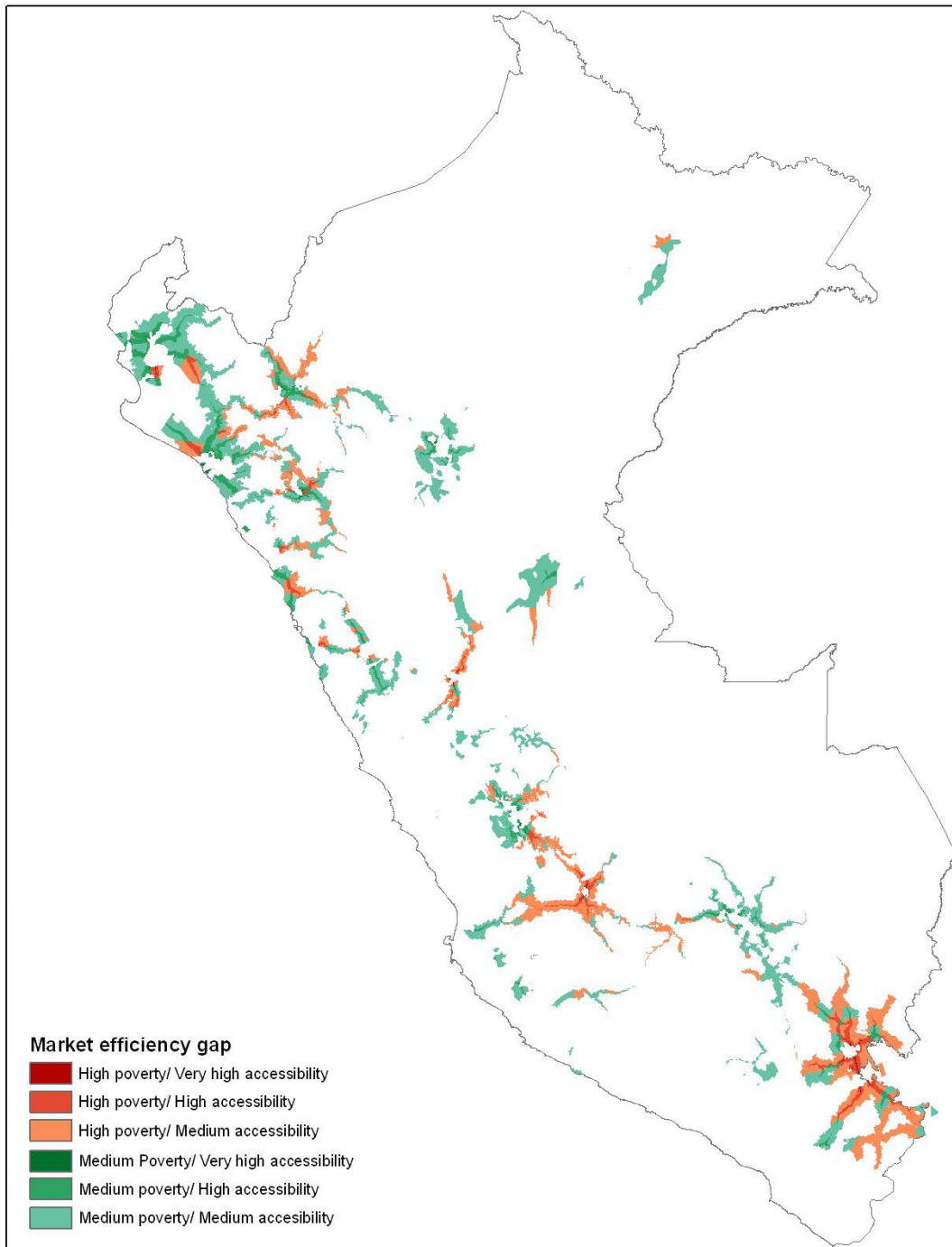




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Final remarks

- One size does not fit all, what works under one environment not necessarily will work in another, it will need to be adjusted
- The optimal program could be an optimal mix of programs according to differentiated needs
- Institutional and political economy environment matters