

Number 230

Social Policy Reform in Latin America

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“Reform of Social Service Delivery Systems in Latin America”

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“Implementing Social Reform: Lessons from the Venezuelan Experience”

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“Women’s Issues in Social Reform: Challenges and Opportunities in LAC Countries”

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Preface

These papers were prepared as a part of an ongoing project organized by the Latin American Program on *The Politics and Administration of Social Development: Strategies to Alleviate Poverty*. The Project combines analysis of existing policies with public discussion of critical issues in social and public sector reform in Latin America. The Wilson Center's Latin American Program has commissioned innovative research papers from leading scholars to examine recent efforts to design and implement more effective social policy in Latin America on a national and local level. These research findings are presented in public workshops, bringing the latest scholarly analysis of social welfare reform to the attention of policy makers and practitioners, both official and non-governmental, with the goal of facilitating consensus among political decision makers.

The papers in this publication were presented at the first seminar of this project, entitled "The Administration of Social Policies," held at the Wilson Center on March 14, 1996. The Latin American Program wishes to express its gratitude to Ricardo Hausmann, William Savedoff, Juan Carlos Navarro, and Mayra Buvinic for their participation in this project. Their papers set the tone for the beginning of a thoughtful examination and exchange of ideas concerning poverty alleviation, development strategies, and social reform. The Latin American Program is also grateful to the Tinker Foundation for their generous support of this project.

Reform of Social Service Delivery Systems in Latin America*

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I. Introduction

Latin America and the Caribbean have significantly improved the level of education and health of their populations over the last thirty years. Despite these gains, however, average educational attainment and health conditions are inadequate when compared to other countries in the world with comparable income levels. The effectiveness of social service delivery systems in the region bears a surprisingly small relationship to the level of public expenditures.

Some studies have shown that variations are not the primary determinants of differences in educational performance. A recent study by the Inter-American Development Bank (1996) estimates that spending an additional 1% of GDP on education would raise fourth-grade completion rates by only 2.4%. It attributes much of the variation between countries with comparable spending levels on variations in efficiency (See Figure 1). Morley and Silva (1994) arrive at similar conclusions, demonstrating that the differences in the efficiency of the education systems have a much more significant effect on educational outcomes than the level of spending.¹

*This paper was originally written as part of the process which led to the adoption of a social service strategy at the Inter-American Development Bank. See Inter-American Development Bank 1996b. Valuable comments were incorporated from discussions with Claudio Castro, Xavier Comas, Michael Jacobs, Ruthanne Deutsch, Javier Leon, and Juan Luis Londoño.

¹The study by Morley and Silva (1994) addresses the relationship between the performance of primary education system and the control structure, incentive mechanisms, financing, and monitoring in 15 Latin American countries.

Similar findings occur when analyzing the health sector. The World Bank's *World Development Report 1993* shows that health spending alone cannot explain all the variation in health status among countries; nor can income, spending, and education, taken together. The Inter-American Development Bank study cited above confirms these results (see Figure 2), and argues that the main reason that countries are scattered throughout the four quadrants of the graph is the relative effectiveness of expenditure in the health care systems.²

Pursuing policies that focus on improving delivery of social services is justified on several grounds. First and foremost, a healthier and better educated population is itself a widely accepted goal of our societies. Second, improved health and education will result in greater economic productivity, so that incomes and welfare can increase and services can be more readily financed. Third, the unequal distribution of educational attainment is a key exacerbating factor in the region's highly skewed distribution of income. Fourth, the skills and capacities of healthy and educated citizens can increase and improve their full and active participation in modern dynamic democracies. Finally, governments already route significant resources into these social services, so that improving the effectiveness of these large expenditures should yield significant gains in both equity and growth.

Many countries in the region have begun numerous reforms in health and education.³ However, many of these aim only at the symptoms and not at the causes of problems in the social service delivery systems. Given the large amount of public funds that are already dedicated to health and education, countries must continue the reform process so as to increase

²Inter-American Development Bank (1996a).

³Chile began its health and education reforms in the early 1980s, with further adjustments in 1989-90. Colombia enacted substantial health reform in 1992, and Trinidad and Tobago recently moved forward on a reform that had been debated for at least seven years. Other countries that have initiated health reforms include Guatemala, El Salvador, and Nicaragua.

the return on total public expenditures. This, in turn, requires addressing the problems behind misallocation of resources and inefficiencies in delivery.

Continuing to focus on symptoms alone will also make the effect of any additional expenditures short-lived and unsustainable, because without addressing the causes of poor performance, further financial support provides only a temporary solution for underlying problems that will reemerge. For example, once a program to train teachers is completed, what assurance is there that the required training will continue as a permanent function of the system, and that teachers, taxpayers, and administrators will be interested in maintaining the program? In reforming social service delivery systems, countries must promote a dialogue that asks these kinds of questions. The answers, in any particular country, will provide a clear vision of reform that goes beyond coverage and quality, to the design and establishment of systems that function well.

This paper argues that social services in the region have some fundamental characteristics that make it difficult to design and implement efficient systems. It shows how traditional solutions have generated unintended consequences, and indicates the elements of reform that must be emphasized in order to improve the delivery of such services. The most promising reforms appear to be those that increase local provider *autonomy* and *responsiveness* to client needs, within a context of efficient public financing and central support for regulation, information, evaluation, and technical dissemination. Such reforms would be designed to address the systemic problems encountered in the delivery of social services by using limited resources to promote greater efficiencies in the region's existing expenditures.⁴

⁴See Inter-American Development Bank (1996a) for a detailed analysis of education and health systems in the region, with policy recommendations.

II. The Problem of Social Sector Performance

A. What Distinguishes the Social Sectors?

The social sectors in Latin America and the Caribbean frequently perform poorly. They spend relatively large amounts of money and employ large numbers of people without achieving the expected outcomes in terms of quality and quantity of services.⁵ In most cases, systemic problems can be identified that reinforce and shape the behavior of social actors--beneficiaries, providers, administrators, taxpayers, and politicians--through the interplay of rules, resources, information and incentives. Although this is true to an extent in all sectors of economic and social activity, specific features of the social sectors make it particularly difficult to create and maintain effective delivery systems.

Monitoring Performance is Difficult

Social sector services are very difficult to monitor and measure. Even when quantitative measures are available, such as enrollments or consultations, it is difficult to measure quality (i.e., whether students are more educated, whether patients are treated properly). When quality measures are available, in terms of test scores or health outcomes, it is difficult to attribute how much of the outcome is the result of effort by service providers (teachers, doctors), actions by beneficiaries (students, families), or external factors (economic recessions, environmental change).

The problems of measurement and attribution make it difficult to make *efficient contracts with providers*, whether through market or institutional mechanisms. One of the factors contributing to the historic pattern of centralization is precisely an effort to solve this by monitoring the providers, and the supervisor of the providers, and the manager of the supervisor, and so on. Each layer of the bureaucracy justifies its role by the need to supervise and monitor

⁵Morley and Silva (1994), Inter-American Development Bank (1996a), World Bank (1993).

the effort of the layer below. The problem becomes even more complicated in health services because of moral hazard issues. Fee-per-service schemes tend to lack incentives for cost control. Managed care may create the incentive to deny needed services. The traditional free public systems in the region lack mechanisms to adjust resources to requirements and often result in long queues.

Equity is an Imperative

Social sectors are distinguishable from other sectors by the overwhelming importance of equity. Education and health care are considered such basic necessities for human life that societies declare that everyone should have access to them regardless of income. This leads most countries to provide public funding and delivery of such services. Public financing can be appropriate; however, it brings with it other difficulties, depending on the ways it is organized and implemented.⁶

For example, in contrast to markets, where consumers give producers information and resources through their decisions of where and what they buy, most publicly financed services give resources to providers independent of the amount of services they deliver. The existence of public funds for services, when organized in this fashion, insulates providers from market-style incentives regarding their performance.

When combined with direct provision of services in virtual public monopolies, providers are further insulated from client reactions because individuals have limited capacity for "exit"--that is, the ability to leave one provider and select another. Such options are an important mechanism, in private or public spheres, for informing providers about how well they are serving

⁶Lal (1994) takes exception to the argument that public financing of health services is necessary, except in the case of public health interventions (e.g., treatment of tuberculosis), in which physical externalities are present. In other cases, he argues that the market can and will perform better than public involvement, which tends to be captured by producer interests.

their clients and in redirecting resources toward the scarcer service or the more effective provider.⁷ Furthermore, public funding and provision organized in a strongly centralized system insulates providers from *direct* feedback from their clients. Citizens have limited capacity to exercise "voice"--that is, the ability to improve the services provided through participating, informing, and making recommendations to the service providers.

The difficulties in monitoring performance of social service delivery, combined with few incentives for central authorities to collect and disseminate information, make this kind of automatic feedback of relative effectiveness impossible for both providers and clients. Without standardized exams or public data on health outcomes, providers cannot find out how well they are performing relative to other providers, nor can clients evaluate the relative quality of their services.

Either of these characteristics--need for equity and unobservability of output--presents difficulties by itself; taken together, the problems are compounded. For example, efforts to improve the efficiency of public financing can exacerbate inequities if resource allocation formulas fail to adjust for differing needs by region and income class. Rural areas may need to pay higher salaries to attract qualified staff; poor neighborhoods may need special programs to compensate for inadequate conditions at home (e.g., nutrition, hygiene, books). Universal access can overburden fiscal capacities and undermine public support. Furthermore, some solutions are more vulnerable to opportunism or may encourage the formation of group interests that run counter to the stated aims of the system.

⁷See Hirschman (1970).

B. Traditional Solutions and Their Effects

As a result of these fundamental characteristics, societies have tried various ways to organize social service systems to provide services efficiently. None has succeeded completely. In many places, non-government solutions have flourished, such as the *mutualistas* of Uruguay or church-supported schools in Venezuela.⁸ However, in practice, public policy in Latin America and the Caribbean has addressed equity and cost concerns by expanding direct public provision of services and often imposing a public monopoly for such services. The effect of such a structure, in the presence of measurement problems and equity concerns, compromises performance and builds resistance to change.

Centralized Systems are Distant and Uninformed

The centralized and hierarchical structures give operational decision-making powers to entities that are too distant from the providers to have the necessary information. Each step, each organizational layer, represents a loss of local information regarding the performance of teachers or doctors, the particular needs of students and patients, and the best mix of inputs and personnel to deliver the service.

Centralized provision makes it difficult to adjust to changes in the local composition of demand, whether varying enrollments, changing curricular needs, epidemiological changes, or socioeconomic conditions. This problem reaches extreme levels in cases where promises of stable lifetime employment in the public sector are extended to include “rights” to a specific work post and location, such that an empty school or clinic remains staffed while others are overcrowded.

⁸Caveat that this description, and much of the paper, apply only imperfectly to all of the countries of Latin America and the Caribbean. In particular, the English-speaking Caribbean has followed a distinct model of social service delivery that is relatively centralized but frequently more effective than those in Latin American nations. Many of the lessons, however, still apply to analyzing and recommending further improvements.

Centralized offices are also too far away to understand what particular inputs or qualifications are required to improve the functioning of local services in any given instance--it is at the local level that providers can judge the relative importance of additional staff, medical supplies, training, or repairs. In their efforts to reduce waste and corruption, centralized systems have so tightly circumscribed the authority of local providers that paltry sums are provided for their discretionary use. It is not unusual to find schools, clinics, or hospitals with petty cash funds too small to cover even incidental expenses for postage and copying.

Additionally, centralized offices cannot incorporate and profit from new technologies. They are generally organized to impose standards rather than to experiment in the face of change. By contrast, local providers can experiment with new ideas without risking the outcomes for the entire system, especially if they have information about the comparative quality of their output through, for example, national test scores. They are also in the best situation to judge whether specific innovations are likely to be useful in their particular population or community.

Finally, centralized direct provision makes it difficult to encourage greater effort and productivity. Incentive mechanisms are generally absent, and when they exist, they are clumsy--promotions that are unrelated to performance, funds for special programs unrelated to output, awards and public recognition based on imperfect information.

Even in the absence of any other pressures on the system, then, central ministries will find it very difficult to provide good services at low cost. They will find it difficult to respond to heterogeneous and changing demands, to allocate resources efficiently among inputs and across different locations, to experiment and innovate so as to increase productivity, and to motivate improved performance from personnel.

Centralized Systems are Susceptible to Capture

The fact that resources are allocated by central offices gives various groups, particularly producers and privileged beneficiaries, a strong interest in organizing to affect those allocation decisions--whether they be social security pensioners or teacher and doctor unions. Centralized control over hiring and firing gives strong incentives for unionization--the only way providers can have a voice in the single employment contract that is being offered to them.⁹ The uneven pressures on the resource allocation decisions explain the high share of public budgets spent on wages, and the recurrent underfunding of complementary inputs.¹⁰ It is not unusual to find cases in which increases in the budget of a health or education ministry are followed by a strike--an effort to capture for the wage bill whatever additional funding is made available.¹¹

Not only do groups organize to affect resource allocations, they also seek to modify the structure. Employees who are subject to supervision in sectors in which performance and effort are difficult to monitor and document reasonably organize to reduce managerial discretion over personnel issues. They seek to make the system rule-bound to measures that neither reflect performance--such as seniority--nor adjust to beneficiaries' needs--such as location of facilities in rural areas.¹² Service providers and administrators in these systems have a strong interest in insulating their income and employment from the vagaries of demand and pressures to increase or modify their outputs. In this context, it is not surprising to

⁹Hausmann (1994) describes the relevant labor markets of the education and health sectors in Latin America as inefficient and troublesome bilateral monopolies.

¹⁰This does not imply that unions are strong enough to maintain wages, which in fact have been declining in most countries over the last decade. Rather it demonstrates the ability of producers to take hold of the major share of the funds (especially when declining) that are allocated to education or health care at the national level.

¹¹Hausmann (1994) notes that in much of Latin America, the combination of centralized budgetary decisions and the particular bilateral monopoly between unions and governments consistently leads to underfunding for books and maintenance. Any central efforts to allocate additional resources to non-salary items creates an incentive for another strike. See also Inter-American Development Bank (1996a).

¹²Resistance to changes in the Estatuto de Docentes in Chile is a good example. The education reform forced municipal schools to compete with private schools for students; however, the municipal schools have very little managerial power over reassigning teachers, even when student populations decline.

find teachers resisting the introduction of standardized exams.¹³ The fact that exams are imperfect at measuring "education" and at attributing results to teachers or other factors is easily used to justify such resistance.

Other Consequences of Traditional Centralized Solutions

An unintended consequence of traditional delivery structures is to weaken the control of local provider managers, such as school principals or hospital directors. Even those managers who have ideas to improve their schools, hospitals, clinics or other service centers are denied the power to implement them. Without incentives that link the availability of resources to outputs, flexibility in the use of their budgets, some choice over who works for them, and some control over personnel, such managers cannot manage. They come to function as mere transmitters of centralized decisions, and act, if at all, within a context constrained by superiors from above and union-negotiated rules from below.

The particular forms of resource allocation also restrict the information available to managers. Since resources are generally allocated on the basis of existing capacity, unrelated or weakly related to the number of students or health services offered, there is no incentive to seek out information about the amount and characteristics of demand. It is no wonder that under these conditions, such positions fail to attract individuals with managerial talents or interest. Rather, the positions come to serve primarily as the focus of political patronage or as an imperfect option for promoting teachers or doctors.

¹³Costa Rica was one of the first countries in the region to introduce standardized achievement tests. However, after being suspended in 1972 and reintroduced in 1988, the implementation of these exams has undermined its original purpose. Exams now vary by region and the tests are administered and graded by local teachers who only report aggregate figures to the Ministry of Education. In 1992, for standardized tests at the high school level, a 30% error level was detected, which generally favored the students (Inter-American Development Bank 1994). Teachers resisted the introduction of national standardized exams in the Dominican Republic. Many refused to give students exams in 1993. In 1994, however, the government successfully implemented a national achievement exam.

The combination of resource misallocation and the dynamics of group and individual action described above lead to weak performance, which has further implications--primarily an erosion of public support for the delivery systems. On the one hand, citizens have steadily abandoned the public delivery systems for private ones, whether for profit or non-profit.¹⁴ This is particularly remarkable given that the costs of such private services are generally high and that this flight is not restricted to the wealthy. Private schools in poor neighborhoods of Venezuela and the Dominican Republic are expanding enrollment at the expense of the public sector, even when it means higher out-of-pocket expenditures. One study has shown that the top quintile of the region pays as much for health services as would be expected on the basis of cross-country comparisons, but the bottom 40% pay significantly more than the international norm.¹⁵

On the other hand, political support for allocating more money to large health and education systems is weakened by their failure to perform well. As more citizens leave the public system, support wanes for public financing of these services. Taxpayers will resist sinking additional funds into systems that do not serve them. National authorities, faced with expensive services that perform poorly, are reticent to authorize additional budgets.

III. Toward Solutions: Dimensions of Reforms

Latin America is not the only region of the world that is confronting problems in the delivery of social services, and it can learn from experiments in other places. There are tools to evaluate the relative advantages of different systems, and using those tools it can be determined which measures hold promise for effectively improving social services in a particular context.

¹⁴On average, enrollment in private primary schools has increased from 15% to 17% of total enrollment in the last decade, according to UNESCO data. In Latin America and the Caribbean, direct private household expenditures accounted for 57% of national health spending in 1990, whereas in industrialized countries this figure was only 33% (Suarez et al. 1995).

¹⁵Londoño and Frenk (1996).

On the one hand, concerns for equity suggest a need for public financing. On the other hand, the difficulties of monitoring performance and tailoring services work in the direction of private or local provision. This blend of public financing and local delivery (for profit or nonprofit) is the common trend because it directly addresses the major features noted above. However, such structures still require checks and balances through quality measurement and public regulation. The problem of monitoring performance and assuring quality cannot be solved by pure market mechanisms, as has become evident in programs such as managed competition of health services and public scholarships for training programs. The systems still need to establish incentives for those delivering, receiving, and monitoring services that will give them a stake in efficient outcomes rather than encouraging negative sum struggles.

Consistent with this view, more decision-making power needs to be given to local providers because they have better information about needs and can respond more effectively than central offices to questions regarding allocation of resources among inputs, review of personnel performance, and varying features of demand. An effective system should make local providers responsive to their clients. This can take the form of comparative output measures, so that clients and providers see what is being delivered. It can involve giving clients the choice to take their "business" to the providers they feel are the best. In still other cases, this can be realized through creating local participation mechanisms--enabling citizens to voice their opinions on the quality of service. Such feedback, through exit or voice, can give local providers both information and stimulus to exert themselves on behalf of improving performance.

Social goals, primarily equity, must be effected through strong public financing. The high costs of services and the large differences in incomes in most countries require that public financing play a primary role in assuring that education and health services are generally available. However, along with this public financing comes the need to introduce mechanisms that address the negative incentive effects described above. For this, systems must adopt methods to reward outputs not inputs, establish equitable formula for compensating

disadvantaged groups, and target funds for the poor when it will not threaten public support for the long-term financial sustainability of the system.

National or central authorities still have a critical role to play in establishing appropriate norms and minimum quality standards and improving information available to clients in the form of accreditation, pricing, and performance. This requires significant effort in reorienting the style of thinking in central offices from command centers to regulators. The primary function of the central authorities must be to ensure that the social service delivery systems are regulated in ways that contribute to effective performance. There are also functions that are more efficient when centralized due to economies of scale, such as standardized testing or bulk purchasing.

These features of a good system, in terms of the location of decision making, resource allocation mechanisms, voice and exit by clients, and national roles in regulation, shed light on some of the main elements of programs that are debated today: they take objectives seriously, encourage multiple sources of supply, use resources that reward outputs and providers who define inputs, and approach decentralization with caution.

Taking Objectives Seriously

In debates on the reform of social service systems, many countries have sought political consensus by establishing global objectives. Sometimes it is possible to find solutions that simultaneously address all of the objectives, but in many cases the objectives may be inconsistent or at least unfeasible within the country's budget constraints.

Consider the most common example of conflicting goals--establishing universal access to social services and providing high quality services within a constrained budget. In the past, the main strategy for achieving these objectives has been to establish reasonably high standards of services that are to be provided to all citizens. In practice, such services were extended to

particular social groups according to their degree of organization (e.g., first to public sector workers, then to various private formal employees, etc.). However, restricted budgets and institutional capacities led in practice either to limited provision of high cost services, which are then utilized primarily by the wealthier members of society (e.g., universities and urban hospitals), or to a deterioration of services with a consequent flight by wealthier individuals to private-sector provision. One of the key restrictions on achieving universal access was the insistence of *homogeneous treatment* of all citizens. In general terms, social policy in the region has come to recognize that the goal of universal access may be better served through differential treatment of citizens for two reasons: to ensure that the marginalized and less powerful gain access, and to ensure that the better off do not siphon off too much of the scarce public resources.¹⁶ Thus, reconsidering the assumptions behind the approaches for reaching the goals of universal access and high quality care can lead in the direction of an effective strategy.

It is sometimes necessary for public policy to recognize significant trade-offs inherent in broad goals so as to be more effective at implementing the reforms that are selected. For example, countries seeking to compete in global markets may call for improved secondary and tertiary education at the same time that they want to universalize access to primary schooling--unless substantial resources are forthcoming and institutional capacities are sufficiently developed to simultaneously address all of the issues, it is possible for one set of goals to interfere with the other. Translated into a program, the government may want to avoid charging university tuition, which would discourage some potential university entrants, but it might then

¹⁶For a cogent statement of the changing views regarding universal access, see Franco (1995). For recent examples of differential treatment, consider the introduction of bilingual education in Bolivia and Mexico, as well as efforts to introduce means-adjusted fees for university education. For problems related to equity, consider the current trends in Chilean education described by Schiefelbein (1995). Prawda (1992) shows that the spread between the highest and lowest school scores in primary students' cognitive achievement tests in Spanish in the 1982-88 period increased by 34%. Aedo and Larrañaga (1994) suggests that the internal equity of the Chilean health care system is questionable. High- and middle-income individuals enrolled in the private system have access to timely health care and modern technology, while most of the population covered under the public system suffer from deteriorating facilities, long queues, and inadequate treatment.

find itself without the funds to provide real opportunities for poorer students to attend. In health, cost containment can be achieved through various mechanisms, some of which place a greater financial burden on beneficiaries while others restrict access to high-cost interventions. Understanding the implications of global objectives and potential trade-offs, and incorporating into public debate a recognition of the limitations and constraints can be important in promoting effective reforms. These issues will never be resolved once and for all; however, unless they are openly debated, reform plans can easily introduce compromises that work at cross-purposes and thereby stall progress.

Encouraging Multiple Sources of Supply

Direct provision of services by national governments has been relatively successful in some instances, but in no country has direct provision achieved the goals of universal access to quality services. Throughout the region, private citizens and local governments expend their own resources to complement or substitute for public service systems.¹⁷ Reform plans must recognize the potential use of alternate sources of supply--both as a check on providers when they are given greater autonomy and as a source of information regarding demand and technology--and consider how these alternative suppliers can be incorporated in ways that increase the effectiveness of delivery to the sector as a whole. In all cases, it is useful to distinguish the importance of public funding from public provision; in some, privatization may be a viable option; in most cases, public provision will continue to be important, but in a revised role.

Most countries will be best served by a strategy that involves central funding of services, in order to address both externalities and inequities. There are substantial economies of scale in taxation, making general revenues an efficient source of funding. Only national funding can

¹⁷On health, see Londoño (1995) and Suarez et al. (1995). For education, see note 11.

redress regional and local imbalances in resources. Nevertheless, it will probably be beneficial to encourage and support the development of multiple sources for *providing* services because this can moderate prices through competition, improve or maintain quality, and be more responsive to changing needs and innovation. Multiple sources need not be restricted to private for profit or non-profit associations, but may also include subnational entities or autonomous public enterprises. The effectiveness of encouraging multiple sources as a strategy will depend critically on both the regulatory or administrative framework and upon the capacities and attributions of the providers.

It is essential to recognize the need for proper regulation whenever moving away from direct public or private monopolies. Such regulation would include minimum quality standards for private health care or teacher training schools, as well as requirements for "truth-in-advertising" and "consumer" information. Enforcement mechanisms must be established, but these can be either public (e.g., *fiscalizador*) or private (active peer review, private ratings). It is also important to recognize that multiple providers do not appear magically; in some cases, it may be necessary to have specific promotional activities to encourage the emergence of private suppliers.¹⁸

It is also important to consider the dynamic effects of promoting private sector expansion. In certain cases, reforms can be effectively promoted by encouraging the private sector to involve itself in social services delivery; however, once active, the private sector develops its own interests and capacities to affect initiatives to modify or alter the regulatory framework. This "capture" of the regulator by the regulated is always a source of concern. For example, the

¹⁸The issue of the private sector in Chile's training program has created an interest in similar designs in other countries. Efforts to utilize the private sector to provide training in Paraguay were hindered by limited experience and capacity. Paraguay's current training program, supported by the Inter-American Development Bank, is designed to gradually reduce direct support to public sector training agencies and enable the purchase of training from private institutions.

Chilean private sector prepaid health plans (ISAPRES), enabled by legislation in the early 1980s, now have a strong association, resistant to proposed modifications to address recent problems. On the other hand, waiting until an ideal regulatory framework is in place may decidedly stall private sector interest, especially when governments and policies change so frequently.

The case of teacher training is an illustrative example of how multiple sources can be beneficial. Many countries currently require teachers to have degrees from specific schools, which restricts their professional options, reduces the responsiveness of schools to changes in demand, and can encourage rent-seeking on the part of the teaching profession. By contrast, a system that evaluates teachers by accreditation or exams allows the emergence of a variety of training institutions, which increases flexibility and can better support qualitative adjustment and innovation. In the health sector, ministries can purchase medical services from independent hospitals, hospitals can purchase linen services from private companies, NGOs can be contracted to staff rural clinics. Utilizing such mechanisms allows the public sector to use the power of its funds while avoiding the traps of direct provision.

Using Resources that Reward Outputs and Providers who Define Inputs

It is important to have funding for services respond as closely as possible to the demand for that service, rather than be provided as a budget item to maintain the status quo. For example, funding schools on the basis of the number of students attending rather than the number of teachers, administrators or classrooms can give decision makers strong incentives not to waste resources. Note that privatization is not necessary to institute such a mechanism. Even public delivery systems can budget on the basis of output rather than input. Public universities can be paid per student and hospitals can be remunerated on the basis of services provided.

Together with a budget that pays for output, the importance of budget flexibility at the local provider level cannot be emphasized enough. Strengthened local managers can determine

which elements are insufficient or lacking for the adequate provision of services. Budget resources can remain predominantly central, but allocation to providers should reflect output, and decisions regarding composition should be made locally. This decentralized vision of budget *decisions* gives local providers the flexibility they need to allocate resources among the various inputs required for effective delivery.

Reforms that shift resource allocation mechanisms in this way, however, must address the tendency for such systems to affect service quality. For example, capitation plans in health care give medical service institutions clear incentives to provide low-cost preventive care--which can improve health conditions at the same time that it reduces the need for high-cost curative attention. Nevertheless, unless the public sector monitors and enforces quality standards, there are also incentives to profit through denying services, misleading potential clients about benefits, and "creaming" relatively healthy clients from the public system. In any system where the switch is being made from "supply-driven" to "demand-driven" resource allocation, attention must be given to the complementary actions required to assure that outputs are properly measured and rewarded.

Demand-driven projects have become a standard element of social policy in the region, particularly through the various social funds in which communities or local entities initiate or participate in the selection of projects. This kind of mechanism can be successful at responding to actual needs of local groups; improving sustainability because the local groups develop a sense of ownership and may even participate in partially financing or working on the projects; and reducing corruption by ensuring that an interested stakeholder (the local community) has an active role in monitoring execution.

On the other hand, such programs have also come under criticism. They are subject to bias (e.g., communities ask for the kinds of projects being purveyed by the central agency)¹⁹ and manipulation by local community leaders or contractors, and they may be more costly and inefficient from a regional or national perspective.²⁰ Community involvement should be seriously considered as an instrument of public policy in many operations because of its potential effectiveness in introducing interested stakeholders with distinct sources of information, as well as its broader impact on public debate and democracy by strengthening popular participation; however, it should not be blindly adopted without careful attention to its costs and its potentially adverse impacts on achieving program goals.

Approaching Decentralization with Caution

The analysis in Section II emphasized the detrimental effects of the centralized provision of services. It does not follow directly, however, that decentralization to state or local levels will solve delivery problems. Many countries in the region are pursuing decentralization efforts of various kinds to improve their systems; however, too often these decentralization strategies are implemented by devolving responsibilities to intermediate administrative or political levels that are no better equipped to manage local service provision than the national government. It is necessary that the agency that receives decision power have the right governance structure, the right incentives, adequate resources, and ownership to ensure that goals and performance move in the right direction.

Reform plans involving decentralization cannot simply devolve responsibilities; they must focus on which functions or decisions are going to be assigned to any given level and properly justify that assignment on the basis of economies of scale and scope, efficiency gains

¹⁹The Bolivian and El Salvadoran social investment funds programs have been criticized for a bias toward particular kinds of infrastructure. More than 80% of projects were in social infrastructure such as schools and latrines (Inter-American Development Bank 1995).

²⁰See MacDonald and Sollis (1994, 1995).

from coordination, and by breaking down units into relatively homogeneous client groups. Attention, then, is not on decentralization *per se*, but rather on defining the most effective roles for various agents.²¹ In many cases, it is unclear whether the political involvement of municipal governments in social service provision is a means or an obstacle to the empowerment of schools and hospitals.²²

Given the characteristics of most social services, allowing greater autonomy for service providers to determine the use of their budgets and local personnel management is likely to emerge as the efficient level for these functions. A central government role will be essential to provide or complement financial resources, maintain minimum standards for quality, monitor performance, encourage innovation, transfer resources in ways that respond to the number of clients served, coordinate efforts across regions, compensate for regional differences in resources, and disseminate alternative practices and programs.

For instance, in health systems there is a need to regulate insurance at the national level, while maintenance decisions for clinics can be decided and managed at the local level. When moral hazard issues are present, as in health insurance, it may be preferable to have a mandatory pool of insured citizens with a single-payer system, such as those of Canada or some European countries. In education, establishing student exams and a core curriculum will generally be a national function, while school maintenance and teacher evaluation can be assigned at the school or school district levels. A classic example is the recent education reform in Britain. Evaluation was centralized from municipal to the national level at the same time that school management

²¹Peterson (1994) and Winkler (1994).

²²This has been the case in the present arrangement of Peru's education system, where the departmental directorates have considerable authority but no reporting responsibilities. Such a structure has resulted in further weakening of the Ministry of Education without giving any greater autonomy to schools and the communities they serve (see Inter-American Development Bank 1995). This is also true of municipal schools in Chile that receive their funds via the municipality and have little authority over the use of their budgets, unlike their counterparts in the private sector who also receive public funds.

was decentralized to the schools themselves. In fact, it is usually the case that normative and evaluative functions need to be centralized in order for decentralization to bring net benefits.

As noted above, decentralized decision making can significantly address the problems that result from the inability to measure output and performance; but decentralization may also exacerbate inequities that are a central aspect of public interest in these systems. Current trends in fiscal decentralization may exacerbate regional differences unless national funds are transferred with some consideration of income differences. Local political and social processes must also be monitored to assure that local elites do not interfere or redirect resources from intended uses. These cautionary statements, however, should be tempered by recognition of successful cases of the use of block grant funds and local autonomy, suggesting they can be effective in certain contexts.²³

IV. The Challenges to Implementing Reform

Improvements in social services delivery will not emerge as a consequence of imposing some ideal efficient design on existing systems. Rather, improvements will come from a process of persuasion, motivation, and mobilization within countries whereby distinct social groups modify their behavior and come to terms around an appropriate and efficient system. The region's countries must develop political strategies to bring interested parties into the debate, so that innovations in organization that recognize common purposes and inherent trade-offs can be introduced. When charting a course for change, these strategies must take into account the needs for leadership, the varying capacities of different government levels, the organizational strengths of civil institutions, and the relative availability of information and resources.

²³Compare the results of Mexico's SEDESOL program across states (MacDonald and Sollis 1994, Fox 1994). In Brazil, see Tandler and Freedheim (1994).

Reforms are Costly

Reforms of public systems that employ hundreds of thousands of workers, manage significant shares of GDP, and undertake myriad tasks are costly in financial terms. Governments must recognize that, for a variety of reasons, expenditures are likely to increase without immediate improvements in performance. Some costs are transitional--such as severance payments, converting social security to a fully-funded basis, or duplicating service provision during a phase which will end up with a more efficient deployment of capacity.²⁴ Other costs are more permanent--including commitments to adequate pay for teachers and medical personnel, adequate budgets for complementary inputs, new functions such as standardized exams, and quality of health care provision.

The expense of reform, in itself, engenders resistance from different groups in society. If resources are to be reallocated within the public budget, other ministries and sectors will react. Since some of them may have stronger political support, their resistance may be hard to overcome. When resources are going to be raised through additional taxation, resistance emerges from taxpayers in overt ways but also through tax evasion. Currently, as many governments are trying to establish good track records of macroeconomic stability, new revenue sources can only be counted on when substantive improvements in tax effort are underway.

Conflicts among Beneficiaries

Large amounts of resources expended in public social services do reach beneficiaries who have a direct interest in maintaining their access to these services under current terms. When effective reforms take place, though, they frequently reorient resources from one group of

²⁴The recent health reform program in Trinidad and Tobago, supported by the Inter-American Development Bank, explicitly addresses excess capacity in hospitals by reducing capacity and increasing utilization. In the transitional phase, however, several less-efficient hospitals that are slated to be closed will have to continue to operate during the renovation and improvement of those that will remain.

beneficiaries to another. To the degree that additional resources become available, this divergence in interests can be minimized; but in general, conflicts will arise.

The frequency with which studies and policy statements call for redirecting public resources from university to primary education, from curative to preventive care, from urban to rural areas, from the rich to the poor, attest to the relative rarity with which expenditures are effectively reoriented. Resistance from current beneficiaries is an important risk that must be explicitly recognized; programs must work out solutions either to limit the impact of reforms on these groups or to pressure such groups to collaborate in reforms via the mobilization of public opinion and political consensus.

Service Providers and their Role

Service providers are well organized, relative to beneficiaries and even to ministries. They also have an enormous stake in the character of any reform process, more perhaps than any other social group. Most of the reforms outlined above redistribute not only funds but also power within the delivery system. In general, they increase the discretion and power of managers at the expense of unions and central ministries. If properly designed and implemented, this increased discretion is checked by effective resource allocation mechanisms, improved monitoring of performance, and enforcement of standards. Nevertheless, providers frequently expect the worst and focus on the potential for abuse in such systems.

This is another risk to reform that can be managed through the process of debating and designing the reform programs. Service providers also have a very strong interest in working in well-functioning systems, because good performance will entail better pay and working conditions and overall improved resources. The implications for morale and effort under such conditions are obvious.

Other Constraints

It is clear that this list does not exhaust the factors that affect the implementation of reforms. Programs oriented toward reform must also consider the effectiveness of local leadership, the human resource capacities of the institutions and the country, as well as the level of popular dissatisfaction with the delivery systems concerned. Any one of these factors, along with others, can enhance or hinder the ability to introduce substantive changes in the social delivery systems.

V. Conclusion

This paper has argued that countries in Latin America and the Caribbean have recognized a need for reform in their social service delivery systems, but that the elements of such reforms need to be improved. In particular, the content of these reforms must attack the problems underlying the inadequate performance of social service delivery systems through changes in the ways they function. Public financing must be organized to ensure appropriate incentives and adequate quality of provision. Providers must be regulated in ways that reward output, improve quality, and make them responsive to the needs of their clients. The systems must be structured to make efficient use of information and resources, assigning functions and responsibilities to those in the best position to fulfill them, and creating channels for voice and accountability. These kinds of changes should contribute to improving the performance of social services in ways that will also make it possible to mobilize continuing public support for such services.

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Implementing Social Reform: Lessons from the Venezuelan Experience

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INTRODUCTION

In Latin America, extended and increasing poverty, sharpened income inequality, and stagnation, if not plain decay in social indicators, during the 1980s were widely believed to be the consequence of macroeconomic instability and decline combined with ineffective public expenditure in the social sector. Poor economic performance caused by aggressively interventionist policies, followed by a sequence of not always successful attempts at macro stabilization, severely deteriorated the real income of workers in most countries of the region. Simultaneously, social service agencies reacted to a shrinking resource base in a way that magnified inefficiency in the use of resources.

The first factor seems to have been removed from the picture in most countries, or at least it is more under control than it was just a decade ago. Recent episodes remind us that the ghost of macroeconomic volatility is alive, but the general policy framework seems definitely changed for the better. This paper is an attempt to look closely at the second factor, not to explain it, but rather to reflect on the conditions under which the unsatisfactory conditions now prevalent in the social sector of the state apparatus can be reformed and public agencies turned into effective tools of social policy. In other words, this paper aims to contribute to a framework for understanding the process of social reform in Latin America, meaning the enhancement of the state's ability to intervene in redistributive as well as in human capital investment policies by changing the institutions and policies traditionally prevalent in health, education, housing, social security, and anti-poverty programs. It reviews the Venezuelan experience in social reform over

the last half-decade, paying attention to the degree to which important aspects of the reform process can be considered country specific or may have a claim to broader application.

To a certain extent, Venezuela may be considered a particularly striking example of the poor administration of social policies. Social conditions in Venezuela deteriorated steadily during the 1980s; typically, this was the flip side of economic decline and consistently misguided economic policies. Between 1981 and 1989 the incidence of poverty at least doubled, reaching a figure somewhere between 38 and 49 percent of the population. Márquez (1993) found that drastically falling real incomes, reflecting slow growth and relatively high inflation, were the main causes of the surge in poverty in Venezuela during the 1980s, even though the poor worked harder and were not particularly affected by high unemployment.

Other factors also seemed to play a role. Morley (1992) documented a particularly poor record for the Venezuelan economy, when compared to other Latin American countries with regard to its capacity to protect the poor during economic decline. He was intrigued by the inability of the most common explanations of increased poverty to provide an adequate account of the Venezuelan case: real minimum wages declined less than in Argentina, Brazil or Peru, employment increased, and the share of informal sector employment fell; nevertheless poverty grew much more than in other countries.

Interestingly enough, a shortage of resources for financing social policy could not be blamed either. Common sense would suggest that as GDP stagnated and population grew, public funds for financing social services would diminish, further contributing to deteriorated social conditions. This argument, however, is not supported by the actual behavior of public social service financing during the 1980s, as has been noted by recent research (Márquez, 1993; Morley, 1992; Cartaya and D'Elía, 1991). Expenditures in the social sector by the central government were able to keep and even to slightly increase their relative importance in the

budget: if relative proportions in public expenditure are to be taken as an indication of priority, there is no doubt that education, health, nutrition and other welfare programs during the 1980s were at least as important for the Venezuelan government as they had been before the economic difficulties started in 1983.

The general impoverishment of the country was of course reflected in diminished per capita social expenditures. But even here, the decline was not particularly significant and, in any case, was less than proportional to the decline in per capita GDP during the same period, a pattern rather similar to that found in several other Latin American countries (Grosh, 1990). In fact, even after the good times of the 1970s and early 1980s were long gone, expenditures in social services remained by far the highest in Venezuela when compared to other countries in the region and even to some outside it with comparable levels of development: in 1988, Venezuela spent far more than Argentina, Brazil, Chile, Costa Rica or Mexico on health and education on a per capita basis (Grosh, 1990).²⁵

Yet, in spite of such substantial financial support for social services--the main social indicators of the country, which are generally believed to be related not only to poverty levels but also to public intervention and financing of social services--remained low. Table 1 shows that Venezuela consistently ranked among the lowest when compared to selected countries of comparable, and even lower, GDP.

²⁵More precise comparisons are not available due to lack of appropriate information. A critical area in which very little information is available is public social expenditure in Latin America, be it in terms of the feasibility of international comparisons or in terms of measuring social service productivity within each country. Recent advances on this front, like those of Grosh (1990) or Carciofi and Becaria (1993), even though they represent considerable research efforts, fail to take into account public expenditure in the social sectors by state and local governments, which are substantial in many Latin American countries.

Table 1. Comparative Social Indicators in Venezuela and Selected Countries (1989)

Countries	Per Capita GDP (US \$)	Infant Mort. Rate (Per 1000)	Child Death Rate (Per 100000)	Life Expect. (Years)	Access to Health (%)	Total Fertil. Rate	Secon. School Enr. (%)	Adult Illit. Rate (%)
Venezuela	3170	36	41	70.1	73	3.8	46	13.1
Argentina	2640	32	36	70.6	90	2.9	74	6.1
Uruguay	2470	27	30	71.1		2.4	71	4.6
Panama	2240	23	27	72.1	80	3.1	59	11.8
Costa Rica	1760	18	21	73.7	94.8	3.2	42	6.4
Chile	1510	20	23	71.5	94.7	2.7	70	5.6
Jamaica	1080	18	20	73.9		2.6	58	3.9
Portugal	3670	15.9	18	73.3	100	1.6	52	16
Korea	3530	25	30	69.3	80	1.8	95	
Hungary	2460	17	20	70.2	100	1.8	70	1.1

Source: World Bank, 1991.

In fact, the trends of these social indicators were cause for concern: several health (infant mortality, maternal mortality) and education (preschool and secondary education) indicators were stagnant or had slowed significantly in their improvement; others--such as morbidity due to malaria and other endemic diseases and enrollment ratios in secondary education--were deteriorating. Again, when compared to Latin American countries with similar initial social conditions, the Venezuelan performance seemed particularly poor despite the substantial resources committed to social services: while Costa Rica went from an infant mortality rate of 67.1 in 1969 to one of 18 by 1987, and Chile from 85 to 20 (per 1000 live births), Venezuela went from 55.6 to 36 during the same period; as for education, Venezuela did not show improvement in the rate of enrollment in secondary education between 1969 and 1987, while Argentina went from 44 to 74 percent (as a percentage of the relevant age group), Chile from 39 to 74, Mexico from 22 to 53, and Costa Rica from 28 to 41 (World Bank, 1990).

Judged by international standards, Venezuela consistently devoted substantial resources to the social sector for decades, even after the economic situation deteriorated significantly during the 1980s. Yet, this commitment to social services contrasts acutely with the poor

performance in social indicators, suggesting that the causes for the deterioration in social conditions have to be looked for elsewhere.

Most analysts agree that poorly performing public agencies in the social sector played a large role in explaining this disparity. This translates into a clear priority for structural and institutional reforms in any serious attempt to improve social conditions in the country (BID, 1993; Márquez, 1995; World Bank, 1991, 1993a, 1993b). Unfortunately, macroeconomic stabilization is still the most salient goal of public policy in Venezuela, where a three-year-long recession has been the clear result of a politically induced revival of populist economic policy. Since 1989, however, social reform has somehow managed to remain at the top of the agenda for society, if not for specific administrations or cabinets, and it will have to be faced as a major priority, once stabilization takes place.

A weak governmental capability to work effectively in the social sector is a familiar phenomenon in many Latin American countries. Given the situation depicted above, however, Venezuela seems to be not so much an exception as a particular instance in which general tendencies in this regard can be observed in full force.

Badly needed reform has been taking place in Venezuela since 1989. This is most remarkable given that economic and political instability have been high, and social reform is widely recognized as particularly hard to implement, both politically and technically. Sometimes reform has proceeded in ways that have been subtle enough to pass unnoticed even for well-informed and incisive observers. In what follows are described the two main arenas in which social reform has been taking place: the development of a safety net and related anti-poverty interventions, and the beginning of restructuring of the health and educational sectors under the impact of the decentralization process. Reform has not been complete on these fronts, but there have been remarkable partial successes.

The issues at stake in both arenas are closely related yet somewhat different. In the case of anti-poverty initiatives, it is interesting to clarify the particulars of how it has been done in practice. But a foremost concern is whether, assuming that these are policies deliberately conceived for the most part as short-term compensatory and targeted interventions, the programs have somehow managed to have an impact on institutional and policy reforms in a broader context--for instance, by changing institutional capacities to design and implement policy in certain agencies--and whether these impacts are constructive or detrimental to long-term social reform. In contrast, in the case of social service restructuring, the key aspect is how has it been possible at all, given the nature and alleged strength of the obstacles that had to be faced (particularly union power). The democratic context in which these reforms have been taking place adds a particularly interesting perspective on both issues.

THE NEW SOCIAL POLICY OF 1989

The Reforms of 1989

Difficulties in reforming even the most narrow and simple anti-poverty program are underlined by the very fact that such reforms generally occur at times of economic instability and fiscal adjustment. Typically, a government launches a drastic stabilization plan accompanied by some targeted subsidies aimed at compensating families in the lowest income strata for the income loss they have suffered. However, only rarely does the state have the institutional and technical capabilities to design and implement such programs effectively, so special arrangements are made that make possible the launching of targeted programs. This, in turn, ends up being conceived of as a general revamping of the state intervention in anti-poverty activities. Adjustment and the sharp income fall that goes with it often becomes, paradoxically, the occasion for the implementation of drastic reforms in the way safety nets are conceived and managed.

Along these lines, the Venezuelan government, under newly elected president Carlos Andrés Pérez, undertook in 1989 an adjustment program and an ambitious structural reform of the public sector. The general goal was not only to reestablish macroeconomic equilibrium but to avoid relapses in the well-intended but ill-fated policy interventions that had resulted in major distortions; thus, structural reform of the public sector was also an important objective. A standard orthodox adjustment program, similar to those common in several countries in Latin America during the 1980s (Hausmann, 1991; Naím, 1993), was eventually coupled with compensatory measures targeted at the poor. The design, enactment, and implementation of these measures would consume the attention of policy makers in charge of the social sector for the four years of the administration, to such an extent that it can be said that these programs constituted the administration's social policy.

The new targeted social programs, in turn, were an almost exhaustive catalog of those anti-poverty programs now considered standard prescriptions for developing nations. It contained a complete set of targeted anti-poverty interventions tried one by one in many other countries and, as a whole, it matched the scope and size (relative to population size) of the well-known Solidaridad program launched by the Mexican government.²⁶ Among the programs initiated between 1989 and 1990 were direct food subsidies for families in need (*Beca Alimentaria*), child care centers in poor neighborhoods and rural areas, nutritional supplement for expecting mothers and the newborn (PAMI), a social investment fund aimed at financing urban infrastructure in the *barrios* (FONVIS), and a large-scale microenterprise support program. Table 2 shows the resources allocated to each program actually implemented from 1989 to 1993.

²⁶According to Graham (1993), the solidarity program in Mexico spent on average US \$135 in 1992 on each of the 17 million in extreme poverty. For the same year, the Venezuelan PEP spent in average US \$145 per capita on the poorest 25 percent of the population.

Table 2. Public Expenditure in Main PEP Programs
(Millions of current US \$)

Program	1989	1990	1991	1992	1993
Beca Alimentaria	59.47	292.50	472.91	390.73	396.14
PAMI	0.00	30.23	86.45	144.10	111.72
Vaso de Leche	23.28	37.90	30.59	27.76	25.64
Child-care Centers	10.92	26.18	46.13	96.10	122.30
Microent. Support	0.00	12.49	10.62	35.22	2.91
Total	93.67	399.30	646.69	693.91	658.70

Source: Ministry of Finance, 1989-1993.

In the context of 1989, the intention of the New Social Policy was to replace indirect subsidies that were shown at the time to have low cost-effectiveness and were also incompatible with a policy environment in which both price controls and activist industrial and agricultural policies were being abandoned. Actually, the emerging pattern of intervention in the social sector was formally organized under the "Plan de Enfrentamiento a la Pobreza" (PEP), first issued in May, 1989, and represented a sharp and explicit departure from the traditional pattern of intervention.²⁷

Responsibilities for the implementation of the new social policy were distributed among different public agencies: the Ministry of Health and Social Services was responsible for PAMI; the Ministry of Education was responsible for preschool expansion and for day-to-day operations of the direct cash and in kind transfers, including the *Beca Alimentaria*; FONVIS, microenterprise support and *Hogares de Cuidado Diario* were managed by the Ministry of the Family, also in charge of overseeing the PEP as a whole. Given the institutional diversity, the Ministry of the Family set up COPEP (*Comisión Presidencial para el Enfrentamiento a la Pobreza*), a coordinating unit whose members were representatives of the different governmental organization involved in the implementation of PEP.

²⁷ A detailed description of the traditional pattern of public intervention in the social sector can be found in Hausmann (1993).

The PEP was by far the most comprehensive and well-funded attempt ever launched by any Venezuelan administration to tackle poverty and the deterioration of social conditions in the country. It was implemented with high consistency and effectiveness to the end of the administration, despite serious difficulties posed by the political turmoil of 1992 and 1993.

Although a comprehensive evaluation of PEP has not yet been undertaken, several individual programs have been monitored and evaluated. For the most part, all sources tend to commend the direct transfers in cash and in kind, the *Hogares de Cuidado Diario* expansion, and the microenterprise support program as unqualified successes in terms of cost-effectiveness, community participation, and initial goal achievement (CONASSEPS, 1992; CONASSEPS, 1993; Navarro and González, 1993). The fact that the *Beca Alimentaria* reached only 55 percent of all children was recently pointed to as suggesting some degree of failure in targeting, even if no systematic evaluation of the nutritional impact of *Beca* has been completed (World Bank, 1993c). Other programs were launched so recently as to prevent any ex-post evaluative judgment--for instance, preschool expansion and FONVIS--but the delays that took place in starting them seem to point at significant implementation problems; the next section of this paper will directly address this issue.

There are dimensions, however, on which the programs did not produce such positive assessments, particularly those having to do with institutional aspects and long-term impact and feasibility. Márquez (1995) claims that excessive focus in 1989 on poverty alleviation and safety nets prevented the government from undertaking the structural reforms of health, education and social security that would have had greater impact on social conditions in the country. Angell and Graham (1995) go further to say that these failures in undertaking structural reform in the social sector were a major factor in the loss of legitimacy of the larger reform plans of the administration at the time.

It is undeniable that the New Social Policy did not take any major initiatives in structural reform of the ministries of Education, Health or Social Security between 1989 and 1993. But these critics fail to appreciate two key parts of the story of social reform that were developing over those years: first, the improvement in the state's capacity to develop and manage an effective safety net, including in particular the institutional and political implications of doing that; and, second, the hardly visible but outstanding initiation of structural reforms in health and education promoted from below, at the initiative of subnational governments.

Implementing Reforms in Anti-Poverty Policy

Reforming the state's ability to provide an effective safety net can hardly be considered a trivial endeavor. This is particularly so if, for the most part, the relevant institutions and technical capacity required to do it are not in place, which was the case in Venezuela in 1989. The principles governing the traditional pattern of intervention in the social sector dictated that generalized subsidies to producers combined with price controls were the instruments of choice whenever the government wanted to take care of inequality or undesirable social conditions. A safety net did not exist in part because of plain incompetence and lack of responsibility. For instance, even though the former government knew that a harsh adjustment program would have to be undertaken, it did not make any preparation in terms of either budgetary appropriations or institutional strengthening prior to the election in December of 1998. This was mainly because there was no perceived need for this in the context of the policy framework that had prevailed for several decades.

An additional complicating factor is that the few existing programs and networks for the direct distribution of benefits to the poor were traditionally under the control of political party officials, and, consequently, were intimately linked with clientelistic practices that had very little to do with the definition and implementation of technically defined criteria for eligibility, which are a requirement of targeted programs.

In order to understand and draw useful lessons from the process through which these obstacles to effective anti-poverty programs were removed, the technical foundation or the short-term economic soundness of the kind of programs undertaken will not be called into question here, since they coincided with the standard policy guidelines on the formulation of safety nets (Aedo and Larrañaga, 1993). Both the value and the shortcomings of the New Social Policy become apparent more clearly at the implementation stage.

The first and more general implementation challenge was the fact that programs were being designed that required a social benefits delivery network that did not exist. Not only the programs but the institutions had to be invented and organized. There were two basic responses: intensive reliance on private sector distribution networks, and setting up ad hoc program implementation units able to manage the new programs without much of a relationship with the line bureaucracies. Let us examine these two responses in turn.²⁸

Increasing Reliance on Private Sector Delivery Networks

Top-level managers of PEP at the Ministry of the Family realized early on that in many cases the public sector had no social service delivery network able to channel different types of benefits to targeted populations. Years of attention to targeted social programs, bureaucratic decay, and widespread party influence on social service delivery had largely left the public sector without a reliable network able to carry out new programs in an effective and professional way. In the case of the *Beca Alimentaria*, an early decision was made to use the public school rosters as the list of recipients eligible for benefits; policy makers were totally aware of the imperfection of this targeting mechanism but they simply had no option.²⁹ In fact, the poor quality of public

²⁸The sections below follow the description presented in Navarro (1994).

²⁹The *Beca Alimentaria* that started in 1989 had several important precedents in terms of program design and implementation strategy. The Herrera administration (1979-83) had undertaken detailed feasibility studies of a similar program and the *Comisión Presidencial para la Reforma del Estado* (COPRE) had advanced along similar

education in Venezuela had for the most part selected out the majority of those families with incomes high enough to pay for private school, so that the targeting was better than expected; in due time additional criteria were introduced to further narrow the targeted population. This was to be about the only case in which a line ministry--Education--would make a major contribution with its regular personnel and organization to the implementation of new social programs. The Ministry's bureaucracy responded reasonably well. It is interesting to note, however, that it was not the Ministry of the Family, formally responsible for direct transfers and the majority of welfare programs and actually the place where PEP was designed, but the Ministry of Education that was in better position to implement the program. The income transfer program distracted all kinds of resources from the core activities of the Ministry, an effect made stronger as the *Beca* evolved from a temporary income relief effort to an almost permanent entitlement for all children enrolled in public schools (World Bank, 1993c).

This was not going to be the only instance in which the limits of the implementation capabilities of the Ministry of the Family would become a major factor in the adoption of innovative implementation strategies. By 1990, having allocated substantial resources to a new microenterprise program, the Ministry's first option was to distribute both loans and technical support and training to small entrepreneurs through the Ministry's own bureaucracy, integrated by its headquarters in Caracas and regional offices representing the Ministry in every state in the country. It soon became clear that it would take a long time and significant resources to upgrade the capabilities of these units so that they would be up to the task ahead. At that point, the decision was made to use the limited resources of the Ministry's own bureaucracy to undertake support activities for other social programs and to develop the microenterprise program in cooperation with NGOs that had good reputations and had accumulated experience in working with small entrepreneurs in the poorest areas of Venezuela. Direct implementation was

lines during the Lusinchi administration (1984-88). None of these previous initiatives had gone beyond the design stages.

gradually phased out and by 1993 all the resources devoted to this program were transferred either to NGOs or to state governments acting as implementation agencies (Navarro and González, 1993). The absence of a well-developed service delivery network was solved in this case in an initially unplanned but in the end very constructive and effective manner. A similar experience can be found in the case of the child care centers program included in PEP.

In both cases, NGOs were integrated into the implementation strategy as a result of the constraints faced by public decision makers as far as their own implementation capabilities were concerned. In time, this would prove to be a good decision, since the NGOs performed well (Navarro and González, 1993). Once integrated, several of the typical contributions of NGOs to social policy started to add further benefits to those regularly available as a part of public programs: community participation and accountability, service orientation, quality, and others. (It can be argued that it would even bring some political benefits, as it will be explained below).

Not everything was perfect, of course. The NGOs would increasingly resent the changes in important details of programs, the ups and downs of the budgetary support for them, which made planning and staffing decisions difficult, and what they perceived as unnecessary governmental red tape, which added a burdensome administrative load and, in several instances, even jeopardized the regular operation of the programs.

In turn, the government, openly enthusiastic about the intervention of NGOs at the beginning, became concerned about whether the NGOs were minimizing costs and making the best possible use of public funds while they were cross subsidizing other activities outside the stated goals of governmental programs. The absence of an adequate and transparent regulatory scheme able to govern the participation of NGOs in the new social policy would become a major obstacle to the continuity of the microenterprise program after 1992 (Navarro and González,

1993). Recent developments over the 1993-95 period have proved, however, that the obstacle was not insurmountable.

Institutional Bypassing

As in many other developing countries, implementing new social policies required fast and effective action to compensate for the negative impact of adjustment. This need for expediency in design and implementation that had been built into the environment and the orientation of the new policies led to one of the most distinctive characteristics of the new social programs: they were for the most part managed by independent, highly professional program implementation units with little or no support from the line ministries and their bureaucracies. Almost without exception, they were not under the direct responsibility of the public organizations that were supposed to have responsibility for a certain sector or policy type; instead, they were directly managed by parallel organizations created ad hoc with the purpose of implementing a particular policy.³⁰

There is no shortage of cases to make this phenomenon clear: Fundación PAMI was specially created to manage the PAMI program; FONVIS, the social investment fund, was also created as an independent unit; FONCOFIN, the independent foundation responsible for the microenterprise support program, existed before, but operated on an extremely limited scale and both its mission and structure were reformed to accommodate the new social policies.

These independent units typically did not have very close relationships with the line ministries more directly concerned with their activities. FUNDAPRESCOLAR, for instance, although physically located in the same building as the Ministry of Education and formally under

³⁰The use of ad hoc implementation units can be properly considered an implementation strategy built into the targeted programs at the design stage. There are no doubt good reasons for adopting such a strategy, and efforts have been made lately to establish closer links between such units and regular bureaucracies. Here, however, the focus is on what happens once such a strategy is adopted, which explains the emphasis on the implementation stage.

the responsibility of a board having representatives from the Ministry, operated with its own budget, personnel, management and procedures. Its mission, building and furnishing schools so that they were ready to operate, was normally fulfilled with little contact with the Ministry. Some managers at FUNDAPRESCOLAR felt that the investment in physical infrastructure would quickly be lost, given the inability of the Ministry of Education to manage the schools appropriately. Thus, FUNDAPRESCOLAR only reluctantly turned over the buildings to the Ministry of Education once they were built, even though that was obviously the institution that would have to be responsible for the regular operation of the schools.

The widespread use of ad hoc program implementation units to advance social policy goals in the context of structural adjustment processes is a phenomenon that has been observed not only in Venezuela but in other Latin American countries in similar situations (Jorgensen, Grosh and Schacter, 1992; Graham, 1993). It results from a combination of several interrelated factors: the novelty and the technical and managerial complexity of the programs tend to require highly skilled personnel not regularly available in the ranks of public servants; and strong motivation to perform is needed, since the programs tend to have short-term impacts that are relatively easy to measure and there is usually strong political and even international pressure to exhibit concrete outcomes within strict time limits.

Usually the only way to accomplish this is by providing salaries that are beyond the scope allowed by civil service regulations.³¹ Career public servants either do not have or are widely perceived--by both top level decision makers and multilateral organizations--as not having the skills required for managing social policy implementation. In addition, line agencies are perceived--for the most part correctly--as subject to interference from political parties. Such interference is hardly compatible with the transparency needed for the implementation of new

³¹ In a telling anecdote, in the course of an interview a high-level manager of a program implementation unit reported that his salary was well above the salary of the Minister under whose authority he served.

social policies and is seen as a threat to the expedience, professionalism, and effectiveness of program implementation, since it might be a source of resource diversion, corruption, or clientelistic practices that distort eligibility criteria, staff recruitment, and efficient service delivery. Moreover, since line ministries are generally highly unionized, a parallel, ad hoc unit can in principle be expected to overcome--by bypassing them--the substantial restrictions imposed by collective bargaining on work schedules and work effort.

This picture of weak administrative capacities in social service delivery corresponds to the one that PEP managers inherited from the traditional pattern of governmental intervention in the social arena in Venezuela. Not surprisingly, independent program implementation units were consistently credited by all relevant managers and decision makers interviewed as having been key to the achievements of the new social programs. Many of them hoped that their efficiency and successes would generate a demonstration effect that would in turn encourage changes in line ministries.

However, for all their advantages in reducing transaction costs in the implementation of the new social policies, ad hoc agencies have several drawbacks: the fact that they have short-term, well-defined, and narrow goals tends to make them ephemeral. Once they fulfill their missions, they disappear, leaving behind the traditional line agencies that have the same defects and are as ineffective as they always were. It is also easy to find examples in which the line agencies resented the existence of independent units beyond their authority but charged with goals and responsibilities that they considered their own, an organizational environment that in the Venezuelan experience led to vocal criticism of the new programs from personnel working in the regular bureaucracy and, in turn, to an additional roadblock to effective implementation. Even superficial comparisons of availability of resources, salary levels, and access to top-level decision makers led to resentment and envy even on the part of capable and committed regular employees, with negative effects on morale that caused further deterioration in performance.

Truncated Implementation: Short-term Limitations of Institutional Bypassing

The shortcomings of institutional bypassing would not only make themselves apparent in the long-term perspective. In several instances, the implementation of a new social policy was not able to bypass mainstream bureaucracies entirely, and this would put early limits on the ability of the administration to successfully put some new programs in place.

A case in point is PAMI. This program had two main goals: first, the provision of nutritional supplements to pregnant women, newborns and mothers through the distribution of milk. This was the most successfully implemented part of the program, since it was relatively easy to manage from a centralized implementation unit like Fundación PAMI. The program was also supposed to provide regular medical check-ups for eligible women and children to reduce the risks of unhealthy pregnancy, low-weight babies, and infant mortality and morbidity. This required the use of existent ambulatory care facilities and personnel managed by the Health Ministry; there simply was no way to bypass the Ministry and its bureaucracy, namely, the regular public sector health service delivery structure. Although there has been no systematic evaluation of PAMI, by all accounts the health-care aspect of the program was far less successful than that of milk-distribution due to the difficulties of putting the health-care institutions to work in line with PAMI goals. Frequent strikes by doctors, nurses, or administrative and janitorial personnel often disrupted the schedule and the monitoring of mothers eligible for the program.

The experience with PAMI--shared to a lesser extent with other targeted programs³²--seems both to vindicate and to expose the weaknesses of institutional bypassing as a strategy for social policy implementation. It vindicates it, since it shows that the new programs were

³²In a typical manifestation of the clash of perspectives and administrative cultures between ad hoc implementation units and regular bureaucracies, one of the PEP program managers said "I cannot work with a bureaucracy that has a five-hour working day and resents any training program scheduled for weekends."

difficult to implement through regular organizational channels, if at all. On the other hand, it stresses the limits of an implementation strategy based to a large extent on the capacities of newly created and independent units outside of the line ministries.

The Traditional Pattern of Intervention Strikes Back: Political Reactions to the New Social Policy

An important characteristic of the traditional pattern of intervention in the social sphere was the close link between political parties and social service delivery institutions. In particular, social programs were more often than not used as clientelistic instruments, and worked very well as channels for the distribution of benefits to party loyalists and the creation and maintenance of electoral support. The regional and local structures of the large political parties were in fact used as social service delivery organizations to the point that both functions were in many specific instances inextricably entangled (Alvarez, 1992).

As the designers of the new targeted programs soon learned, the fact that substantial welfare benefits were being distributed through channels other than party organizations created sustained political conflicts at several levels of the implementation process. The *Beca Alimentaria* was distributed by commercial banks, the microenterprise and the day care centers program were implemented through NGOs, the preschool expansion targeted communities and chose private contractors following carefully designed and transparent methodologies. These were all cases of important social transfers channeled through professional and neutral bureaucracies beyond the reach of conventional party operatives in the field and often even of high-level party officials of significant political clout.

The conflict with traditional channels of distribution of benefits related to political parties arose throughout the design and implementation process of the new social policy. In a particular instance, the microenterprise support program had to be modified to allow for the inclusion of

state governments as implementing agencies since the political parties represented in the Congress resented that the funds allocated to the program were about to be entirely channeled through NGOs, organizations that they did not know well and in any case were outside their natural constituencies and party followers. The subsequent negotiation led to a mixed implementation strategy in which funds available for the program would be split between NGOs and implementation agencies under direct control of state governments, a measure seen at the time as a deliberate concession to party politics by the managerial team responsible for the entire program and PEP in general. In due time, it became apparent that state agencies widely differed in terms of their professionalism and neutrality in the administration of the microenterprise program; on balance, they have been found to be less cost-effective than NGOs (Navarro and González, 1993).³³

Beyond particular incidents like this, political pressure mounted at the highest levels of government, to the point that by the end of 1991 the President, looking for a stronger political base, conceded to the governing party leaders replacing the Minister of the Ministry of the Family--justly credited as the leader in the design and launching of PEP--with a new person, highly qualified but in all respects strictly obedient to party interests. It is difficult to determine how the implementation of the main programs would have been affected by this change at the top, since the new person was in turn replaced very soon by another independent as a result of swift cabinet changes made in response to the acute political instability created by the failed coup attempt of February 4, 1992. By all accounts, however, the influence of the party in power would have been significant in terms of appointments to key posts of responsibility for the new

³³On average, NGOs had half the operating costs of state governments agencies in 1991, the year in which the microenterprise support program reached its peak. These averages, however, conceal significant variability in the performance of individual organizations belonging to each group (Navarro and González, 1993).

programs, resulting in at least some bias in favor of party members or sympathizers in service delivery.³⁴

An aspect worth noting in this process was that a key--although by no means the only--factor influencing the decision of the President to remove the person he had appointed just a few months before, was the pressure of a set of important NGOs that had started to experience problems with the newly appointed managers of several programs and feared a major derailment of the programs with strongly adverse consequences on their finances, prestige, and ability to fulfill their missions effectively. In addition, several members of the economic team supported the decision, since they perceived an increasingly strong party influence in the implementation of social programs as a threat to both their transparency and efficacy in addressing the social needs of the poor. What this means, from the point of view of the reform process as a whole, is that, in a relatively short time, the new programs had not only alienated the traditional political basis of support for social policy, but had already started to generate a new and completely different--though still weak--constituency that supported the new programs and was clearly opposed to a return to past practices.

Creating the Safety Net: An Assessment of Reforms

Perhaps the easiest way to appreciate the extent to which the new social policy launched in 1989 represented a departure from the traditional pattern of intervention in the social sector is to assess whether the basic characteristics of the traditional social policies were at some point subject to successful reform initiatives or even reform initiatives at all.

³⁴Shortly after the replacement of the head of the Ministry of the Family, several targeted programs started to receive demands for support by party officials and loyalists in a way unknown since the beginning of PEP operations.

The introduction of private providers as an important piece in the scheme for social service delivery was undertaken in particular in the microenterprise support and day care centers program, and with good results overall. In fact, in these cases, the government played the role of designing and financing programs that later were implemented totally or for the most part by private agencies, generally non-profits. Community participation also found more room under the new social programs that were implemented in this fashion. It is interesting to note that recent developments with programs implemented through NGOs have shown that they have managed to resist the volatility produced by large shifts in the political priorities of three different administrations, suggesting that non-governmental stakeholders can make an important contribution to the feasibility and sustainability of social reform (Navarro, 1995).

One aspect in which the change was extremely clear cut was the role of political parties in social policy implementation. The new programs were initially designed and have been widely recognized as free, for all practical purposes, of undue party influences in operations, staffing and determination of eligibility. Strong party resistance to the programs can be taken as an indirect indication that this was indeed the case. Insulation of top-level managers from party influence was no doubt chiefly responsible for this trait of the new social policy--as it has been in similar experiences with targeted programs in Latin America (Jorgensen, Grosh and Schacter, 1992; Graham, 1993); the single moment in which insulation failed was the sign for many that political parties were again gaining control of operating programs.³⁵

The unions seemed to have presented a more effective opposition: they disrupted the implementation of new programs under circumstances that have been labeled "truncated

³⁵The relationship among bureaucratic insulation, patronage politics and program effectiveness has not, however, been altogether clarified. Provided that there seems to be a positive association between highly professional managerial teams and high program effectiveness, and that programs implemented in a clearly partisan manner can hardly be successful, the debate is open concerning whether a program like Mexico's PRONASOL, widely believed to be very effective, has been subject to significant political influences in its implementation (see Graham, 1993; Piester, 1994).

implementation," namely, those in which there was no alternative to using the existing social service delivery network in order to achieve some program goals. In this respect, the existence of independent implementation units outside regular bureaucracies was the key to bypassing unions, a fact underlined by the highly distorted state of social service bureaucracies under the traditional pattern of public intervention. The use of price controls and input subsidies for agricultural products as redistributive channels was also drastically eliminated and replaced by direct targeted subsidies.

Any claim for a positive long-term institutional impact of the new social policy that began in 1989 rests on one of the three following arguments: it mobilized new actors and brought them to bear on the design and implementation of social policy, creating at least the potential for a new political coalition in support of new, more efficient, social programs; a safety net was created where there was none before; and the new programs may have had a "demonstration effect" on traditional institutions and practices.

There is evidence that, at the same time that the traditional political base for social policy--patronage politics--was being alienated by the way in which the new policies were being managed, NGOs and top-level economic and social managers were gaining leverage as new actors to be dealt with in social policy formulation and implementation.

The development of a safety net can no doubt be considered a lasting achievement of the reforms introduced in 1989. As Venezuela faced another adjustment program in 1996, one of the few consolations was that at least this time compensatory measures will not have to be designed and implemented starting in an institutional vacuum: they will be able to count on the experience and institutional arrangements created by the launching of PEP, which are basically still in place.

It is difficult to establish firmly in the short term whether or not there was a "demonstration effect" but from the evidence it is clear that, if there was any, it was weak or narrowly circumscribed to particular agencies.³⁶ In any case, nothing took place like the "institutional multiplier effect" reported in the case of the Bolivian ESF (Grosh, 1992). In fact, it was found there that the effect had taken place or been stronger wherever there was no vertical or closed organizational structure predating the launching of targeted programs; it is therefore reasonable to hypothesize that in a large, highly centralized and long-organized social public sector like the Venezuelan one, the demonstration effect would tend to be weak, as the available evidence seems to suggest. The administrative and policy innovations brought about by the implementation of PEP in Venezuela are no doubt living proof that social policies can actually be managed in a highly effective and professional way, and this of course is very important; yet they seem to have fallen short as an institutional reform strategy. Replication and generalization of the innovations is not likely to happen spontaneously, at least among central government agencies.

It would be a mistake to think that this shift from indirect to direct subsidies was accompanied by a rationalization of public expenditure patterns beyond spending in agricultural subsidies. It is true that as a result of either lack of understanding of its importance and functioning, or deliberate neglect relative to other sectors, the main social agencies and policies were left basically untouched at the time in which the safety net was built, as far as centrally planned and comprehensive attempts at restructuring are concerned.³⁷

³⁶An IDB sponsored study of social policy reforms in Venezuela undertaken by late 1993, five years after the launching of PEP, found institutional reform to be the most important priority. Although several important examples of innovation and reform in social policy implementation are described in the report, they are for the most part circumscribed to decentralization or NGO involvement, and none of them refers a single instance of "demonstration effect" (Banco Interamericano de Desarrollo, 1993).

³⁷ This is exceptionally well documented given the fact that at least two major reports were produced by the World Bank (1993a, 1993b) on the functioning of social policies and institutions in Venezuela by the end of the administration: an education sector review and a health sector review, respectively. Both of them found low performance agencies and important distortions in the allocation of resources in the social sector of the kind described at the beginning of this paper.

STRUCTURAL REFORMS FROM THE BOTTOM-UP: THE IMPACT OF DECENTRALIZATION

The lack of reform of either public expenditure patterns or the structure of basic social services is the origin of the main line of criticism against the safety net put in place between 1989 and 1993. Analysts have generally criticized the lack of political will by the administration at the time to undertake this type of reform; at the same time they have shown a complex understanding of the political economy of social services that lies behind the difficulties waiting for any reformist drive in social services. Márquez (1995) explains:

The composition of these budgets since 1980 suggests a budgetary process that reduces efficiency and quality. In both ministries there was an increase in the share of expenditures allocated to support, planning and administration (and in the associated personnel costs) and a reduction in the share of operation programs and inputs.... This shift in the composition of expenditures is the result of a budgeting process in which personnel expenses and related outstanding liabilities have priority, followed by the pet programs of high level authorities; the remainder goes to equipment and operational inputs. Unions, pressure groups and vocal university and medical lobbies ensure that personnel, university and high level medical facility claims on the budget are fulfilled. Users, and particularly poor users, are ignored because they do not have a strong voice or political organizations to back their claims. Medical treatment and primary education thus receive a decreasing share of the budget. Obviously, this budgeting process has dire consequences in terms of resource allocation when the budget is being reduced in real terms. The first consequence is that real wages in the social service sector decrease, making these jobs highly unattractive and inducing the self-selection of low quality personnel. Second, operational material and other complementary inputs, whose prices rise with the general level of prices, suffer a more than proportionate reduction in supply, as less money is allocated to these increasingly expensive items. Finally, the supply of equipment is reduced to a minimum to make room for the competing claims of personnel and operational inputs in the reduced budget... (pp. 411-412).

Going a bit beyond this depiction of the role of pressure groups in determining the way money is spent and services are administered in the education and health sectors, we could ask how it is that such dominance over the entire realm of public policy has been possible and sustainable for decades. The capture of public sector agencies by their own employees, as in this

case, is seen in the literature more as a result of lack of societal balances to that power of organized interests than anything else. Paul (1991), for instance, argues that if the possibility of exit--in the Hirschman sense--exists and is not too costly for the most vocal groups of the population, only the poorest will get trapped in captured and highly inefficient public agencies, but the problem may never generate political responses as a result of the inability of those that suffer the consequences--the poor--to exercise effective political pressure. Inefficient equilibria appear and persist, creating institutional rigidities that seem to be almost impossible to modify.

Yet exit may not be complete. Services like education and health produce many externalities, so even those escaping from deteriorating public social service agencies can end up being adversely impacted by its poor performance: parents who send their children to good quality private schools may find out that teachers perform at levels far below their expectations, since the incentive and monitoring structures that are indispensable for good teaching to take place may not be working properly because they depend on inefficient ministries. Or career concerns may produce adverse selection in the teaching force, leaving a pool of available teachers who are not likely to become practitioners of the desired quality. Or public health keeps deteriorating, which affects even those able to finance expensive private health care. And so on. It can be argued, then, that the important consequence of the limited availability of exit in social services is that, at some point, a political response will indeed occur, mobilizing influence aimed at producing structural reforms of social services.

In Venezuela, this political response was long overdue by the late 1980s, but it finally took place under the umbrella of the decentralization process. This process, and the particular way in which it was conceived, was also officially started in 1989 with the simultaneous passing of the *Ley de Transferencia de Competencias* and the *Ley de Elección y Remoción de Gobernadores y Alcaldes*. It created opportunities for the organization of public dissatisfaction with the way social services work in Venezuela. There is already evidence that it will eventually

radically transform the way in which health and education are provided and financed in the country.

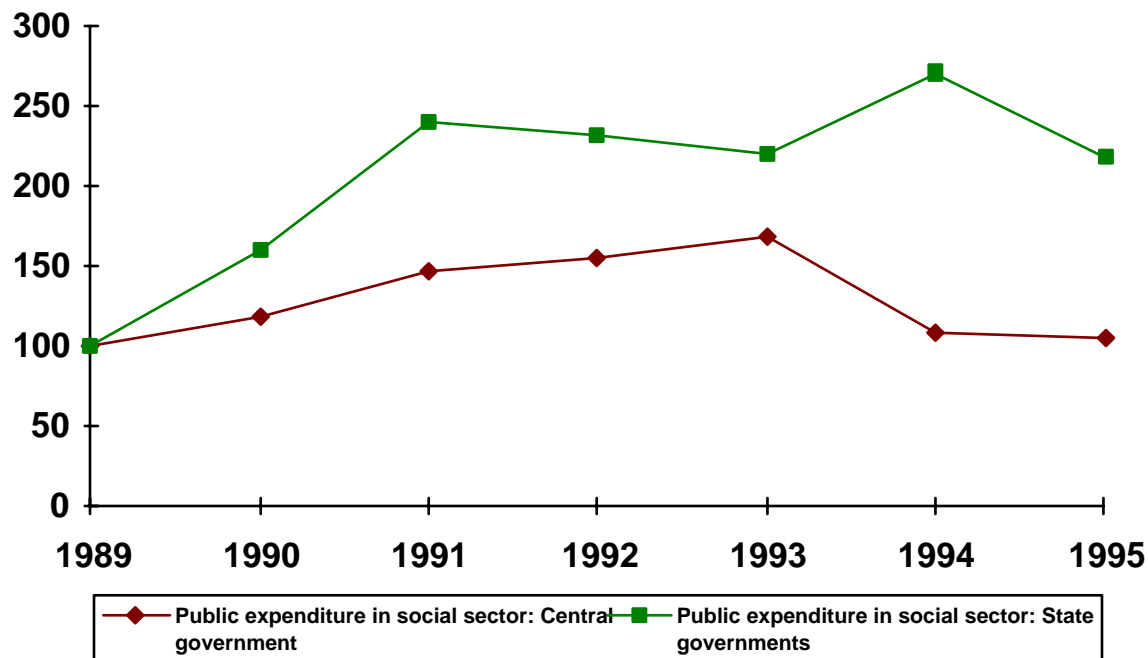
A detailed account of the decentralization process in Venezuela is beyond the scope of this paper, but several key aspects of the way in which it was designed and the way it has actually worked are important to point out here. First, the combination of the possibility of a transfer of the responsibility for the administration of social services to subnational governments and the existence, for the first time in Venezuela, of directly elected governors and mayors proved to be the right political incentive for many reform initiatives to be both possible and actively promoted by political authorities.

Education and health service reform was a salient part of the election platforms of a number of newly elected officials, given the visibility of the problems in these sectors. Once elected, many of them kept by their word and launched innovations and serious reform programs at the state and municipal levels, making a difference for many citizens in different parts of the country. Interestingly, given the legal provisions governing the process, they did not need to wait for the central government to move; they had the authority and some resources to start reforms in certain areas--for instance, schools or small hospitals that had traditionally been under the authority of the state governments--while they simultaneously opened a bargaining process with central ministries aimed at undertaking comprehensive transfers of responsibilities. This increasing involvement of subnational levels of government in social services is clearly shown in Figure 1, which compares the behavior of public expenditure in the social sector in the central government and subnational governments. Over the period considered, subnational levels of government dedicated substantial and ever-increasing resources to the financing of social services, at a time when spending by the central government was growing at a slower pace or even stagnated.

Figure 1

Variation in Public Expenditure in the Social Sector: National and Subnational Governments Compared

Index: 1989=100



Source: Presentation of the Ministry of the Family to the Cabinet, 1995.

One of the key aspects of several of these decentralized reforms is that they have been highly visible. They have attracted national as well as international attention and support, sending a crucial message to the population and the political system: reform is possible. As in the case of the reforms brought about by the *Programa de Enfrentamiento a la Pobreza*, the best way to learn from this experience in decentralizing reform is to look at the implementation details. Given the many and diverse reform programs now in place in different jurisdictions, one case has been selected as relatively representative of the implementation process of social reform: the Program for the Improvement of Basic Education in the State of Mérida.³⁸

³⁸ This section follows the argument presented in Navarro (1995).

Reforming Education in Mérida

Immediately after he became the first directly elected governor of the State of Mérida, in the Venezuelan Andes, Jesús Rondón Nucete appointed a special commissioner, Antonio Luis Cárdenas, to develop a comprehensive education reform program. It had some outstanding characteristics. First, it did not require immediate cooperation from the central government, since it would not affect any school administered by the Ministry of Education. Rather it would work initially with schools that had been under the formal authority of the state government for years.

Second, its driving force was the formation of "integral schools," which meant schools with a full, day-long schedule, new facilities, and a complete endowment of educational resources and technologies. The importance of this is that in Venezuela children are only at school half the day. Only about five percent of the schools available were included the first year, but plans were developed to increase that number steadily every year. The program took measures to ensure that priority for selecting schools to be in this program was given to communities in poverty.

The all-encompassing reforms affecting the entire educational system of Mérida were rapidly initiated. Two of them deserve particular mention: a new process for licensing teachers, free of undue party and union influence, and substantial investment in building a center for continuing education for teachers. These reforms met with strong union resistance. A key feature of the programs--the full school day at integral schools--had clear consequences for the teachers. Resistance was, curiously enough, particularly strong in the case of the union under control of the same political party as the governor, since their leaders had interpreted victory in the state elections as a clear license to appoint party loyalists as teachers, an aspiration that was frustrated as soon as the new system for teacher licensing was put in place.

Union opposition was overcome by a combination of strong political support for reforms from the governor, compensation to teachers for the extra effort required, and strong links with communities built early in the implementation of the program. Most significantly, when unions asked their members not to work in the reformed schools, a poll taken among teachers by the office of the Commissioner showed 70 percent supported the reform, leaving union leaders without a political base and inducing them to moderate their position and eventually to endorse educational reforms. What had proved to be impossible to handle at the national level, namely, the power of unions to block reforms, was indeed manageable on a smaller scale.³⁹

Another characteristic of the reform process that is relevant here is that, in order to promote reform, the governor had to set up a special administrative unit separate from the regular bureaucracy dedicated to educational administration in the state. His position was that no reform could take place if it was put in the hands of the line bureaucracy. Later in the implementation of reforms, other governmental agencies would pose severe obstacles to change.

Mérida's educational reform is still in its early stages. Teachers selected under the new rules are still a minority. Schools transformed according to the "integral model" are also a minority. Intermediate outcomes like work discipline, teacher satisfaction, availability of textbooks, adequate supervision or improved relations with communities are clearly visible but far from general or consolidated. Educational impacts in terms of diminishing drop out and repetition rates are also appearing, but it is too soon to confirm that they will translate into better educational performance by the students. But, along with parallel experiences in other states, is a powerful message about the possibility of reform.

³⁹A detailed account of the implementation of educational reforms in Mérida can be found in Lowden (1995) and Navarro (1995).

As a matter of fact, the reform is having a direct effect on education at the national level that could hardly have been planned, but at the same time cannot be considered a random event: Antonio Luis Cárdenas, the State Commissioner, was appointed Minister of Education in 1994 as the new Caldera administration took charge, as a direct consequence of the visibility and reputation earned by his reform project. He is now aiming at promoting significant structural reforms from that position.

There are of course bottlenecks that have slowed the pace of reform promoted by decentralized governments. Particularly important is the issue of the financial costs of transfers, since, given the particular characteristics of labor legislation in Venezuela, severance and retirement payments have a retroactive component that creates severe fiscal consequences for the subnational governments that want to assume authority over social services: a large accumulated debt comes along with that authority and the personnel that get transferred. It is not clear so far how that debt should be financed, a source of uncertainty that has held back several governors in their intention to formally request decentralization of services. This is only one of several challenges posed by the need to reorganize the tax regime and the system of intergovernmental transfers, in order to make it compatible with the new realities of decentralization. All in all, innovation and institutional reforms in education and health are a reality in Venezuela for the first time in decades. These reforms were not initiated from above, from central agencies, but are the outcome of the dynamic of change created by the decentralization process.

IMPLEMENTING SOCIAL REFORM: LESSONS FROM THE VENEZUELAN EXPERIENCE

Both the development of a safety net in the context of the PEP in 1989 and the institutional reforms and innovations now taking place as a result of the advancement of decentralization allow us to end on a moderately optimistic note, as far as the prospects for

constructive change in the state capacity to perform effectively in the social sector. Reforms may not be proceeding according to a carefully designed and detailed plan, but the main obstacles to effective social policy are not primarily technical, but political, and on this front the piecemeal approach taken in Venezuela has proven to be far more effective than any holistic attempt at promoting change from above.

Perhaps the most important lesson of the Venezuelan experience with social reforms could be that it has been advanced in a democratic environment; it started in a devastated institutional landscape in which public sector capacities were extremely weakened, yet it has been able to move forward not by great design and big bangs, but rather through the dynamics of uneven and gradual partial reform that developed a political base of its own. If other countries in the region share this type of starting point, they should approach reform allowing for mechanisms that unleash innovation, diversity and the emergence of new constituencies supportive of social reform, instead of aiming at comprehensive and centralized reform strategies.

The case of Mérida illustrates a basic point that was also found in the implementation of PEP: strong political opposition to reform can be overcome and reform can be successful and sustainable if new stakeholders get involved. The government by itself can formulate a plan, initiate a reform process, and conduct it up to a certain point, but it needs new stakeholders to succeed. Private sector providers, NGOs, communities, subnational authorities have to become involved in the reform process in such a way that they become the guardians of the new status quo against attempts by the former "owners" of social services to recapture them. Decentralization has been key to the Venezuelan experience, but it need not be that specific type of institutional change in other contexts. Perhaps increased reliance on private providers or community involvement or some other type of political change appropriate for the circumstances of each country could have similar consequences in terms of opening the doors for effective and

sustainable reform. Be it party politics or unchecked union power, political forces against reform are usually strong, and some counterbalancing political base has to be developed for reform to succeed.

Along the way, several trade-offs will have to be faced by those responsible for implementing reforms. One of them is the trade-off between short-term results and long-term reform. Lack of timely and adequate response capabilities in the traditional service delivery networks are likely to affect seriously the implementation of reforms, both in terms of the development of safety nets and in the structural change required by social sector agencies. Reformers will have to balance their decisions between the urgency and importance of results and the need to take into account the complications that come out of the generalized use of institutional bypassing through ad hoc implementation units. In the Venezuelan experience with the PEP, policy makers clearly privileged the short-term considerations, with mixed consequences. When put into perspective, the most sustainable and permanent parts of the safety net put in place at the time of the adjustment program of 1989 are those that developed a strong link with private sector providers, like the child care and microenterprise support initiatives, or that used previously existing channels for the distribution of benefits, like the *Beca Alimentaria* through the Ministry of Education and the banking system, instead of those strictly dependent upon the functioning of special implementation units, like PAMI.

Another important trade-off seems to be between targeting on the one hand and political feasibility on the other. As with the microenterprise support program, at some point concession to politically powerful groups can be an acceptable price to pay for the preservation of a larger reform initiative. This type of trade-off has been implicit in important decisions concerning the design, financing and administration of other programs in Venezuela, although for obvious reasons they are only rarely made explicit. Given the political difficulties faced by the

implementation of social reforms in almost any national context, a similar choice may be unavoidable in other reform experiences.

The Venezuelan experience may very well be considered exceptional, offering few lessons for the region, but the argument can be made that it is rather an extreme--and consequently a particularly clear--case of trends that are more general: significant accumulation of experience with attempts at social reform in Latin America over the last decade has enriched the available knowledge concerning social program management and implementation. It is not that clear, however, whether such an enrichment has been paralleled by a similar progress in turning specific success stories into sector-wide or sustainable reforms. According to Ribe et al. (1990), the record of multisector compensatory programs is at least mixed: "there have been many practical difficulties and few clear-cut successes" (p. 17), the main exception being the ESF in Bolivia. Lack of institutional capacity is singled out as a major cause of delayed or failed implementation by these authors, and attention is paid to the trade-off between institutional bypassing in the name of speedy implementation and long-term effects. Graham (1993), even if generally supportive of targeted programs in terms of their own compensatory and short-term poverty reduction goals, concludes a comparative assessment of the Mexican Solidaridad program by saying, "Ultimately, poverty alleviation initiatives cannot substitute for a broader central level commitment to poverty alleviation and for functioning line ministries, nor can they operate effectively without a central level commitment to allow participation of actors of all political bents. Without such commitments, the impact of such programs will be limited at best" (p. 30). Carciofi and Becaria (1993) found institutional rigidity in social expenditure and in the organization of social service provision during the 1980s notorious because it corresponds to a decade of major economic reforms and significant alterations in relative prices and development strategies for the countries examined, pointing to particularly strong political and institutional constraints for the implementation of social reforms.

The introduction of comprehensive reforms from above and in an authoritarian context, counting on state capabilities that were not seriously deteriorated at the time of reform, may have little to learn from processes like those described here, of course; but, even so, the most recent studies of social service delivery systems in Latin America seem to lend support to the idea that institutional reforms and the political dynamic are key to the relative success and durability of social innovations such as those introduced in Chile (Infante et al., 1992; Aedo and Larrañaga, 1993), the one example in the region of holistic structural reform of the social sector.

Of course it is extremely difficult to go beyond these general conclusions without a more extensive review of the vast experience of Latin American societies in fighting poverty and in human capital investment, a task beyond the scope of this paper. Yet references such as those mentioned above seem to provide at least a tentative basis for suggesting that the institutional and political constraints and possibilities for enhancing the state's capacities in the social sector found by social reform in Venezuela after 1989 might not be entirely unique to the Venezuelan case.

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Women's Issues in Social Reform: Challenges and Opportunities in LAC Countries*

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The Latin America and Caribbean (LAC) region, while complex and very diverse, shares in the 1990s the common heritage of the crisis of the 1980s and the profound macroeconomic reforms that followed. These reforms contained inflation, liberalized markets, and reduced public expenditures and the role of the state. Economic growth resumed in most countries but it did not tame poverty nor growing income inequality (Morley 1994; Lustig 1995). The task of addressing social issues, including poverty and inequality, through a yet-to-be clearly articulated agenda for social reform, has emerged as a key challenge in this decade.

Accepted functional elements of a social reform agenda include decentralization and public sector retrenchment, combined with increased participation of for-profit firms, NGOs and grassroots organizations in service delivery. For some services, this means the introduction of fees and cost recovery schemes. In addition, there is a clear preference for targeted rather than universal programs, and for social investment funds as a demand-driven alternative to traditional programs that seek to buffer the poor from the short-term costs of economic reforms. While there is ongoing debate on the substantive components of this agenda and their mix, a common missing element is the lack of integration of women's concerns. With few exceptions, gender analysis is not being used in the conceptualization of social reforms, nor is the "empowerment of women" an explicit objective of reform agendas.

*Annelies Drost-Maasry, International Center for Research on Women, did the analysis for the tables presented in this paper.

This paper attempts to propose ways to integrate a concern for women in the conceptualization and operationalization of social reforms, based on an analysis of the social and economic progress women have made in the last two decades and the challenges that remain.

Progress in Women's Situation

How well do women fare in the LAC countries, and how much progress have they made in the 1970-90 period? It is widely believed that gender inequality is not a severe problem in the region; that women in LAC countries are comparatively well off. The perception is that the problems of poverty and inequality are gender neutral and that, therefore, there is little need to include a gender dimension in development policies and programs. Reflecting this view, a recent comprehensive analysis of poverty and inequality in Latin America mentions gender issues only in passing (Lustig 1995). The absence of a serious problem with gender inequality is also used to explain why, for instance, at the World Bank, the LAC region has devoted significantly fewer resources to WID/gender lending than other regional offices. (As of mid-1995, the LAC region had assigned one-tenth of a professional staff member's time to addressing gender issues while other regions had at least a full-time professional staff devoted to these questions.)

The evidence, however, portrays a different picture. The data reviewed below do show that the overall well-being of women in the region has improved remarkably when compared with their situation two decades earlier. However, this absolute improvement in social indicators has not erased initial differences in the situation of women within the region nor has it carried as well to achievements in women's economic and political participation. Quoting Mahbub ul Haq, progress in women's situation in LAC fits well "a story of expanding capabilities and limited opportunities" (Buvinic, Gwin, and Bates, 1996). More surprisingly, perhaps, when gender disparities are judged in comparison to the region's overall achievement levels in social measures, gender gaps are quite severe in LAC and, when measured against worldwide

achievements, attempts to overcome this inequality have slowed down in the last decade--with the noted exception of the Caribbean subregion (UNDP 1995).

Women's Capabilities and Well-being

Table 1 reveals changes in women's quality of life as measured through four commonly used social indicators: life expectancy at birth, total fertility rates, female enrollment rates in primary and secondary schools, and access to modern contraceptives. It shows a uniform rise of six years on average in life expectancy at birth over a 15-year period; consistent declines in total fertility rates, from a regional average of 5 children per woman in 1975 to 3.3 in 1990; increased proportion of females enrolled in schools, from an average of 56.2% of all females aged 5 to 19 in the region in 1975 to 60.9% 15 years later; and a rising proportion of women using modern contraception -- from 40.6% to 56.7% of all women aged 15 to 44 over a 10 year period. The reader should note, however, that this table shows progress for women in terms of their condition 15 years earlier, rather than in comparison with the condition of men. The table is silent on the question of progress in reducing the gender gap in social indicators.

Table 1 shows a roughly equivalent profile of progress for the three subregions. But these statistics are highly aggregated and, therefore, mask differences in women's situation within countries or subregions and are not able to pick up more subtle changes in quality of life, particularly if these changes are short term, cyclical, and/or experience time lags. Tables 2 and 3 disaggregate the subregions for the same indicators and show the distance (or disparity) between the best and worst performing country. Schooling has succeeded in reducing initial differences in the well-being of women within the region (see Table 2). This has not been the case, however, for the other three social indicators, where disparities between countries with best and

worst records have persisted (Table 3).⁴⁰ Especially during the eighties, progress in reducing disparities between countries in fertility and life expectancy rates did not match progress in reducing average total fertility rates and increasing average life expectancy.

Fertility rates are determined in part by access to modern contraception and, in turn, determine maternal mortality figures. Maternal mortality figures pick up changes in the situation of poor women better than more aggregated indicators, such as life expectancy rates. Available data indicate an increase in maternal mortality rates in the region in the last decade, from an average rate of 127.9 per 100,000 live births in 1980 to 155.1 in 1990 (based on data for 26 countries weighted by the country's female population aged 15-44). Table 4 lists the countries with available figures for two time periods: 42% show rising maternal mortality rates. These figures again suggest that progress during the 1980s was uneven across countries or income groups, especially since there is little reason to believe that actuarial recording improved in the last decade. Both the sizable reductions in the purchasing power of the poor and the quality and quantity of health services during the eighties may well contribute to explaining the halt in progress in women's well-being that these figures suggest.

Table 5 plots changes in mortality rates with changes in inequality in the 1980-90 period. This is obviously a crude plotting but suggests that the widening gap between rich and poor may be related to the reversal in progress noted on indicators of women's well-being.

A contributing explanation to increases in the rates shown above is likely higher rates of mortality due to unsafe abortions. The region as a whole has the highest incidence of unsafe abortions in the world and the second highest percentage of maternal deaths resulting from unsafe abortions: 4620 unsafe abortions and 48 deaths per 100,000 live births, or 24% of

⁴⁰See ECLAC/CELADE 1993 for a similar analysis of fertility trends.

maternal deaths (WHO 1993). While there is no trend data, it is safe to assume that the number of unsafe abortions has risen sharply in the last decade. One of the likely determinants is growing teenage and unpartnered pregnancy. Table 6 presents abortion estimates for 6 countries (derived by multiplying hospital records for abortions by five). It shows rates as high as close to 6 abortions for every 10 live births in Chile to comparatively low rates of 2 abortions for every 10 live births in Mexico.

In sum, when more disaggregated indicators are used to judge progress among segments of the female population, the evidence for advancements in women's well-being in the last two decades holds for primary and secondary schooling, which have increased capabilities and reduced disparities among women in the region, but is tempered by both the lack of progress in reducing differences among countries in fertility and life expectancy rates and the apparent reversal in progress in maternal mortality rates, which is probably more sensitive in reflecting the effects on the poor of deteriorating economic circumstances and growing poverty.

Women's Participation and Opportunities

Advancement in the worlds of paid work and politics is key to judging progress in the situation of women. One of the most striking facts of regional labor markets has been their steady feminization. Females increased their representation in the labor force from 21.9% in 1970, to 27.5% in 1980, to 32.3% in 1990. Data for 19 countries shows that in just three decades, from 1960 to 1990, the number of women employed increased by 211% while the number of men employed increased by only 84% (ECLAC 1995). In contrast to prior trends, women's participation in the labor force is not bimodal; that is, they do not withdraw temporarily from the labor force for childbearing/childrearing purposes. Currently, over half of the women in the prime childbearing ages of 25 to 34 are economically active.

This feminization of work trend appears as well when considering changes in the informal sector, which labor force participation statistics fail to capture fully. In LAC, the informal sector as a whole grew about 20% during the eighties, and women's participation in the sector grew as well (Buvinic and Lycette 1994). In the region's urban areas at present, around 40% of women are employed in the informal sector, and this figure climbs to over 50% in less developed countries such as Bolivia and Paraguay (ECLAC 1995).

This good news in terms of growing participation of women in the world of work is moderated, however, when analyzing the nature of women's work. It becomes a story of increased participation within a narrow band of work choices or opportunities. The evidence shows that women have made little progress in breaking occupational stereotypes and achieving higher paid positions in the labor market. Figure 1 shows how females' participation in the labor force is heavily concentrated in the service sector. Labor markets are highly segregated by sex and women continue to work in certain occupations traditionally identified as appropriate for them.

These occupations are lower paid than men's occupations. Women's average earned income is less than two-thirds of the income earned by men. Figure 2 shows changes in pay disparities by sex for ten countries in the last decade. Pay disparities narrowed only moderately in some countries (the exception is Paraguay) and increased in others (Costa Rica, Mexico and Venezuela). Perhaps more importantly, the ECLAC analysis showed that the relative increase in women's income was greater for the population with low educational levels and was not necessarily due to a real rise in women's earnings but rather to a smaller decrease in women's lower initial earnings when compared to men's higher initial earnings during the 1980s (ECLAC 1995).

The ECLAC data also revealed that tertiary education benefited males more than females--that is, the gender gap in income was greater for wage earners with 13 or more years of schooling when compared to all wage earners (ECLAC 1995). A recent analysis of wage discrimination in Chile, which has one of the highest educational attainments for females combined with one of the highest degrees of gender-based wage discrimination in the region, reinforces the limitations that schooling has on breaking down gender inequalities in the work place (Szasz 1995). A comprehensive analysis of wage differentials by sex for 15 countries showed that differences in human capital, such as education, years of job experience, and hours worked per week, accounted for only 20% of the variance explaining these differentials, suggesting that discrimination played an important role in the 80% unexplained variability (Psacharopoulos and Tzannatos 1992).

Table 7 shows the inroads women have made in political life. Overall, their representation in the region's political bodies progressed from a very low average of 7% to a still low representation of about 10% of the available seats in national legislatures. Note that overall, women's representation was higher in the mid-1980s than in the mid-1990s. These data suggest that progress in women's participation in the world of politics is slow and that it may have already hit a low ceiling in terms of increased female representation in legislative bodies.

Poverty Among Women

Some evidence indicates that women among the poor were particularly hard hit by the economic downturns of the early eighties and the resulting social spending cuts (see, for instance, Moser, Herbert, and Makonnen 1993; Goetz 1995). More importantly, perhaps, data indicate that women's increased participation in the labor force in the 1980s responded to a successful "added worker" effect; that is, women's increased labor force participation helped families weather the economic crisis (Buvinic and Lycette 1994; Moser, Herbert, and Makonnen

1993). Women during the 1980s contributed approximately 30% of household income; ECLAC estimates that without this contribution there would have been an increase of between 10% and 20% in the incidence of poverty in the region (ECLAC 1995).

Data also reveal that poverty is becoming feminized; that is, that the proportion of women among the poor is rising. The feminization of poverty is linked to the growing number of poor households headed by women and the ease with which these households can perpetuate poverty into the next generation. Women are becoming poor more often than men, and both the determinants and consequences of their poverty are different than those of men's poverty (Buvinic and Rao Gupta 1997). Between 1980 and 1992, the percentage of woman-headed households increased in 10 out of 12 countries, and in 7 out of 11 countries poverty was more common among female-headed households (ECLAC 1995).

A principal determinant of the poverty of female-headed households is the lower earnings of the female head (Barros, Fox, and Mendonca 1994). Supporting the finding that a key determinant of women's poverty is their lower earnings, a study which looked at the determinants of poverty found that, when all other factors were equal, working women had a higher probability of belonging to the bottom 20% of the income distribution when compared to working men (Fiszbein and Psacharopoulos 1995). These facts argue for the desirability of targeting anti-poverty strategies, including compensatory programs, to women among the poor in order to reduce poverty in the region.

Persistent Inequalities and Key Challenges

The message that these indicators give is one of a sizable expansion in women's capabilities, combined with persistent disparities among women in the region according to level of development and economic condition, as well as restricted opportunities for all women. The

UNDP's (1995) calculation of the Gender-related Development Index (GDI) bolsters this message. The GDI adjusts the Human Development Index (HDI) for gender equality in life expectancy at birth, educational attainments, and income.⁴¹ The comparison of GDI values relative to HDI values indicates how achievements in human capabilities are distributed between men and women. When this comparison is undertaken, most countries in LAC have a 10-20% drop in GDI values, revealing that gender inequality is still a significant problem in the region--one that emerges as more severe than in sub-Saharan Africa (UNDP 1995). Table 8 gives the HDI minus the GDI ranks as well as changes in GDI values and ranks for the 1970-92 period. The GDI values have risen globally but, with the exception of Barbados and Brazil, most countries in the region dropped in the global ranking. This suggests that, when compared to the performance of countries in other regions, LAC countries made little progress in fostering gender equality during this period (UNDP 1995).

Two major challenges for LAC social policy emerge from the analysis done. First, the design of policies should take into account the impressive absolute gains in capabilities women have made in the last two decades and enable women to translate these gains into expanded opportunities. Social and economic policies need to reverse the barriers that keep women in a very narrow band in the work force and slow down or contain their rise in political life. Governments in the region need to improve the recent record and seek to actively remove persistent inequalities between the genders, for both equity and efficiency reasons. A second objective of policy reform is to reduce the disparities in social indicators among women and contain the feminization of poverty by targeting social policy to women in poor countries and to women among the poor.

⁴¹To estimate income disparity the shares of earned income for women and men are derived by calculating their wages as a ratio to the average national wage and multiplying this ratio by their shares in the labor force.

Progress in WID/Gender Action and Options Ahead

Below are outlined some policy reform options that governments in the region can consider to reduce inequalities in opportunities between men and women and improve the situation of women in poor countries and among the poor. These options build on an analysis of what has and has not worked in past program implementation, but are by no means exhaustive.

The Context. The region has a much better record in investing state resources in women's roles as mothers than as workers, which is evident in the statistics on women's well-being. Governments have also done better in undertaking separate programs for women than in integrating women's concerns into mainstream or regular government operations. Successful government action in the last decades has included expansion of access to schooling; family planning service delivery; maternal and child health (MCH) and nutrition interventions targeted to pregnant women and mothers; and comparatively fewer, more innovative WID initiatives, such as targeted interventions for woman-headed households in Chile and Colombia, and the establishment of a 30% quota for women in the lower chamber of the Argentinean congress. Governments have done little to increase women's productivity and earnings. (A visible example of this omission in government action are the social funds.)

The advancement in incorporating gender issues into action and institutional practices at the state level has been slow, perhaps because the overall perception is that women are comparatively well-off and that poverty is gender neutral. The attempts to "mainstream" women's issues into both the policy discourse and line ministries has by and large not worked; this is shown in the mainstream policy discourse as well as in recent analyses of government action (see, for instance, Goetz 1995 for Chile and Jamaica). Women's offices or bureaus have been assigned insufficient resources to undertake successfully the task of mainstreaming. This mirrors the failure to date of attempts to integrate gender issues into the workings of international

development agencies, such as UNDP and the World Bank (Razavi and Miller 1995; Buvinic, Gwin and Bates 1996).

Innovative action, especially that which seeks to redress gender inequalities, has taken place mostly outside the sphere of state intervention. Action has focused on two distinct areas: financial assistance to microenterprises and women's reproductive health and rights. It has been carried out, respectively, by microfinance agencies in the private for-profit and NGO sectors and by women-based nongovernmental organizations. The formation and multiplication of these institutions are important new trends in the region.

Microfinance agencies have become increasingly sophisticated as they have expanded and incorporated features of formal financial sector operations. Their reach to women clients, which always has been higher than that of state and commercial banks, has extended further as microfinance programs have branched out to include services for microcommerce, a sector in which women predominate. Perhaps the best example in the region is Banco Sol in Bolivia, a commercial bank that grew out of a credit program for microentrepreneurs run by PRODEM, a nonprofit organization. Two years after starting operations, Banco Sol had 75,000 clients; most of them were microentrepreneurs, and three quarters were women (Otero 1994). There are successful examples of microfinance operations throughout the region. A majority of them reach a significant proportion of women clients, who otherwise would have no access to institutional credit. Despite their growth, however, the overall coverage of microfinance is still very restricted. It is estimated that these agencies meet only a minimal fraction of the demand for credit among the poor. In response, both the IDB and the World Bank are launching initiatives to provide capital resources and technical assistance to encourage the expansion and viability of microfinance agencies in the region.

Women-based nongovernmental organizations have multiplied in the last twenty years as a result of the U.N. Women's Decade (1976-85) and follow-up conferences. A majority of these organizations are small and resource constrained. They receive external funding but very little local support, and face mounting financial hardships as competition for aid resources grows. However, they have been particularly successful in influencing the international policy debate on women's reproductive and human rights, which was evident at the U.N. Conference on Population and Development in Cairo in 1994. The CEPIA in Brazil and Isis in Chile are good examples of organizations that have been very effective in influencing reproductive health policy, both in the region and internationally. These women-run agencies also implement model projects delivering integrated reproductive health and other services to women, sometimes in collaboration with government ministries or women's offices. Most countries in the region now have a substantial number of women-based NGOs that provide services in reproductive health and rights.

An obvious conclusion that emerges from the analysis of the implementation record is that, to achieve greater impact and coverage, the state needs to get substantially more involved in supporting and initiating action that seeks to reduce gender inequalities and women's poverty. Governments also need to play an active role in supporting the growth and strengthening of women-based nongovernmental organizations. This does not necessarily mean increasing the size of the state, but it does mean an explicit commitment from the government reflected in the reorientation of priorities and an investment of financial resources in the short term to "jump start" the process. Outlined below are a number of such alternatives.

Redressing gender-based inequalities in opportunities. Governments can act in a number of areas to widen the narrow band of existing economic opportunities for women. A key strategy is undertaking an educational reform agenda that is centered in increasing the quality of, first, primary and then secondary schooling, including the removal of sexual stereotypes in

instruction and disincentives for girls to learn science and mathematics. A similar recommendation can be extended to both public and privately funded training institutes in the region. An ILO regional review of 13 technical institutes showed that women accounted for about 40% of the trainees but were concentrated in stereotypically female areas of training, which would lead to few well-remunerated employment options (CINTERFOR/ILO 1991). Technical training can and should be linked better with follow-up employment, especially for women; governments can establish mechanisms in public sector institutions that foster the training-employment link and provide incentives for private sector training institutions and employers to do the same. The government can contract out with women-based organizations to provide job placement and related services to (low-income) female recent graduates of schools and training institutes.

Increasing women's access to capital will also help to redress inequalities in economic opportunities. Governments can expand women's access to capital by undertaking financial sector reforms that include: reducing regulations and providing an enabling environment for the growth and viability of microfinance agencies; providing incentives to commercial banks to establish credit lines for microentrepreneurs, to open branches in low-income neighborhoods, and to expand the provision of financial services to women clients; and eliminating laws and regulations that prevent married women from owning assets and undertaking banking and business transactions without their husbands' approval.

A third area for state intervention is the provision of quality child care and education for pre-school and school-aged children of working women. The state can become actively engaged in promoting the establishment of a nation-wide quality system of early childhood education and child care provision for working women. It can devise innovative financing mechanisms; regulate and subsidize the provision of child care by private providers; give appropriate incentives to large firms to have on-site care; and encourage community-based child care

arrangements, among others. Action on this front is picking up (although it has been principally in response to a concern for child well-being rather than women's opportunities). In particular, some governments and many NGOs are implementing innovative pilot programs involving community-based child care arrangements. (A good example is a program recently launched in urban areas by the government of Bolivia with credit from the World Bank.)

A last key area for state intervention is social security and pension reform. Social security represents one of the few social services in which expenditures grew systematically during the eighties, despite serious problems with the efficiency and equity of these services (Edwards 1995). Analysts agree that social security systems are a big ticket in social sector reform, but there is no awareness that gender biases need to be addressed in proposals to overhaul social security. These biases derive from the lack of recognition in the systems of consensual unions and female-headed family forms as well as the limitations of employment-based coverage that excludes informal sector workers (Folbre 1993). There is a significant opportunity to correct gender inequalities through government intervention in the redesign of social security and pension schemes.

Targeting interventions to women in poor countries and among the poor. The disparities in the well-being of women in the region and the differences that exist between women's and men's poverty support the targeting of policies and projects to women in order to reduce poverty and inequality in the region.

Fertility and maternal mortality indicators as well as the estimates on induced abortions call for substantially expanding access to and quality of reproductive health services for women in poor countries and among the poor. This entails a conceptual shift from delivery of family planning to delivery of reproductive health services. For this, governments need to reallocate health budgets; encourage integration of pediatric with obstetric and gynecological services;

establish closer collaboration with women-based NGOs; and provide low-income women with access to safe abortion services (World Bank 1993).

Boosting women's income-generation capacity will increase their access to higher quality health and social services that they can purchase through private providers. There are a number of measures that can be taken to raise poor women's productivity and income. Expanding the reach and accessibility to women of microfinance agencies is one of them. Microfinance agencies should consider providing multipurpose loans, including loans for housing improvement/repairs, to low-income clients; revising loan structures and terms to increase their attractiveness to women (and men) subsistence farmers; and considering additional measures, including credit lines for women clients only, to expand their reach to rural women farmers and producers.

Another successful measure for improving the productivity and income of rural women is expanding their access to agricultural extension services by modifying existing services to reach women farmers better or by establishing separate services for them. Complementary to these initiatives is the expansion of women's effective access to productive infrastructure, especially in rural areas. This requires shifting government investment priorities to favor rural roads, as well as access to water and electricity in rural areas, and designing these infrastructure works with the explicit intention of reaching rural women as well as men.

Social safety nets can be designed to improve women's access to jobs and income. The design of social investment funds can be corrected to provide women as well as men with temporary employment. To do so, governments can examine their own past experiences with emergency employment programs, which have been more successful than social funds in generating employment for women--however poorly paid and stigmatized this employment was

(Buvinic 1996). Lastly, governments can replicate existing successful models in the region and target training and income generating initiatives to female-headed households among the poor.

Table 1
Indicators of Women's Quality of Life

	Life Expectancy			Fertility			% of Females Enrolled in 1st and 2nd Schooling			% of Women Using Modern Contraception		
	1975	1980	1990	1975	1980	1990	1975	1980	1990	1975	1980	1990
Caribbean	66.4	68.1	70.7	4.38	3.34	2.90	58.1	61.1	56.2	44.0	52.7	
Central America	63.9	66.9	70.9	6.33	4.88	3.70	49.8	65.3	63.0	37.5	49.0	
South America	63.5	65.6	69.0	4.61	4.00	3.09	58.4	54.9	60.0	43.2	60.0	
Regional Avg	64.0	66.1	70.0	5.0	4.2	3.3	56.2	58.2	60.9	40.6	56.7	
	(29)	(29)	(29)	(29)	(29)	(29)	(31)	(30)	(30)	(23)	(20)	

() = number of countries for regional average

Note: Regional averages for life expectancy were weighted by country's total female population, fertility and contraception averages weighted by country's female population of childbearing age (15-44), 1st and 2nd schooling averages weighted by country's female population age 5-19.

Source: Wistat Database, version 3, United Nations, New York, 1994

Table 2

**Disparities Between Best and Worst Performing
Country in School Enrollments**

	Primary*			Secondary*		
	1970	1980	1990	1970	1980	1990
Best	St. Lucia 51	Nicaragua 51	Argentina 51	Dominica 59	Grenada 59	St. Lucia 61
Worst	Bolivia 41	Guatemala 45	Guatemala 46	Mexico 38	Bolivia 43	Bolivia 46
Disparity	10	6	5	21	16	15

	Tertiary*		
	1970	1980	1990
Best	Belize 70	Panama 54	St. Vincent 68
Worst	Guatemala 19	Dominica 22	Haiti 26
Disparity	51	32	42

*Percentage females enrolled in primary/secondary schools

Note: The disparity is calculated as the difference in the female enrollment rates of the high and low performing country.
Based on available data only.

Source: Wistat Database, Version 3, United Nations, New York, 1994

Table 3
Disparities Between Best and Worst Performing Countries
for Social Indicators

	Female Life Expectancy *			Fertility **		
	1970	1980	1990	1970	1980	1990
Best	Cuba 72.7	Puerto Rico 77.0	Costa Rica 78.7	Barbados 3.25	St. Kitts & Nevis 1.35	St. Kitts & Nevis 1.44
Worst	Bolivia 49.0	Haiti 52.2	Haiti 58.3	Honduras 7.38	Honduras 6.39	Guatemala 5.59
Disparity	23.7	24.8	20.4	4.13	5.0	4.1

	Contraception ***		
	1970	1980	1990
Best	n.a.	Costa Rica 65.2	Argentina 74.0
Worst	n.a.	Guatemala 18.1	Haiti 10.2
Disparity	n.a.	47.1	63.8

n.a. = not available

* disparity in life expectancy at birth is in years

** disparity in fertility is difference between total fertility rates

*** disparity in contraception is difference in percentage of women using modern contraception

Source: Wistat Database, version 3, United Nations, New York, 1994

Table 4

**Maternal Mortality Rates
(per 100,000 live births)
1980-1990**

Country	1980	1990
* Argentina	70	140
Bahamas	24	21
Barbados	55	27
Belize	49	36
* Bolivia	480	600
* Brazil	154	200
Chile	73	67
* Colombia	126	200
Costa Rica	35	25
Cuba	60	32
* Dominican Republic	66	90
Ecuador	200	170
* El Salvador	71	127
* Guatemala	96	200
Haiti	367	340
* Honduras	82	117
* Jamaica	36	115
Mexico	94	60
Nicaragua	190	103
Panama	73	60
Paraguay	469	300
* Peru	108	240
Suriname	82	65
* Trinidad and Tobago	49	80
Uruguay	48	26
Venezuela	65	55
Regional Average	127.9	155.1

* Countries showing increase in ratios

Note: Regional averages were weighted by country's female population of childbearing age (15-44).

Source: Wistat Database, version 3, United Nations, New York, 1994.

Table 5

**Relationship Between Maternal Mortality
and Inequality in LAC (1980 - 1990)**

Inequality	Maternal Mortality	
	Increase	Decrease
Increase	Argentina	Mexico
	Bolivia	Panama
	Brazil	Venezuela
	Guatemala	
	Peru	
Decrease or Same	Colombia	Chile
		Costa Rica
		Uruguay
		Paraguay

Sources: Wistat Database, version 3, United Nations, New York, 1994; Morley 1994.

Table 6
Estimated Induced Abortions

Country and year	Estimated total number of induced abortions *	Ratio per 100 live births	Annual rate per 100 women 15-49
Brazil, 1991	1,443,350	44	3.65
Colombia, 1989	288,400	35	3.37
Chile, 1990	159,650	55	4.54
Mexico, 1990	533,100	21	2.33
Peru, 1989	271,150	43	5.19
Dominican Republic, 1992	82,500	39	4.37

* Adjusted hospitalized cases multiplied by five.

Source: Alan Guttmacher Institute 1994

Table 7

**Female Political Representation
in Legislatures (in %)**

	1975	1985	1994
Caribbean (8)*	15.5**	21.1	17.5
Central America	5.9	9.3	8.7
South America	3.5	5.2	7.0
Regional Average	7.0	10.4	9.7

* Number of countries that have data

** Percentage of females calculated on the basis of total number of seats.

Source: Wistat Database, version 3, United Nations, New York, 1994.

Table 8**GDI and HDI Values and Ranks
for Latin America and the Caribbean**

	% change in GDI value	Rank in 1970 minus rank in 1992	HDI rank minus GDI rank (1992)
Barbados	48	9	10
Trinidad and Tobago	42	-1	-4
Argentina	32	-5	-14
Venezuela	48	0	-1
Panama	52	0	0
Costa Rica	43	-4	-18
Chile	40	-6	-15
Mexico	56	-1	-1
Colombia	56	2	-3
Jamaica	19	-17	14
Brazil	69	5	-1
Ecuador	51	-4	-6
Peru	49	-4	5
Paraguay	32	-12	2
Dominican Republic	45	-6	-1
Guyana	19	-20	3
Nicaragua	52	-5	3
El Salvador	39	-9	5
Honduras	53	-5	5
Guatemala	56	-8	-7

Source: UNDP 1995: 76, 80.

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