

# A Lost Opportunity to Build Social Protection for All? Scenarios Following Emergency Cash Transfers in Central America

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**THE TIME IS NOW! WHY WE NEED A NEW ECO-SOCIAL CONTRACT FOR A JUST AND GREEN WORLD—UNRISD THINK PIECE SERIES**

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### **A pivotal moment**

“Covid-19 has created a pivotal moment... By seizing this historic moment, we can turn the tide to shape our individual and collective destiny, and in so doing we would rescue humanity from catastrophe and create a better world” writes Oxford professor of globalization [Ian Goldin in a recently published book](#). Many others share this optimistic take on the pandemic: politicians, academics and policy makers across the world have argued that we face a unique opportunity to "build back better". [A social state is a key pillar to this end](#), argues the executive director of ECLAC, Alicia Bárcena.

We define an opportunity as a set of openings in the policy process that may appear following a shock like Covid-19 and might currently and/or in the future contribute to more inclusive social contracts. The need for these policies is particularly urgent in Latin America, a region where policy responses to the pandemic, such as lockdowns and mobility restrictions to prevent the spread of the virus, immediately turned into a social and economic crisis. With 8 percent of the world's population but 30 percent of deaths from Covid-19 by mid-2021, Latin America is on the verge of going back at least a decade in terms of human development, poverty and inequality.

But is the crisis simultaneously pushing for more progressive redistribution in this region and across the global South? Too often this question is answered

based on normative claims or on the “politics of hope”: changes will happen because they are required and increasingly self-evident. Yet approaches based on good will and hope fail to illuminate the political economy constraints for transformative policies; they often stress the policies that ought to be implemented but not what needs to happen to actually put them in place. In this light, UNRISD’s call for a new eco-social contract would benefit from a political economic analysis of how to move in that direction.

We propose a framework based on the analysis of the opportunities in narratives, policy instruments and actors created by specific emergency programmes adopted during the pandemic: cash transfer programmes implemented during 2020 to support families in need. We assess their short-term performance but also whether the Covid response can lead to new policy arrangements and make a long-term contribution to an eco-social contract towards redistribution.

[In our ongoing research](#), we explore whether the pandemic has created opportunities for policy change in Costa Rica, El Salvador and Guatemala. These three most dissimilar Central American countries combine both the best and worst social policy performance in Latin America. At the same time, they all implemented cash emergency programmes. We pay particular attention to the way the programmes may or may not have changed narratives about what states should do and who they should cover in social protection programmes.

### **The significance of emergency cash transfers**

During 2020, most countries in Latin America introduced emergency cash transfers to support people affected by the lockdowns. The three countries under consideration were part of this general trend. In Costa Rica, *Bono Proteger* granted two or three payments of USD 214 to families who had lost labour income because of the pandemic. In Guatemala, *Bono Familia* provided two payments of USD 130 to poor households that had lost their income sources. In El Salvador, the government gave a single payment of USD 300 to households most affected by the pandemic.

The emergency cash transfers constituted the main social protection response to the pandemic in the three countries, reaching a total spending between 0.7 percent and 1.4 percent of GDP during 2020 (our calculations based on countries' official data). They were undoubtedly significant interventions that moved each of these countries beyond their respective pre-pandemic “business as usual”. This is evident when considering their coverage and generosity as well as the state capacity required to implement them.

In terms of **coverage**, the programmes benefited 13 percent of the total population in Costa Rica, 19 percent in El Salvador and 16 percent in Guatemala (based on official coverage data, population estimates for 2019 and assuming one transfer per family). Although clearly insufficient to support all informal workers (which represent between half and two thirds of the total labour force in the three countries), these are significant numbers when considering previous coverage rates of cash transfer programmes in Central America.

The **generosity** of the transfers was not negligible either. They covered between four and eight times the monthly individual basic consumption basket, supporting the purchasing power of many families for a few months.

The programmes also demanded **new state capacities**. As all policy makers we interviewed highlighted, they were implemented very quickly. They required both flexibility and creativity in a number of issues, from how to identify the beneficiaries to how to distribute the transfers efficiently.

Overall, Guatemala performed surprisingly well: relying on funding granted by the Central Bank, the country was less constrained by resources than in the past and the programme has generally been regarded as effective. Costa Rica was able to reach thousands of informal workers in a very short period of time. El Salvador is probably the least positive case due to the opaque, discretionary and informal character of the intervention.

### **Moving from the short to the long run**

One of the key challenges Central American countries are facing is to create more inclusive social policy beyond the Covid-19 emergency situation. However, it is not clear that these emergency programmes can lead to a radical reshaping of social policy soon for a number of reasons. Emergency measures in Central America and elsewhere in Latin America were too brief to create stakeholders. In addition, state actors treated emergency measures as exceptional, failing to link them to the more permanent social policy interventions such as existing programmes, a [universal basic income](#) or a [social protection floor](#).

*Does that mean that the pandemic created no opportunities? No!* In fact, we identify some promising opportunities in terms of narratives and policy instruments. In Guatemala, the pandemic response called into question the dominant view of the state as inefficient and corrupt. Some of the social actors we interviewed argued that Bono Familia has showcased the state's capacity to implement a social programme. Moreover, the programme was part of an (arguably short-lived) counter-cyclical approach to macroeconomic policy that

had been absent for decades. In Costa Rica, Bono Proteger relied on a process of identifying beneficiaries that highlighted the growing risks faced by informal workers who traditionally fall between the cracks of contributory and non-contributory measures. Improvements in the country's social policy databases could lead to more inclusion in the future. Unfortunately, deploying cash transfers is not enough to create long term opportunities: we do not see any significant opening in El Salvador due to the arbitrary and opaque character of policy implementation.

Still, despite differences, the three countries face a common challenge that affects most countries in the global South, a challenge which is growing by the minute. Austerity, understood as both a call for orthodox macroeconomic policies, in particular tightening fiscal and monetary policies, and a criticism of state intervention, remains influential and limits the adoption and prolongation of more redistributive policies. Inclusive social policy in Central America—and in other regions of the global South—necessarily calls for a significant redefinition of macroeconomic policies and a narrative around the state as solution rather than as a problem. While this will not be an easy task, we believe that institutions like UNRISD have a key role to play in promoting this notion among policy makers and civil society and hope that the call for a new eco-social contract and the political economy that can deliver it, can be particularly helpful.

*This article reflects the views of the author(s) and does not necessarily represent those of the United Nations Research Institute for Social Development.*