

## Chapter 6

# Implementation of Information and Communications Technologies for Financial Inclusion in Programs to Alleviate Poverty in Brazil, Colombia and Mexico

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### **ABSTRACT**

*Implementation of ICT in policies targeted to alleviate poverty, specifically in conditional transfer programs (CTP), offers two opportunities. On one side, it contributes to improve delivery efficiency to beneficiaries, diminishing transfer costs with better control over beneficiaries' registry. On the other side, ICT incorporation on CTP helps to reduce costs of receiving funds and, from a broader scope, it contributes to social and digital inclusion of poor; this is especially relevant with the emergence of mobile banking.*

*Almost every country in Latin America employs CTP programs as a social policy. Approximately 100 million of people are beneficiaries of CTP in Latin America, which accounts for about half of the people living in poverty in the region. Hence, improving administration of this kind of policy implies for the Latin-American countries, not only savings based on efficiency, but the opportunity of broaden the benefits.*

*The main objective of this chapter is to analyze innovative ICT implementation on CTP in three countries in the region: Bolsa Familia (Brazil), Oportunidades (Mexico) and Familias en Acción (Colombia). These three countries are implementing pilot programs that include ITC. These experiences may important insights for future successful implementation of ICT for CTP in other countries.*

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## **1. INTRODUCTION**

Information and communications technologies (ICTs) have become a strategic focus in countries' development plans. Ensuring that the majority of the population has access to ICT services has become a fundamental public policy objective for both economic and social reasons. In terms of the economy, various studies document how ICTs increase productivity and contribute to economic growth by making the adoption of more efficient business processes possible and maximizing the effective use of resources (Katz, 2009; Qiang & Rossotto, 2009; Karner & Onyeji, 2007). They also contribute to speeding up innovation through the introduction of new applications and services (such as new varieties of commerce and financial intermediation).

In terms of social impact, various studies have identified the positive effect of the adoption of mobile telephony by the poorest sections of the population (Horst & Miller, 2005; Bar et al., 2007; Ling, 2008). The poorest sections of the population generally operate within the informal sector and survive with high transaction costs. There is also a growing literature documenting the role of ICTs as tools with productive uses, for finding employment, strengthening small businesses and contributing to the integration of the inhabitants of remote areas (Waverman et al., 2001; Galperin, 2005; DIRSI, 2007; LIRNE, 2006; Jackson, 2008).

This chapter analyzes three cases where e-government solutions have been implemented to strengthen programs designed to alleviate poverty. Additionally, these solutions aim to endow beneficiaries with additional capacities through financial inclusion and technology adoption. Even if it is still early to draw conclusions, the paper offers an exploration and an analysis of the key elements to provide the reader with valuable lessons regarding opportunity areas for e-government implementation in poverty alleviation programs. The studied cases reveal critical strategies for successful administration of similar interventions.

Common to the cases studied in this work is the two-fold benefit from using ICT's. The main objective is to make poverty alleviation policies more efficient and effective through the implementation of ICT's. In addition, considering that one of the characteristics of the conditional transfer programs (CTP's) lies in its capacity to incorporate financial inclusion strategies in daily processes, ICT's can also be used as a tool to promote financial inclusion through CTP's natural functions, as an additional objective. A distinction must be made on the fact that ICT implementation for CTP's does not serve as a public policy and that the beneficiaries technological adoption due to the programs payoffs is a consequential benefit of the financial inclusion strategies and not an established goal itself.

CTP's can benefit by reducing its operation costs and increasing its effectiveness in selecting beneficiaries, reinforcing government's current operative challenges of improving public policy performance. However, beyond the benefits derived from ICT to improve government functions and program efficiency and effectiveness standards through e-management (Galindo, 2002; Gil-García & Luna Reyes, 2006), ICT's can be used as tools that reinforce policies that help reduce the challenges facing disadvantaged segments in Latin American in terms of poverty alleviation and social exclusion. According to Amartya Sen (1999), escaping poverty is a matter of building capabilities. Poverty is a limited assets trap (education, capital, information and health); if these are available, they generate increased assets. The poor are faced with numerous obstacles in their daily lives and they require access not only to resources but to information, knowledge and skills. The creation and accumulation of specific assets is a direct means of generating capabilities.

A crucial variable for asset creation is the opportunity to create savings, because it makes it possible to transform financial assets into productive assets, which facilitate self-development. In other words, savings are an essential foundation of

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