Conditional cash transfers and poverty eradication in Latin America[1]

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Abstract

Latin America experienced a period of relative high economic growth since 2003 as GDP increased at an average annual rate of 2.5% between 2003 y 2015, an unprecedented pace for such a long period in the region. This performance and the implementation of labour and social policies have contributed to the improvement of income distribution and poverty reduction. In this context, this paper seeks to draw lessons, identify good practices and discuss advances and shortcomings in conditional cash transfers programmes in Latin America. In particular, it evaluates what has been done in the area of social protection for children in these countries, what are the main identifiable impacts of these policies and what are the future challenges.

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Introduction

Recognition in the mid-nineties of a greater incidence of child (under 18 years) poverty compared to other age groups saw several Latin American countries expand non-contributory cash transfer programmes (conditional cash transfer programmes; CCTs) to households with children.

CCTs have gradually become important mechanisms within social policies and poverty reduction strategies in almost all countries in Latin America. The immediate objective of these programmes is to reduce incidences of poverty and extreme poverty while, in the long run, breaking the inter-generational transmission of poverty. To this end, prevailing CCT schemes include conditionalities (or co-responsibilities) related to certain nutrition, education and health objectives targeted at both young and school-age children.

This article seeks to draw lessons, identify good practices and discuss advances and future challenges in CCT programmes in Latin America. Three questions are given particular emphasis here: What exactly has been done in the area of social protection for children in Latin American countries? What are the main identifiable impacts of these policies to date? What are the future challenges, and thus in what direction should these countries move forward?

The next section presents the recent evolution of Latin American labour market. Section 2 describes the main trends regarding income distribution and poverty. Section 3 analyses recent developments in social protection for children in these countries. Section 4 evaluates the impacts of cash transfer programmes on social and labour indicators. Section 5 discusses the strategies to move forward towards a comprehensive social protection system for children in Latin America. Section 6 presents final remarks.

1. Labour market in Latin America: recent trends and structural deficits

Latin America experienced a period of relative high economic growth since 2003 as GDP increased at an average annual rate of 2.5% between 2003 y 2015, an unprecedented pace for such a long period in the region.

This macroeconomic performance, together with the implementation of different kind of policies, have contributed to the improvement of labour and social indicators. This was made evident through the creation of jobs, the reduction of unemployment, an increase in the number of formal jobs and a slight recovery in average wages. Employment rates showed a positive trend, increasing from 52.7% to 55.7% between 2003 and 2013. During this period, the regional unemployment rate decreased sharply from 11.2% to 6%.

At the same time, this favourable macroeconomic situation seems to have helped in wage recovery, while in some countries this was also due to the active real minimum wages policies and the reactivation of collective bargaining, together with policies that promote labour formalization. Real minimum wages increased in 14 out of 18 Latin American countries in the 2000s, although at very different rates. The rise was especially strong in Argentina, Brazil, Ecuador and Uruguay. At the same time, although labour informality continues to be one of the region’s distinctive characteristics, its incidence has fallen in a significant number of countries during the new millennium. [2]

Despite the progress achieved during the expansion phase before the crisis and the policy responses during this crisis, the region still shows significant deficits in the labour dimension, in which the most recurrent expressions are the high unemployment rates, as well as underemployment, precariousness, informality, inequality and low average wages. Around 6% of the active population are unemployed, while 40% of workers are not covered by the social security system. At the same time, non-wage earners represent a significant share of total employment (about 30%), much higher than that observed in developed countries. Most of them are non-professional own-account and belong to the informal sector.

Within this context, certain groups of workers (among them, the less skilled, women, youth and ethnic minorities) experience the most unfavourable conditions. Given the importance that the labour market has in the generation of household income, especially in a region where social protection coverage is limited, those precarious conditions often give rise to poverty and social exclusion. Thus the phenomenon of the "working poor" in these countries -even in the most developed in the region- shows that having a job is no guarantee against poverty.[3] For instance, around 20%-30% of poor heads of household in Argentina, Brazil, Costa Rica, Ecuador and Peru are employed as informal workers. This means that in Latin America unemployment is not the only problem in the labour market, but low wages and precarious labour conditions are important issues as well. From a dynamic point of view, a significant proportion of the new jobs accessed by members of poor households in those countries are non-registered in the social security system (informal jobs) reducing the opportunities of escaping poverty.[4]

These outcomes are mostly linked to three structural characteristics in the region: (1) high income inequality, both at labour and family levels; (2) very low systemic competitiveness and productivity, and high productive heterogeneity; and (3) scarce protection for workers and their families because of the narrow scope of contributory-based social security and the insufficient development of other non-contributory schemes. In turn, inequality of labour income partly reflects the productive heterogeneity where highly efficient and competitive sectors and companies coexist with activities and firms that operate under a survival rationale. These gaps are reflected in wage distribution, either in an amplified or moderate way. Therefore, the broad group of informal workers is at least partly linked to the high presence of small, unstructured productive units where it is frequently more feasible to conceal labour relations. This ultimately derives from an insufficient job creation capacity of the formal sector.

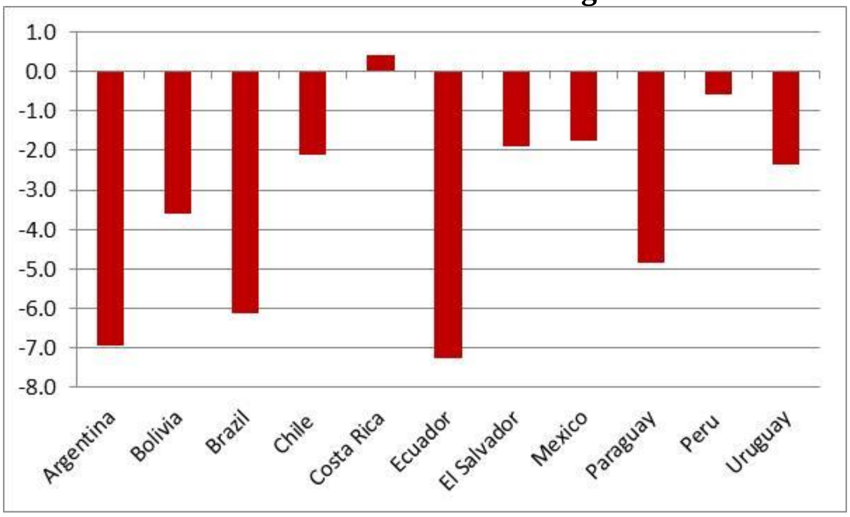
In addition, when social protection is exclusively or mainly provided through labour market institutions, high unemployment, underemployment and a lack of decent work yield incomplete and insufficient coverage against social risks. It is therefore essential to supplement the contributory arrangements with non-contributory schemes, both through monetary transfers and universal access to essential social services and goods. This, however, should not entail weakening the efforts to move towards greater labour formalization and to reinforce labour institutions. In this regard, it is worth mentioning that the objectives of labour institutions –such as protecting the lives of workers and their families- still hold and are even more pertinent within the current context of economic globalization.

[2] Beccaria et al. (2015a), Maurizio and Vázquez (2016), Maurizio (2015).
[3] Maurizio (2016).
[4] Beccaria *et al.* (2015b).

2. Income distribution and poverty in Latin America during the new millennium

The new millennium in Latin America was also characterized by a reduction in income inequality. As shown in Graph 1, with a few exceptions, Gini coefficient is lower around 2013/2014 than during the first years of the century.

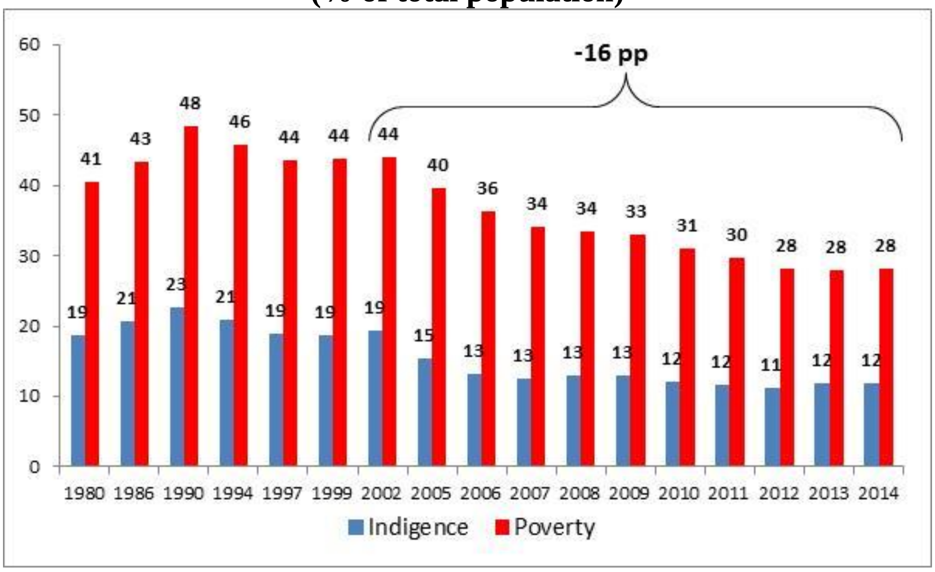
Graph 1
Evolution of Gini coefficient during the 2000s



Source: Authors' elaboration household surveys

Less inequality and higher real incomes resulted in lower poverty and extreme poverty incidence rates. In the growth period 2003-2014, the region experienced a drop of 15.7 percentage points (pp) in poverty and 7.5 pp in extreme poverty (Graph 2). This reduction in poverty incidence rates was also accompanied by a fall in the number of poor people, differing from what happened during the eighties and nineties.

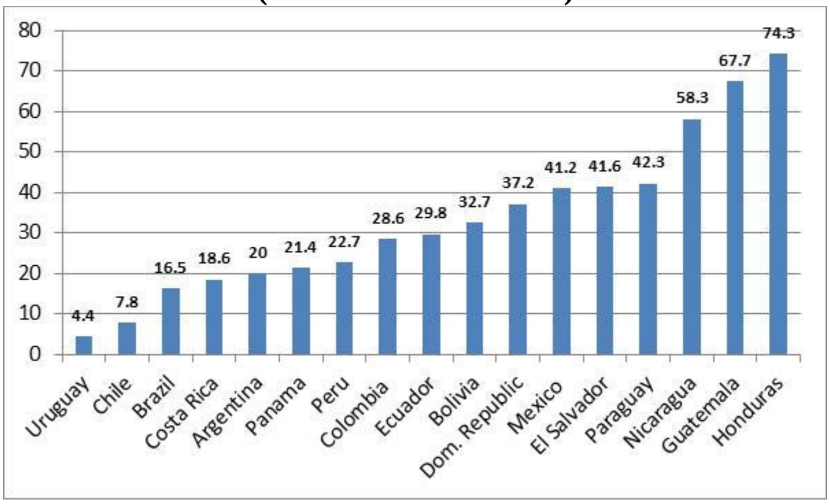
Graph 2
Evolution of poverty and extreme poverty rate, 1980-2014
(% of total population)



Source: Authors' elaboration based on ECLAC

However, despite the progress achieved during this period of economic expansion, 28% of Latin American people still lived in poverty in 2014, and 12% lived in extreme poverty according to ECLAC. Additionally, behind this general outlook, there is very high heterogeneity across the countries. On the one extreme, Uruguay and Chile have poverty incidences below 10% whereas, on the other extreme, Guatemala, Honduras and Nicaragua, have poverty rates around or above 60% (Graph 3).

Graph 3
Urban poverty rate in Latin American Countries, 2014
(% of total households)



Source: Authors' elaboration based on ECLAC

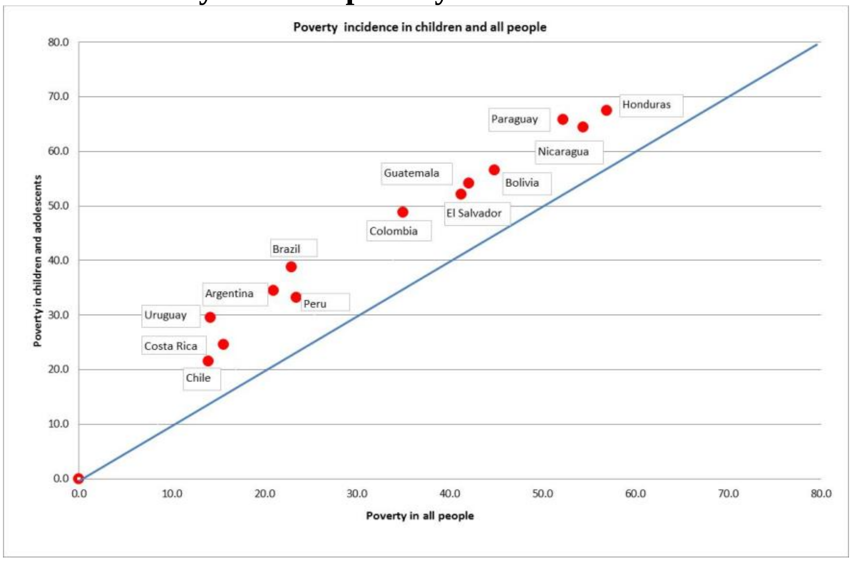
3. Recent trends in social protection for children in Latin American countries

Given the greater incidence of poverty in children and adolescents compared to other age groups, as from the mid-nineties the region's countries have been implementing and expanding non-contributory cash transfer programmes (conditional cash transfer programmes, CCTs) to households with children and adolescents. Graph 4 compares specific poverty for children under 14 years old with aggregate poverty rate, and shows that in all the countries, the poverty combinations are above the 45 degree curve indicating a higher poverty incidence among children and adolescent.

They have gradually become important mechanisms within social policies and regional poverty reduction strategies. These programmes are being implemented in 17 of the region's countries and reach out to over 22 million families, that is, around 100 million people which account for 17% of the Latin American and Caribbean population (ECLAC, 2010).

There is a first group of countries that has designed specific programmes; the most internationally renowned examples given their size are *Progresa* in Mexico and *Bolsa Familia* in Brazil. Then there is a second group of countries in the Southern Cone, Chile, Uruguay and Argentina, that have extended contributory child allowance schemes to segments of the population that had no coverage before. It is important to mention that as those first experiences that generated ad-hoc programmes evolve and grow have also begun a process of integration with other social security transfer policies. These programmes have been set up under different designs, scopes, administrative procedures, legal frameworks and eligibility criteria.[5]

Graph 4
Poverty rate and poverty incidence in children



Source: Authors' elaboration based on ECLAC

The immediate objective is overall to reduce poverty and extreme poverty incidences while – in the long run- break the inter-generational transmission of poverty. Consistent therewith, most of the programmes include conditionalities (or co-responsibilities) related to certain nutrition, education and health objectives, particularly for children and adolescents.

The scope and impact of the well-known *Bolsa Familia* (BF) in Brazil (created in 2003) has made it one of the most emblematic projects in the world in terms of cash transfer programs for families with children and adolescents. It reaches out to more than 13 million poor families throughout the country. This country has, along with BF, a child allowance pillar for formal sector workers (*Salário Familia*) and a deduction for parents with children in the Personal Income Tax are utilized. Most recently, in 2012 a new financial support programme (*Brasil Carinhoso*) was announced. Its main aim is to cover the poverty gap for those families included in *BF* with children under the age of fifteen and living in extreme poverty (Soares and de Souza, 2012). In February 2013 this benefit was extended to all families in extreme poverty independently of its demographic composition.

Among the second group of countries in the Southern Cone, *Chile Solidario* was launched in 2002 with the objective of removing impediments to social inclusion in Chile. Ten years later, in 2012, the Chilean Government launched the Ethical Family Income (*Ingreso Ético Familiar*) programme, the specific aim of which, in addition to an increase in the coverage and amount of benefits, was a more comprehensive conceptualization of child social protection. Organized under 'three pillars' (dignity, duties and achievements), this new programme utilizes unconditional and conditional cash transfers and awards; yet at the same time places particular emphasis on the autonomous family income generation through female employment subsidies and training programmes (Cechini et at., 2012).

[5] A comprehensive analysis of this kind of programme goes beyond the scope of this article. For further information see, for instance, ECLAC (2010), the World Bank (2009), ILO (2007), ILO/IPEC (2007), Perez Rivas *et al.* (2008), Villatoro (2008), Bertranou (2010), among others.

The National Assistance Plan of Social Emergency (*Plan de Atención Nacional a la Emergencia Social-PANES*) in Uruguay was replaced in 2007 by the Equity Plan (*Plan de Equidad*), which entailed a number of reforms geared toward providing a network of assistance for social integration. This change entailed a significant improvement from the introduction of a temporary programme to a more integrated and comprehensive strategy to support poverty-stricken families with children. This pathway to social inclusion included the creation of new pillars, the scaling-up of existing social programmes and the merge of both non-contributory and contributory family allowances (Amarante and Vigorito, 2012).

Argentina implemented in 2009 a large cash transfer programme for children called Universal Child Allowance (*Asignación Universal por Hijo*); thus extending the coverage of the already existing contributory family allowance programme to segments of the population that otherwise had no coverage until then. This non-contributory programme is an addition to those already in existence in Argentina – namely, a contributory family allowance and a tax deduction from income tax for each child (Bertranou and Maurizio, 2012a and 2012b).

Close study of national experiences in the region reveals new positive trends from which it is possible to draw important lessons. First of all, each these countries have expanded the coverage of family support over the last few years, which occurred by way of the introduction of new non-contributory pillars as well as the increase of the real monetary value of these transfers.

The cases of Chile and Uruguay illustrate the critical importance of integrating different social programmes (education, health, nutrition, employment, housing) under an umbrella programme as a means of improving coordination, efficiency, transparency and impacts. In this regard, it is important to mention that the implementation of the Equity Plan in Uruguay was accompanied by reforms in the tax system as well as in health care, which suggests a more comprehensive strategy for reducing structural poverty and inequality that goes beyond the cash transfer programme.

The existence of an unconditional cash transfer component is particularly important since it assures at least a minimum level of income to the most vulnerable families. This is the case, for instance, of the 'Dignity" component of the Ethical Family Income programme in Chile.

Finally, inter-institutional and inter-agency coordination is another important dimension of successful social policies. Some national experiences can serve as useful examples of inter-agency coordination and the ways such coordination can strengthen institutional capabilities. In Uruguay, for instance, there is increasing coordination among different public agencies regarding the implementation, evaluation and monitoring of social programmes. Chile exhibits similar dynamics.

4. Evaluating the impacts of cash transfer on social and labour indicators

Based on these experiences there is consensus that these programs are well targeted (despite some exclusion and inclusion errors) and that they have evidenced positive impacts with respect to combating extreme poverty. As regards longer-term outcomes, increases in primary school enrolment rates and a reduction in malnutrition among beneficiary children have been observed; though, it should be said, the effects on secondary school attendance seem to be less significant.

The types of transfers outlined here seem to not only lead to an increase in family income in poor households but also ensure some amount of money to smooth consumption over macroeconomic or labour fluctuations. This is of utmost importance since the poorest households are the ones that generally have more unstable incomes.

In some cases, these transfers also appear to have contributed to eliminating barriers that once prevented poor peoples' entry into certain productive activities; thus allowing beneficiaries to also increase autonomous income. Likewise they have permitted an increase in liquidity in the poorest communities, thus favouring trade and development in these areas (ECLAC, 2010).

Nevertheless, debate does exist with respect to the impacts that cash transfers to households with children may have on the labour behaviour of their adult members. Such impacts concern receipt of non-labour incomes, on the one hand, and fulfilment of programme conditionality, on the other. The neoclassical theory of individual labour supply provides that this type of non-labour income produces a pure income effect in the household, which leads to an increase in the demand for normal goods. If leisure is a normal good then the supply of labour will decrease, a behaviour that could lead to labour-market exits (corner solution) or to a reduction in the number of hours worked (interior solution).

However, it could be argued that the actual impact of the cash transfer will depend on its magnitude. Other factors could affect the decision to remain in or leave the labour force in response to such benefits, such as the characteristics of the occupation other than its remuneration (job conditions, commuting distance or number of hours worked) or the demands of care and household chores.

While transfers might discourage labour participation if they are of a high enough value, the opposite effect is also possible. In other words, this benefit might allow households to overcome entry barriers to certain productive or entrepreneurial activities or to implement certain economic decisions that would otherwise be impossible (Medeiros et al., 2008; Teixeira, 2010).

In the more complex family labour supply model (Killingsworth, 1983), decisions regarding time allocation are linked to the decisions of other household members. Hence, a second channel may be introduced through which transfers might lead to changes in the labour supply behaviour of adults, that is, the impacts associated with fulfilment of the programme's conditionalities. By being linked to school attendance, the benefit reduces the opportunity cost of study, which might lead to a decline in the demand for study-substitute goods and to an increase in the demand for study-complementary goods. If work is a substitute for study, this will lead to a reduction in the child labour supply. However, if work and study are not perfect substitutes, the impact on child labour supply could be ambiguous (Ravallion and Wodon, 2000).

This raises two important points regarding the adult labour supply. One is the question of how the labour supply of the other household members would react to a reduction in the labour supply of children. This behaviour might partially offset the impact of the transfers on total household incomes, causing the potential disincentive effect on adults to be fairly small. Skoufias and Parker (2001) point out that the impact of these transfers will vary between households depending on their personal circumstances. In particular, for certain types of households, the amount of the transfer might be lower than the loss of income caused by the reduced labour supply of children once they start going to school, thus discouraging enrolment in the programme.

Second, fulfilment of conditionality could itself alter the time allocation of adults: if school attendance reduces the time spent on childcare, this could increase the time available for work; conversely, the time needed to ensure school attendance and medical check-ups could reduce the time spent working (Parker and Skoufias, 2000).

The distribution of time and tasks within households is thus another central aspect of these types of transfers, and these factors become even more relevant from a gender perspective. As pointed out by Gammage (2010), the potential effects of the programme on women's allocation of time between paid and unpaid work must be taken into account when analysing the results of these programmes, since responsibility for the tasks derived from programme conditionalities usually falls to women.

An increasing number of studies analyse the impact of conditional cash transfer programmes on adult labour-market behaviour in Latin America. The empirical evidence for these countries shows, in general, that the "negative" impacts on labour market, as measured by a lower occupation rate or fewer hours of work by the adult population from beneficiary households, are, in general, null or very low.[6]

As the disincentive to participate in the formal employment, the actual effect that the transfers can have depends on if it is really the worker´s choice or if there is no other option. The decision can also be influenced, in the first case, by the difference in wages (and other benefits) that she would obtain in a formal position as opposed to an informal one. In this sense, the "disincentive hypothesis" is based on the idea that the informal workers receives as net salary the contributions that their employer does not pay to the social security system which should, in turn, imply higher wages for informal than for formal workers (controlling for the rest of characteristics). The truth of the matter is that the latter argument does not have empirical support, at least in several Latin American countries (Beccaria and Maurizio, 2010).

5. Towards a comprehensive social protection system for children in Latin America

Despite all the progress achieved regarding social protection for children, the region still has important restrictions and challenges in terms of coverage, conditionalities, institutional design and monitoring and evaluation methods. Although these programmes have called the technical and political attention of the region, they account for only 2.3% of public social spending and 0.25% of the countries' GDP in average [7], an aspect that restrains the effect they can have on poverty and inequality at the national level on their own.

In this regard, one of the foremost lessons arising from these experiences is that an inclusive public policy for children cannot pivot upon cash transfers exclusively, and thus countries must move forward towards greater integration with other programmes aimed at tackling both the social risks and the needs of human capital faced by poverty-bound households with children. There are different dimensions where advancement is imperative. The first is the necessity of going beyond extreme poverty. Despite the growing coverage of the existing

[6] Maurizio and Vázquez (2014), Alzúa et al. (2010), Foguel and Paes de Barros (2010).
[7] ECLAC (2010).

programmes, they remain targeted at extremely poor families. Therefore, it is fundamental to reach children who are not yet covered in order to move forward from 'anti-poverty programmes' to the universalization of the social protection rights for all children. This requires ensuring access to good quality health and education services so as to effectively support the human and economic capabilities of future generations. In this regard, it seems more appropriate to change the perspective of "conditionality" for that of a universal right for children to access these basic or essential services. Understood as such, and in order to ensure this right, it is necessary to guarantee the existence of health and education centres in the beneficiaries' area of residence as well as the quality of these services. Dimensions such as child-care, gender inequality, child labour and child ill-treatment also need to be considered a priority in building a comprehensive protection system for children and adolescents.

The second dimension has to do with integrating the different pillars of social protection. Greater integration among sub-systems of cash transfer for children (contributory, non-contributory and child tax credit) is crucial, but so is greater integration within and between the other existing programmes aimed at tackling social risks. This would include education, nutrition and health policies targeting children, and also productive and employment programmes for adults in households with children. All of these are essential to supporting their human and economic capabilities.

Thirdly, greater importance must be placed on removing structural barriers that create social exclusion. The realization of full social inclusion of vulnerable groups requires reducing segmentation and dualism in the quality of the supply of basic services for targeted and non-targeted populations. Dimensions such as child-care, gender inequality and child labour should also be considered a priority. The amount and duration of the financial support should be consistent with the long-term objective of achieving and maintaining social inclusion and cohesion. Concomitant to this, policies to boost formal employment and the consolidation of a framework of protective labour regulations should be put in place as a means of reaching appropriate working conditions and to facilitate social integration. In this context, universal policies should provide guarantees to access essential services while ensuring appropriate income levels.

The fourth aspect concerns conditionalities. It is important to fully understand their rationale and their role. What are the aims of conditionalities? Are conditionalities imposed in order to foster demand for social services or to get a broader social support among taxpayers and median voters? Do they have unintended impacts, positive or negative, beyond the cash transfer? Are governments really able to monitor fulfilment of conditionalities? In this regard, it seems more appropriate to change the existing perspective of "conditionality" to that of a universal right for children to access basic services. Understood as such, this requires ensuring access to good quality social services.

From the region's empirical evidence, it is not easy to identify the independent role of the conditionalities beyond the impact of the cash transfer. As Medeiros *et al*. (2008) and Reis and Camargo (2007) suggest, in the Brazilian case, the conditionality in itself does not seem to have an additional impact apart from the transfer; rather, the factor that could be associated with greater school attendance and medical check-ups for children and young people is the increase in the total family income more than the conditionalities. This suggests that not only transfers aimed at children could have an impact on household decisions regarding employment and school attendance, but also other kind of transfers that increase family income and that allow new intra-household arrangements. As Medeiros *et al*. (2008) mention, in many instances the existence of conditionalities is justified more by the general social consensus on these programmes that this generates than by the independent effect that they actually have.

Another widely debated aspect in relation to CCTs is the optimum duration of benefits when they are considered to be temporary. The “exit door” strategy aims at avoiding beneficiary dependence and ensuring that only eligible families remain in the programme, paying special attention to the possibility that there are other households that weren’t originally included and that should have been. In some cases, the beneficiaries become ineligible and so have to leave the programme when the household income surpasses a maximum threshold. In this regard, it is important to consider income fluctuation in households over time, which means that even though there may be some households that obtain a higher income than the maximum at the time that the evaluation is carried out, this does not necessarily imply that these have been incorrectly identified at the time the benefit was granted or that they won’t be below the limit again in the future. This is a very important aspect to be considered, as the poorest households are those who suffer greatest income instability.

Finally, it is desirable to combine these programmes with active labour market policies. The institutional design of these programmes is essential to ensure that they last throughout time, especially turning such programmes into permanent state policies to fulfil not only short but also long term objectives. One of the crucial elements to achieve this is the existence of a modern, efficient and timely monitoring and evaluation system on a permanent basis to make all necessary adjustments and maximize positive impacts on wellbeing and equality.

6. Final remarks

The high-income inequality that characterizes Latin America is associated to both the concentration in the primary income distribution and the existence of incomplete social protection systems. This is partly because these systems are largely based on contributory social security mechanisms, which usually cover a limited part of the population that is either linked, or weakly attached to formal employment.

Therefore, the huge differences that still persist in the region’s working conditions require permanent action in the field of primary income distribution as a means to reduce inequality. In this context, progress in employment formalization and the strengthening of labour institutions as well as of active employment policies are essential processes to allow jobs to become an effective mechanism to overcome poverty and achieve social protection.

The current situation in Latin American labour markets, however, also requires move forward towards the development of a comprehensive social protection system grounded in universal rights, based not only on traditional social insurance pillars but also on non-contributory components. In this regard, the extension of the principle of universality in the supply of basic goods and services verified in the region in recent years is highly positive. The social protection floor framework provides a promising setting to discuss reforms, policies and programs to expand horizontal coverage of transfers and basic social services.

This, nevertheless, does not mean that the labour market’s role as a social integration axis can be ignored or the importance of macroeconomic stability and decent work goals. Progress towards the universalization of citizens’ economic and social rights cannot go hand in hand with a weakening of labour market regulations and institutions.

At the same time, the construction of robust labour institutions is an indispensable element for advancing in the implementation of a development strategy with social inclusion. In particular, labour laws and labour market policies are necessary to ensure social justice on the one hand, and on the other greater efficiency and productivity.

Therefore, the challenge is to design protection systems based on a coherent articulation between contributory and non-contributory components, including cash transfer programmes. In particular, the integration of policies aimed at securing full formal employment and consolidating a framework of protective labour regulations, a means of achieving appropriate working conditions and to facilitate social integration; on the other hand, universal policies that provide guarantees to access to essential services and ensure appropriate income levels, including periods of unemployment and when retiring at old ages.

All of these public policies need to be integrated so that they are no longer mere programmes and become a coherent system of training, employment, social protection and productive development. This approach clearly differs from those strategies that target the poor and rely on safety nets. On the contrary, the huge levels of poverty and inequality that still persist in the region call for a broader role of the social policy as a fundamental part of the development strategy while addressing distribution and redistribution issues.

The region faces the challenge of achieving sustained growth, with a reduction in nominal and real volatility. The region needs to make progress in the definition and implementation of a mid and long-term economic development strategy built on the basis of an integrated productive structure leading to high efficiency, systemic competitiveness and increasing labour demand. Productive convergence within a framework of high productivity standards is a necessary condition for sustained growth and employment promotion throughout time. In this regard, it is necessary to have high levels of consistency and integration between the macroeconomic regime –which sets proper objectives and creates stability and predictability- and development strategy guidelines geared to social cohesion and equality. This, in turn, must be grounded on long-term policies agreed upon by consensus among all social actors so as to turn them into “permanent State policies”.

At the same time, Latin American countries need to continue strengthening the government redistribution capacity, through a more progressive taxation structure and greater fiscal pressure, as well as through more and effective social spending.

Finally, it is important to recognize the significant heterogeneity across Latin American countries in terms of economic development, fiscal capacity, labour market and social conditions and, international competitiveness and institutions, suggesting that there is no “one-fits-all” way to reduce inequality, increase social cohesion and overcome poverty in the region. Policy recommendations should take into account the complexity of the development process and incorporate not only economic but also institutional and political dimensions.

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