

Economic Opportunities for Indigenous Peoples in Latin America

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May 23, 2007

IFPRI



Background-1

- ⌘ UN Decade of Indigenous Peoples 1994-2004
- ⌘ Indigenous gains in political influence
 - ⊞ Upheavals: Mexico, Ecuador, Bolivia
 - ⊞ Indigenous political representation increasing
- ⌘ Changes in international & national policy



Background-2

- ⌘ 1990-2000: significant changes in poverty rates overall, but
- ⌘ the proportion of indigenous peoples in the region living in poverty did not change much in most countries

Little progress in income poverty reduction for indigenous people

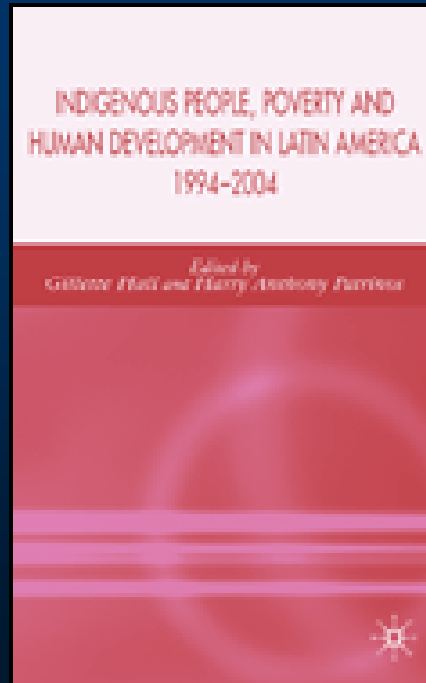
Poverty rates changed little for indigenous peoples; where poverty declined, progress was slower for indigenous peoples

(% change in headcount poverty rate between earliest and latest survey year)

Country	Non-Indigenous	Indigenous
Bolivia, 1997-2002	- 8	Change of less than 0.1
Ecuador, 1994-2003	+ 14	Change of less than 0.1
Guatemala, 1989-2000	- 25	-15
Mexico, 1992-2002	- 5	Change of less than 0.1
Peru, 1994-2000	+ 3	Change of less than 0.1

Background-3

- ⌘ This report moves beyond earlier work by G. Hall and H. Patrinos (2006) which focused primarily on human development indicators and how they changed between 1994-2004.



Objectives

- ⌘ Examine the composition of income-generating activities of rural and urban indigenous households
- ⌘ The factors determining the participation of indigenous households in income generating activities (with particular emphasis on the role of social networks)
- ⌘ Use findings to identify key features of policies and programs that could effectively increase the economics opportunities available to indigenous peoples in LAC.

Methodological framework

- ⌘ Use an asset-based approach to understanding the causes of group differences in economic outcomes
- ⌘ How the distribution and composition of assets hinders or helps indigenous peoples from taking advantage of economic opportunity?
- ⌘ Countries studied: Bolivia, Ecuador, Guatemala, Mexico, Peru.

Questions studied-1

- ⌘ Differences in the income generating strategies?
- ⌘ Differences in endowments of physical, human, public and social assets, and how does this affect income – generating activities?
- ⌘ What is the potential impact of various public interventions aimed at increasing access to basic services, markets and infrastructure?
- ⌘ Are there any potential complementarities across different interventions aimed at helping indigenous peoples?

Questions studied-2

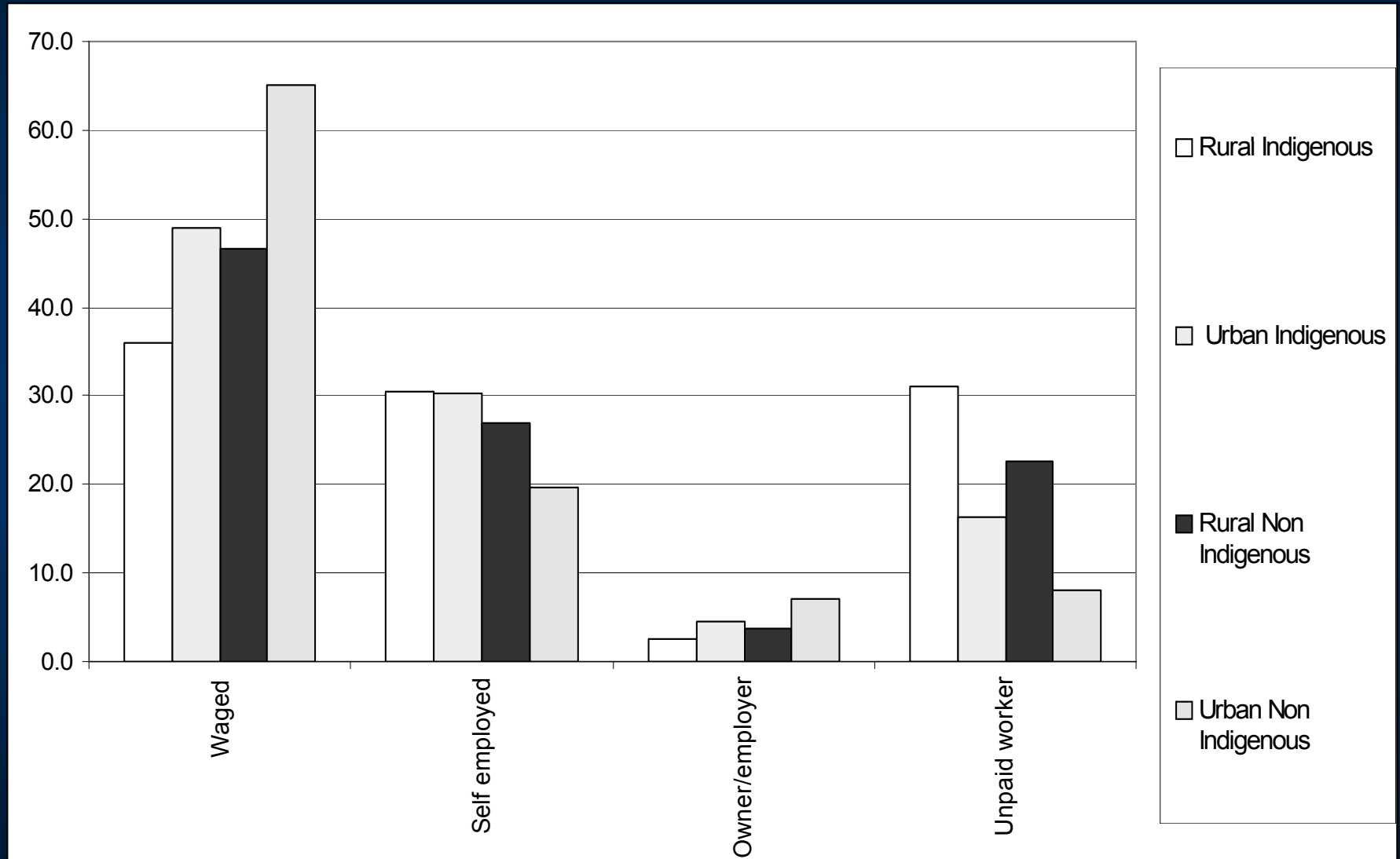
- ⌘ Role of social networks?
- ⌘ Are the social network effects stronger or weaker for indigenous or non-indigenous households?
- ⌘ Does the size of the “social network effect” differ across some key economic choices (migration, occupational and sector choice, children’s school attendance and work, use of health services, and the participation in social assistance programs).

Sectors of Employment, Occupations and Sources of Income

⌘ Overall, indigenous peoples are more likely to be involved in:

- ☑ low-skilled,
- ☑ low wage occupations, and
- ☑ depend to an inordinately high extent on agriculture for their livelihood.
- ☑ incomes of indigenous peoples are less diversified than for the non-indigenous.

Employment Patterns-Guatemala



Sectors of Employment, Occupations and Sources of Income

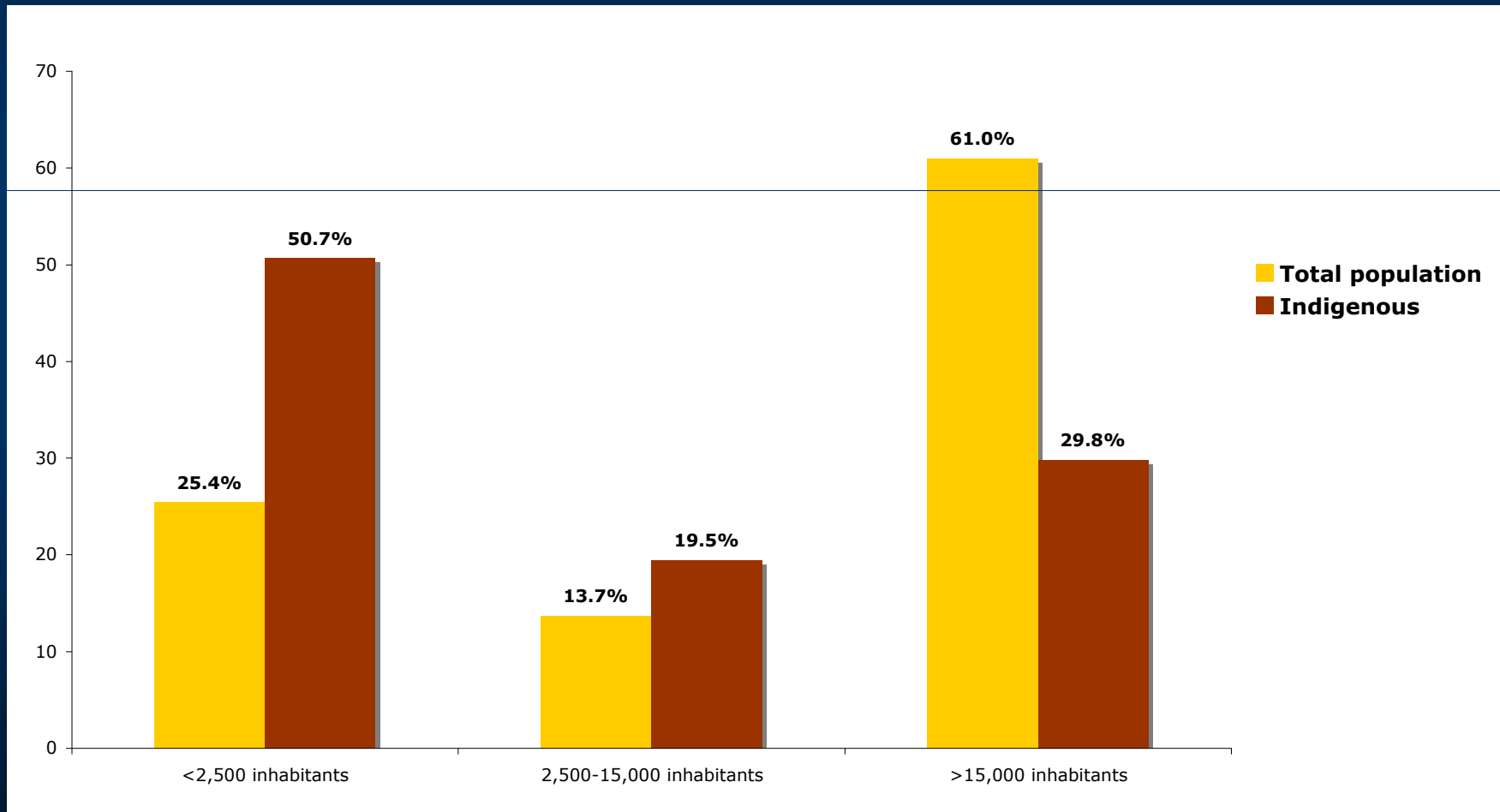
⌘ Indigenous in **Rural** areas:

- ⊞ Higher dependency in agriculture
- ⊞ More likely to work as unskilled laborers

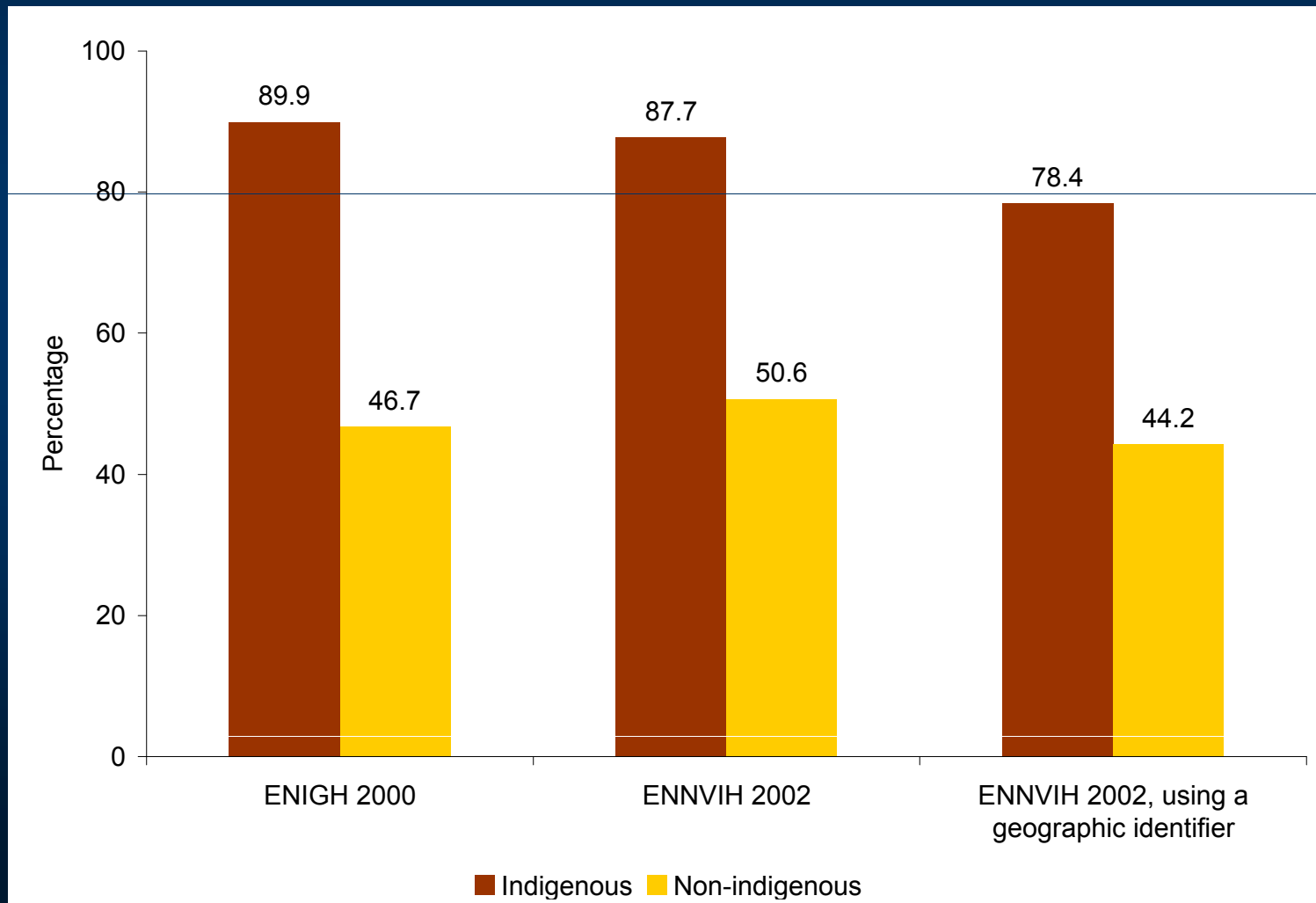
⌘ Indigenous in **Urban** areas:

- ⊞ Less likely to work for wages
 - ⊞ e.g. in Guatemala less than 50% of urban indigenous work for wages
- ⊞ More likely to be informally employed
 - ⊞ e.g. in Ecuador, 50% of non-indigenous in urban areas are employed in formal sector; only 28% of indigenous in urban areas employed in formal sector

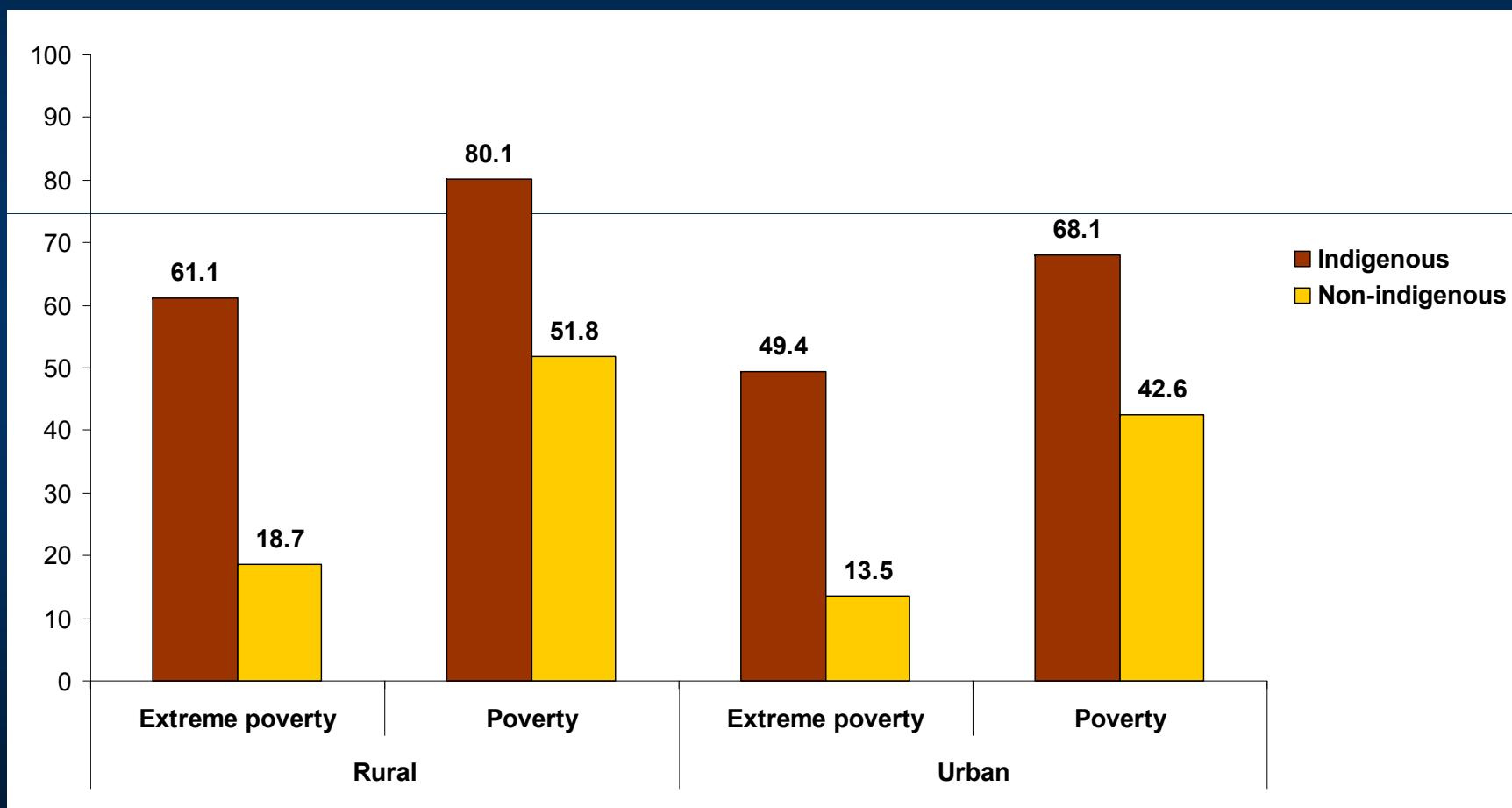
Indigenous peoples are concentrated in small, rural communities-Mexico



Poverty is substantially higher among indigenous peoples...-Mexico



Yet, differences in poverty remain stark even when looking at rural and urban areas separately-Mexico

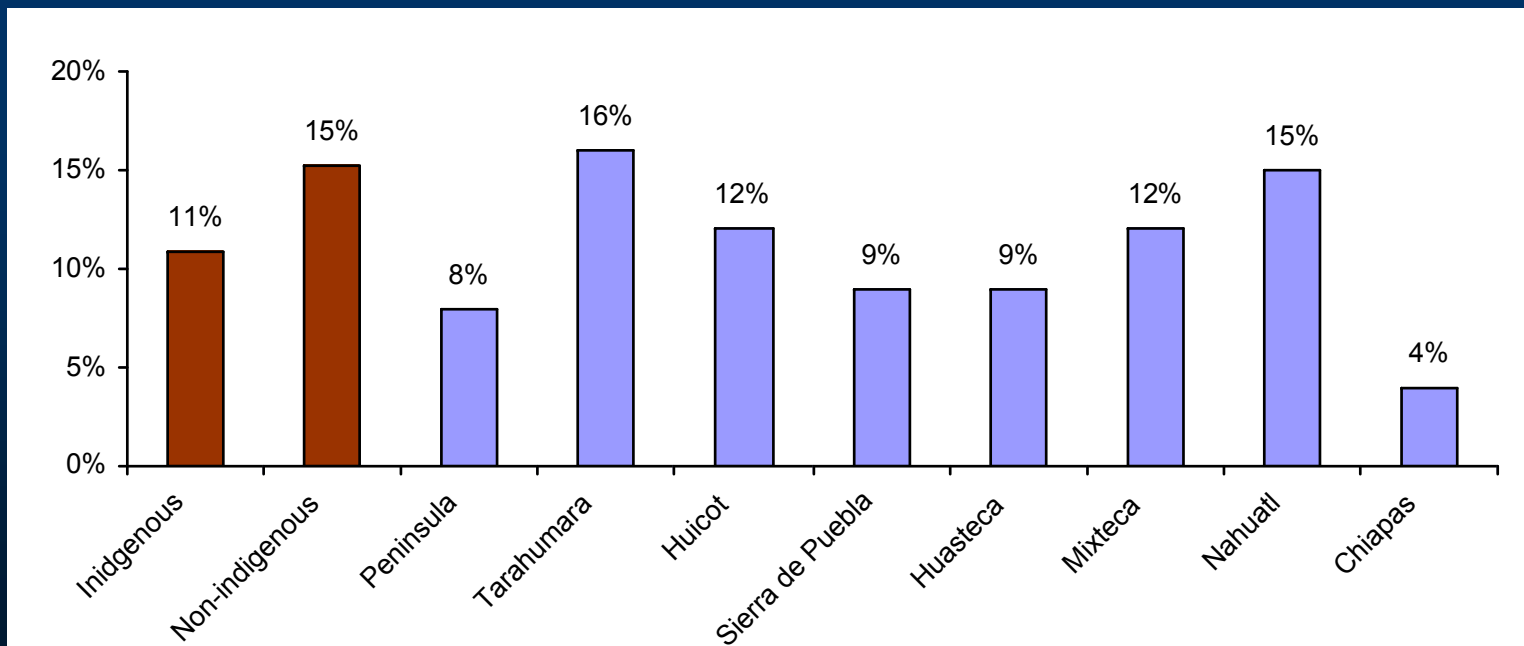


Assets- Distribution and Returns

- ⌘ Indigenous populations are endowed with less physical, human, and financial assets than are the non-indigenous peoples are (low income and low assets are mutually reinforcing)
- ⌘ **HUMAN CAPITAL:** indigenous have lower education and schooling attendance

Returns to Schooling-Mexico

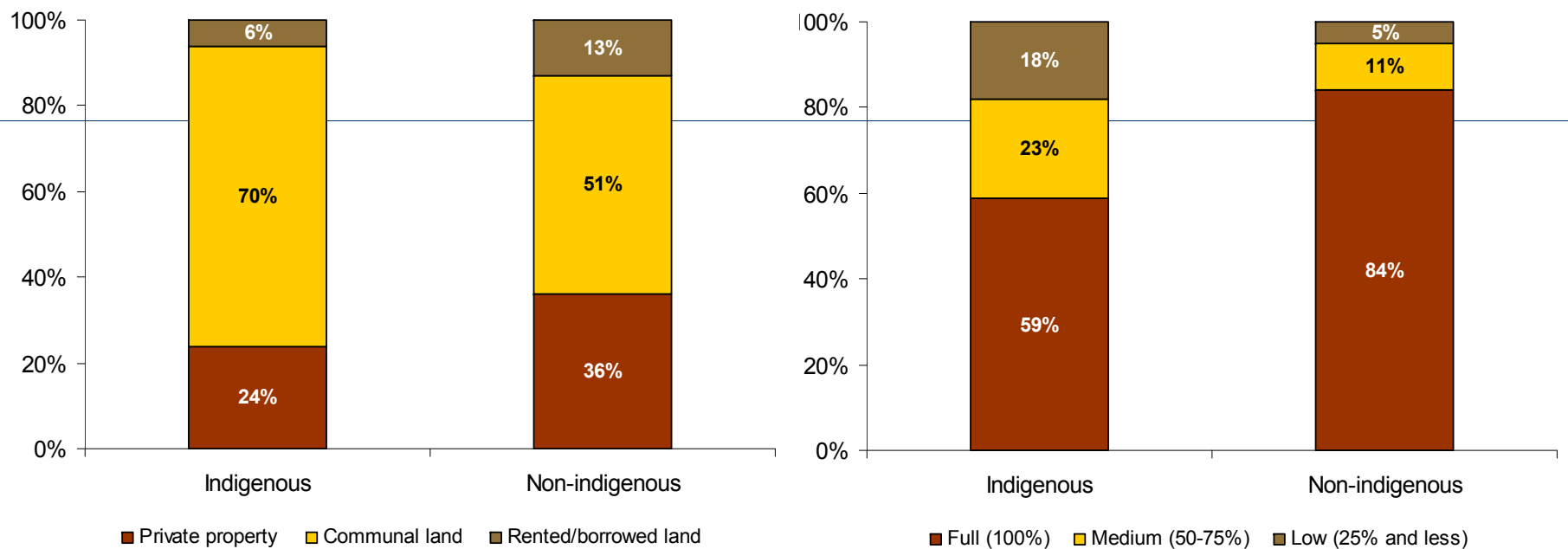
- ⌘ Returns to schooling are lower for indigenous (5%) than for non-indigenous (12%), and this suggests differences in educational quality of education and potential labor market discrimination
- ⌘ Differences in returns to schooling prevail even when looking at indigenous areas only, however, they differ across indigenous areas and indigenous groups 5 percent



Assets- Distribution and Returns-1

⌘ **LAND:** the size of indigenous landholdings are between 2 times smaller than non-indigenous land holdings in Peru to nearly 8 times smaller in Ecuador.

Land Ownership and Usage Among the Extreme Poor in Rural Areas-Mexico

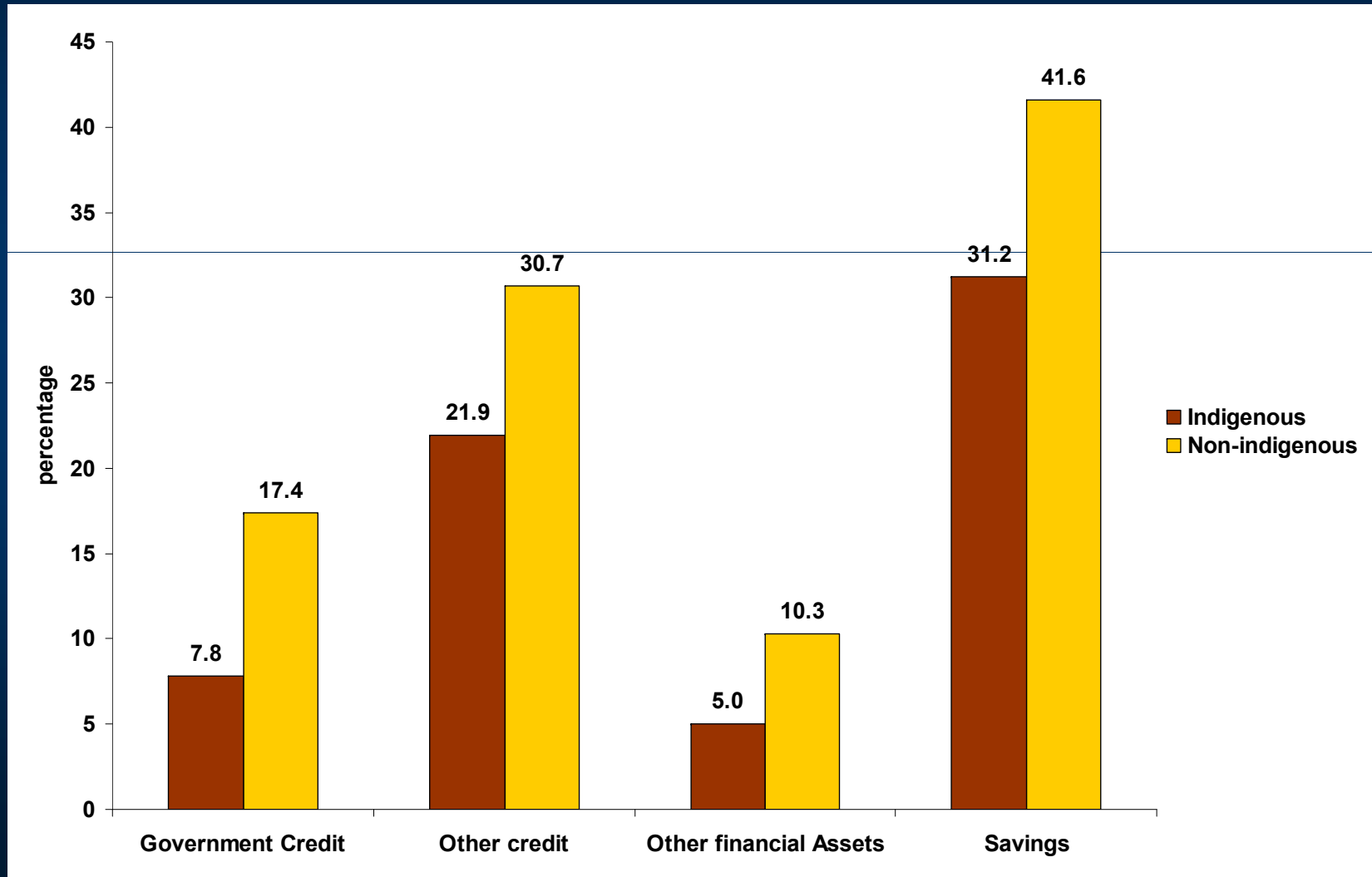


- Among the extreme poor, more indigenous farm communal land (70%) than non-indigenous (51%)
- Land usage is more intense among the non-indigenous extreme poor

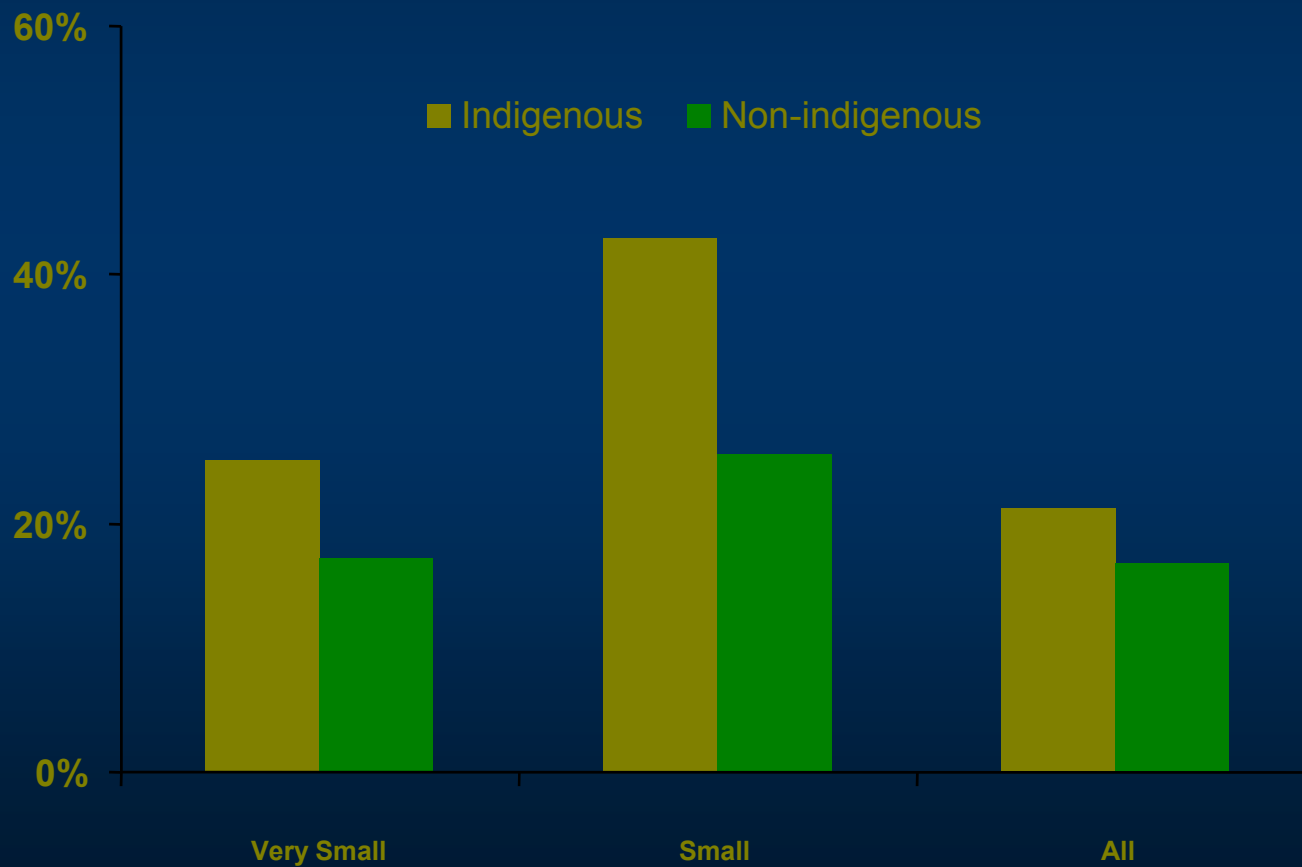
Assets- Distribution and Returns

⌘ **ACCESS TO FINANCE**: Only a small fraction of indigenous households have access to formal (or informal) credit, while the non-indigenous have 2-3 times more access to credit.

Access to Credit-Mexico



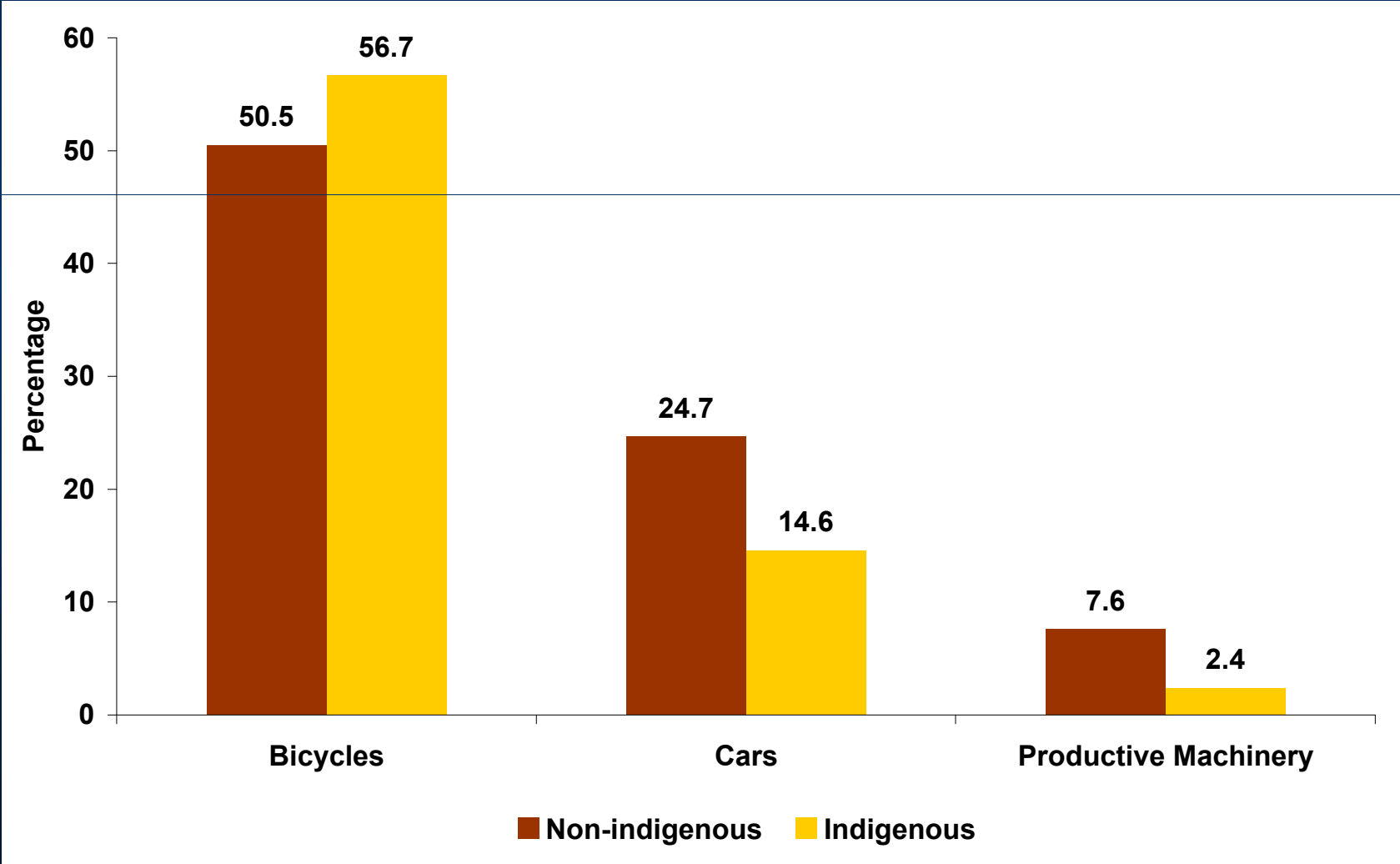
Interests Rates of Formal Business Credit, Rural Areas



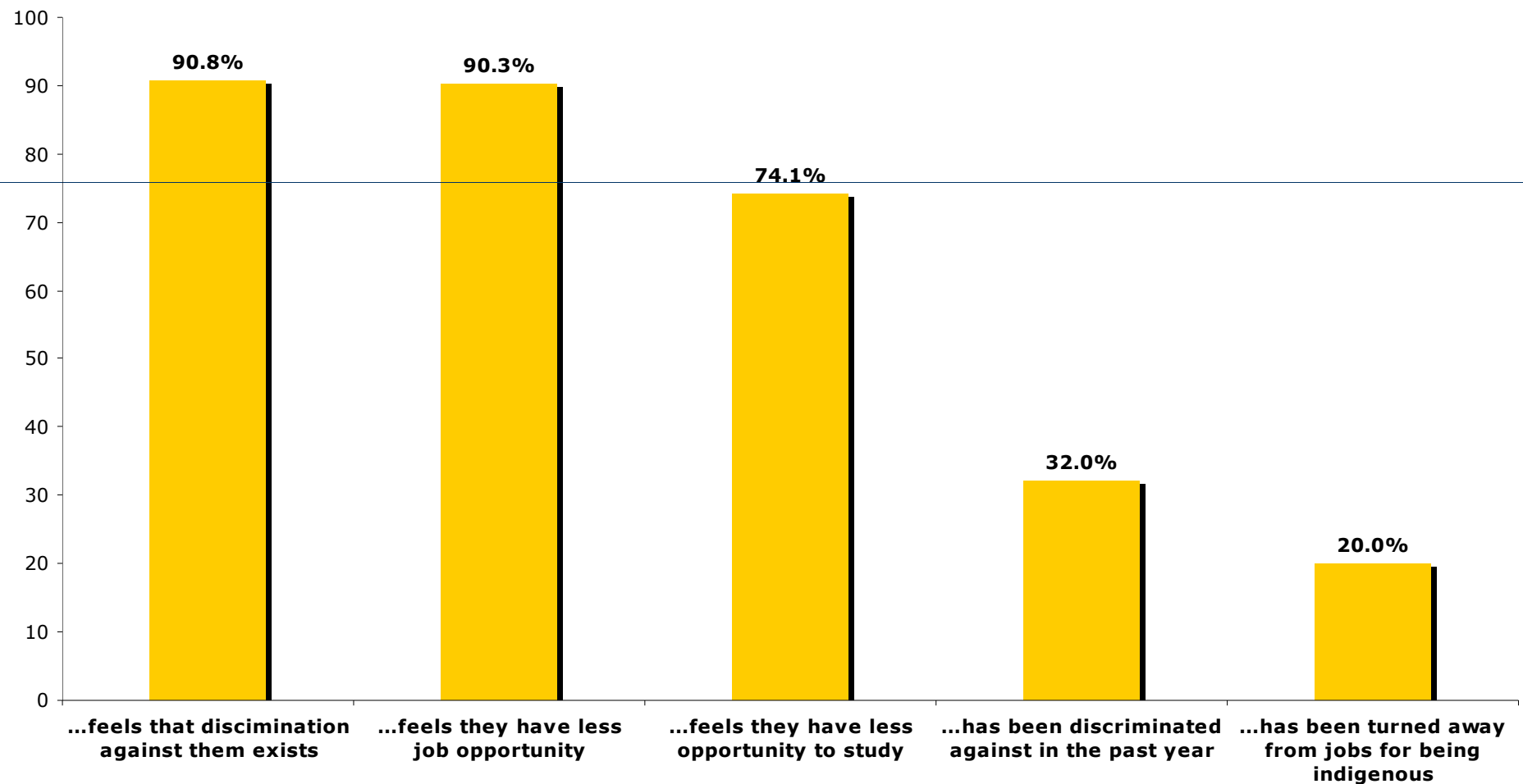
Assets- Distribution and Returns

- ⌘ Low assets hinder indigenous peoples' ability to engage in income-generating activities
- ⌘ Having fewer assets also lowers the return the indigenous receive from economic activity.
 - ☒ Mexico quality of education and labor market discrimination affect returns to schooling, while the lack of complementary assets, such as education, affects the returns to land.
 - ☒ Ecuador: lack of entrepreneurial skills among indigenous peoples is attributed jointly to lack of human capital and limited access to credit.
 - ☒ Low education levels translate into low-paying jobs and low income, resulting in poor health and reduced schooling of future generations.

Access to Productive Assets-Mexico



Mexico: The percentage of indigenous people surveyed that



Differences in Entrepreneurial Activity-Ecuador

- ⌘ In rural areas, only between 2 and 4 percent of small to medium-sized indigenous businesses/farms have access to formal credit
- ⌘ Credit seems is less linked to size for non-indigenous businesses where between 9 to 15 percent has access to credit, irrespective of size

Access to Credit of Rural Households						
Indigenous	Very Small Less than 5	Small 5 to 10	Medium 10 to 25	Large 25 to 50	Large More than 50	All Sizes
HHs with formal credit	2.3%	3.6%	2.7%	8.7%	17.7%	6.0%
HHs that rely on informal credit	16.8%	25.5%	73.7%	23.5%	10.3%	29.9%
Non Indigenous						
HHs with formal credit	14.1%	10.6%	9.3%	13.8%	14.7%	12.6%
HHs that rely on informal credit	58.8%	58.3%	84.6%	78.0%	61.0%	67.3%

- In urban areas, indigenous entrepreneurs have less schooling (2.7 years) than non-indigenous peers (5.5 years of schooling)
- Also, the average number of family members involved in entrepreneurial activities is higher among the indigenous

Assets- Distribution and Returns

- ⌘ There is a need for complementary interventions to allow indigenous peoples to increase their return on investment in productive assets.
- ⌘ Low assets also hinder the capacity to insure against shocks, thus increasing vulnerability. This is especially true when coupled with missing credit and insurance markets

Infrastructure and Basic Services

- ⌘ Access to infrastructure (roads, irrigation) and basic services (running water, electricity) are an important complement to assets. Help increase productivity and diversification of income activities.
- ⌘ The extent to which indigenous communities can have better access to infrastructure and basic services is affected by location factors.

Public Interventions and Indigenous Welfare

- ⌘ public spending on indigenous peoples increased over the last decade (Hall and Patrinos 2006).
- ⌘ Few programs are targeted specifically at the indigenous populations, and few are shown to benefit indigenous peoples through rigorous impact evaluations.

Public Interventions and Indigenous Welfare

⌘ Exception: Mexico's *Oportunidades*. Thus, a large and generalized targeted program contributes to poverty alleviation, long term human capital attainment, and short-term increases in income-generating activities, thus giving all poor beneficiaries, including the indigenous, access to basic services, markets and productive infrastructure.

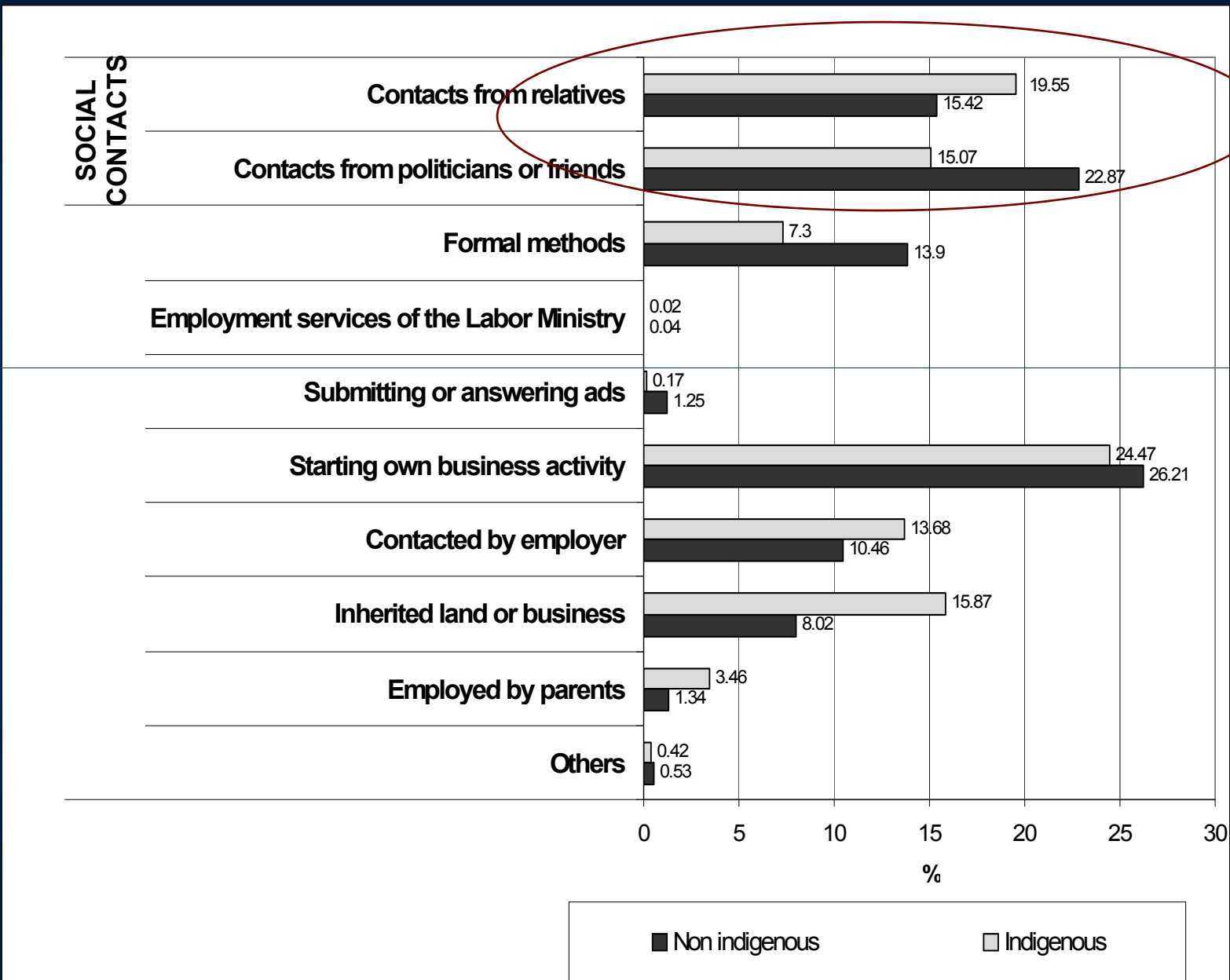
Social Networks-1

- ⌘ Study provides some of the first empirical evidence on **the potential role of network effects among indigenous peoples.**
- ⌘ The estimates from Mexico, Guatemala, and Ecuador reveal that social network effects differ depending on gender, area of residence (rural versus urban) and sector of employment.

Social Networks in the labor market Guatemala

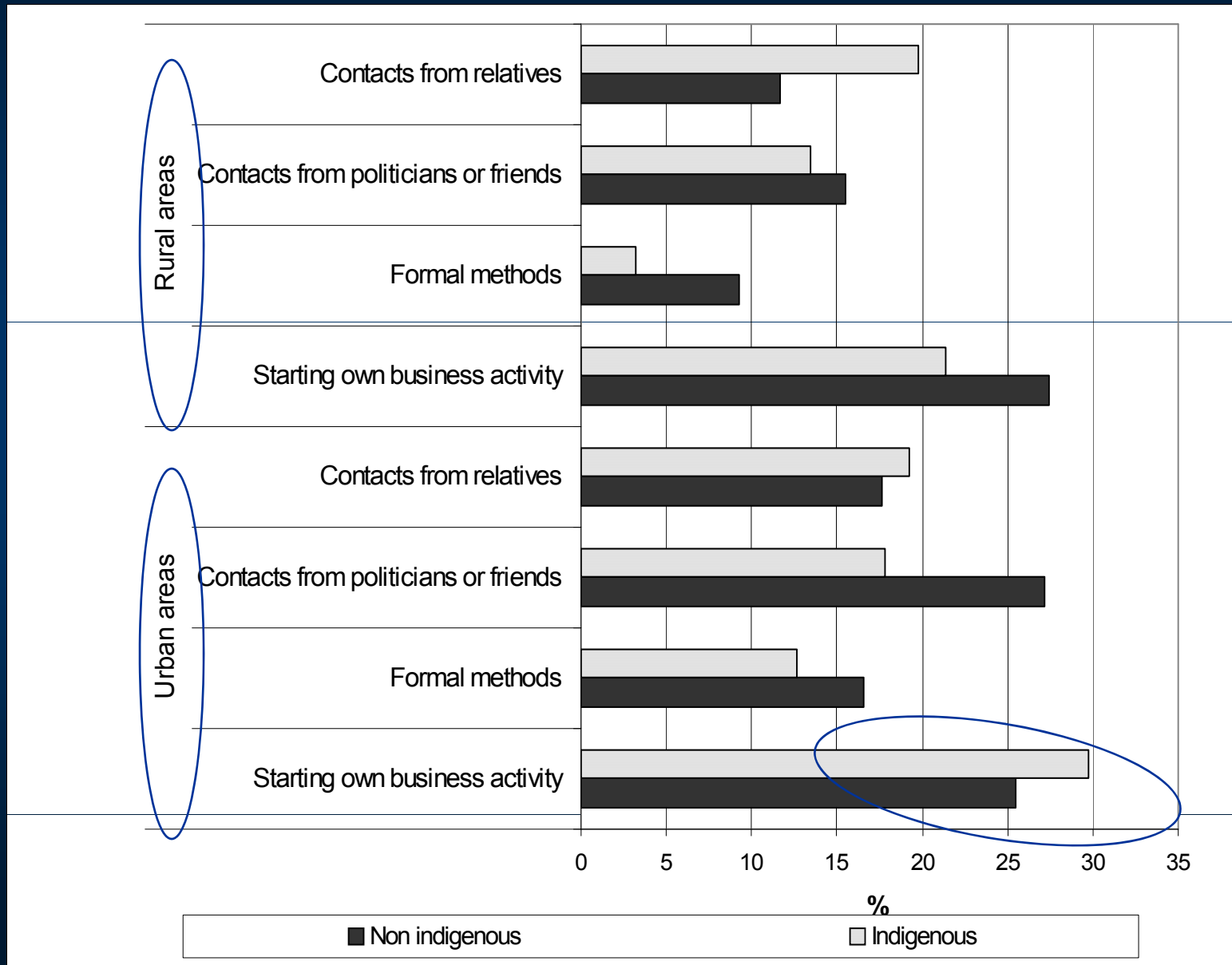
- ⌘ Rural areas: indigenous peoples are 14 percent more likely to find a job through social contacts than the non-indigenous.
- ⌘ Urban areas: social networks among the indigenous are limited. Indigenous peoples are more likely to find a job through formal methods (instead of social contacts)
- ⌘ Thus, there is room for programs helping the indigenous find jobs in urban areas.

How do Guatemalans find employment opportunities?



Different Job finding methods in rural and urban areas of Guatemala

Formal methods and contacts from friends are more typical in urban areas



Social Networks-2

- ⌘ Bonding Social Capital strong
- ⌘ Bridging Social capital weak
- ⌘ Migration changing the nature of social capital from bonding to bridging

- ⌘ Evidence of **complementarities between social networks and access to public services**, at least in the handicraft sector.
 - ⊞ rural Ecuador: access to basic infrastructure strengthens the effect of SN in the decision to migrate, work in wage employment, and work in entrepreneurial activities

Policy Options & Research Priorities-1

- ⌘ Well-designed multi-sectoral development programs (infrastructure, access to credit, land, health, education and nutrition) that generate positive synergies among the different types of interventions
- ⌘ Targeted, conditional cash transfer (CCT) programs that emphasize complementarities and synergies in investing in health, education and nutrition can potentially also generate savings and investments in spite of the absence of credit and financial services in indigenous areas.

Policy Options & Research Priorities-2

- ⌘ Steering the power of social networks of the indigenous in new directions.
 - ☒ Pilot programs providing new role models for children, or examples of a few success cases adopting new production practices, accessing modern health services, cultivating new crops (such as non-traditional agricultural exports) are likely to have large positive multiplier effects through social networks and thus help equalize opportunities for indigenous peoples.
- ⌘ interventions aimed at increasing social capital and agency in indigenous communities
- ⌘ interventions targeted to indigenous communities that improve access to basic service needs.

Policy Options & Research Priorities-3

- ⌘ More information about what works and what does not work.
 - ☑ essential to adopt **results-based monitoring and evaluation systems** accompanied by qualitative and quantitative **impact evaluations** that allow policy analysts to determine reliably which interventions have the highest and most cost-effective impact on the welfare of indigenous households.
- ⌘ Indigenous peoples could argue for a linking – formal or otherwise – of the indigenous decade with the MDGs
- ⌘ indigenous peoples could leverage this increased attention to indigenous peoples to argue for **results**.
 - ☑ Emphasis on outcomes (e.g. reductions in illness rates or increases in school completion) rather than just inputs or spending.

Thank you