Helping the poorest of the poor has never been easy. Although governments and nongovernmental organizations have taken significant steps to make basic social services available in poor regions, they fail to reach many needy families. Demand side factors—including high out-of-pocket expenditures on school uniforms, materials, transportation, etc; families’ need for children to contribute to their income; and various behavioral and historic barriers—keep many poor people from using services even when they are available. A new type of social assistance program seeks to boost demand. Conditional cash transfer (CCT) programs give families cash to pay for basic health and school expenses—if children attend school and regularly visit health clinics. CCTs have two main objectives: to increase income and alleviate poverty in the short term, and to break the inter-generational cycle of poverty by increasing human capital. Various situations have led to their creation in different countries.

The World Bank (WB) supports CCTs in Latin America, Eastern Europe, the Middle East and Far East. In 2002, the Bank’s Latin American and Caribbean Region and the Mexican government sponsored the first regional workshop on experiences with CCTs. This article summarizes the lessons of experience in designing and operating CCTs shared by officials, donors and academics at the workshop.

The Pioneers: Mexico and Brazil

Following the experience of Honduras’ Programa de Asignación Familiar (PRAF), Mexico was one of the first governments to introduce a conditional cash transfer program. PROGRESA, the Programa de Educación, Salud y Alimentación (Education, Health and Nutrition Program) was launched in 1997 and recently renamed Oportunidades. It offers health and education grants to families on condition that their children under age six visit health facilities regularly and those 6–17 remain in school, attending regularly. The program replaced general food subsidies, and is fully financed by the national government. Combining geographical and household targeting, it has become the largest conditional cash transfer program in Latin America, serving more than 3.5 million families, and is now being expanded to urban areas and older children. Brazil followed in the late 1990s with the Programa Nacional de Bolsa Escola and Programa de Erradicacao do Trabalho Infantil (PETI) which seek to reduce poverty, increase educational attainment, and decrease the incidence of child labor. The Bolsa Escola Program is financed at the municipal level and operates in metropolitan areas of Brazil. PETI covers children aged 7–14 in rural areas, and in 2003 plans to expand to urban areas and target children involved in prostitution, drugs, and other harmful activities. The new government under President Lula is now in the process of integrating several CCT programs into a single, improved conditional cash transfer program called “Bolsa Familia”.

Conditional Cash Transfers and Social Safety Net Reform

Jamaica introduced a conditional cash transfer program in 2001 as the centerpiece of a broader effort to reform a social
safety net characterized by duplication of programs, deficient targeting, and poor coordination among social ministries and agencies. Three parallel transfer programs, each with different rules and selection criteria, were consolidated into a CCT program called “Program for Advancement Through Health and Education (PATH)”. PATH provides benefits to children, pregnant mothers, and disabled, elderly and indigent poor, conditioned on school attendance by children ages 6-17 and regular health clinic visits by others. With PATH, the Jamaican government introduced a universal Beneficiary Identification System, a proxy household means test and it is envisioned that other safety net programs—including school feeding, school fee assistance, health programs—also will use the system in the short and medium run. The WB helped facilitate a consensus on the reforms, supported design of the CCT program including its targeting mechanism, and helps finance benefits and technical assistance.

Conditional Cash Transfers as Emergency Response

Colombia and Turkey introduced CCT programs in 2000 to respond quickly to emergencies. Short-term poverty alleviation was as important as long-term human capital development. Turkey made one-time cash payments to victims of the 2001 earthquake, and is setting up a long-term CCT program building on the earthquake experience. Colombia’s program is part of a package of safety net investments that, with a workfare as well as a youth training program, constitute Colombia’s main social sector response to the economic crisis. The package is supported primarily through WB and Inter-American Development Bank (IDB) financing, and adds 0.3 percent of GDP (approximately $250–300 million a year) to current public social expenditures through 2004. This is a first step in developing a counter-cyclical social protection program that can be implemented in times of crisis.

In Nicaragua and Honduras, CCT programs were designed primarily to address long-term human capital development. In parts of each country, as many as 50 percent of children never enroll in school or drop out during early years of primary school. The Nicaraguan program “Red de Proteccion Social” not only provides conditional cash benefits to families but, because of supply constraints, also contracts private health providers to offer health care services in remote areas. The WB co-finances part of this program, developing a quick response mechanism for short term economic crises.

Some Pros and Cons of CCTs

Conditional cash transfers improve efficiency and effectiveness of safety nets in several ways:

- A single instrument achieves multiple objectives relating to health, nutrition, and education.
- Proxy means testing and geographical targeting achieve better results than general subsidies, household targeting allows programs to reach the poorest of the poor.
- CCTs can be made transparent (who receives which payment).
- They can be quick crisis response mechanisms because governments can vary benefit levels and beneficiary numbers as conditions change.
- Cash benefits have much lower transaction costs than in-kind benefits.
- They empower families, especially women, allowing them to choose how and when to use the benefit.
- They have achieved significant, measurable impacts on beneficiaries’ welfare, notably in health, education and nutrition.

However, questions regarding the effects and effectiveness of conditional cash transfers remain:

- How can targeting be designed to be sufficiently flexible and resistant to outside influence?
- Should all transfers be conditional—for instance, by earmarking them for disabled people?
- Should demand side interventions wait until the supply is fully adequate? Do transfers have undesirable effects on people’s decisions to seek work, or provide incentives to have more children?

Some issues need more research and others need to be addressed in specific country contexts.

Lessons Learned: CCTs can be complex to design and operate.

All CCT programs target beneficiaries using geographic and/or household criteria. Household targeting requires a proxy means test based on a scoring formula to identify eligible families. Achieving consensus among decision makers on the indicators to be included in the scoring formula can be a technical and political challenge. Countries with large differences between rich and poor are better served by proxy means testing, while geographic targeting may be more efficient for largely homogenous populations.

The benefit amount depends on several factors: the out-of-pocket cost of children’s schooling and regular health visits; the opportunity cost of sending children to school rather than having them work and of parents’ time to take their children to health facilities; a country’s ability or willingness to finance a
program; and the overall cost of living. Benefits should not be less than one third of the poverty line. If the benefit is too low, the program is likely to fail to keep children in school and healthy. If it is too high, an opportunity is lost to reach out to more families.

Once people are identified as eligible, they must register for the program. This is usually done through the local offices of the agencies that run the program. Beneficiaries must present identification, and receive information and training about the programs, including the conditions for participating. Once they have successfully registered, they can start receiving payments. Their compliance with conditions must be monitored regularly. Beneficiaries who do not comply need to be suspended or dropped from the programs. There should be an appeals mechanism; normally, operating through local or municipal level committees with some civil society representation.

Payments are made to the head of the household, usually the mother, every two months, through the banking or postal system or through other arrangements. A reliable and timely flow of funds is crucial to provide payments as soon as the conditions have been met. It is not always easy to find an efficient, quick, transparent, easily accessible pay agency that charges a reasonable price for its services. Many CCT programs have decided to test prospective pay agencies before making long-term commitments.

Paying benefits directly to mothers or assigned caregivers has proven highly effective in ensuring that beneficiaries comply with program conditions. Some countries also recruit mothers to help other beneficiaries, follow-up families that are not complying, and provide feedback to program managers on program bottlenecks and difficulties. This has had the very positive side effect of empowering people and building social capital.

Cross-sector collaboration is crucial, especially between the implementing agency and health and education ministries. In most cases, these ministries provide the necessary services, and their role in certifying compliance with conditions is a key element of any CCT program. Communication among them has been a challenge in some countries. Health and education ministries should be actively brought into the programs from the start. Mexico decided to provide some of the resources for PROGRESA and Oportunidades through the line ministries to ensure their sense of ownership and participation.

Headquarters staff need to know their new tasks. Field staff members need to know the entire program cycle, and usually need training in community organization and client-relation skills. Mothers or primary caregivers need to be aware of their responsibilities (CCT programs often require mothers to attend courses on nutrition, hygiene and reproductive health as part of the conditions for receiving benefits). Mothers also need to know how to collect benefits and what to do if problems arise. Staff from health and education ministries and facilities need information on the program’s basic features and their obligations to provide beneficiaries and implementing agencies with information about school attendance and health clinic visits.

The public needs accurate information about program goals, target groups, and functioning. It is important to develop adequate instruments to attract the targeted beneficiaries and reinforce participants’ understanding of the program and their obligations. A well-designed information campaign also can help generate political support for the program or for other enhancements to the country’s social safety net.

A reliable and updated management information system is essential since data on beneficiaries, payments, and compliance must be processed each month. Program managers must be able to respond quickly to inconsistencies and flaws in a program. New technologies, like electronic fingerprints and digital photos to register beneficiaries, can fill gaps in national record systems.

Monitoring and evaluation systems should be included in CCT program design. These should enable timely operational adjustments and program improvements to be made.

An advantage of CCTs has been that they are highly transparent since data on the exact number of beneficiaries, regional distribution, and compliance records are always readily available. Most programs have been able to establish baseline surveys before becoming fully operational so that they can measure outcomes and impacts.2

The combination of conceptual simplicity and operational complexity suggest two other important points. First, the political will to establish a CCT program is fundamental. Prior to implementation, a consensus should be reached among stakeholders on three key issues: the target group and targeting mechanism, the benefit amount, and the extent of cross-sector collaboration. Second, governments and donors must recognize that CCTs are not just another program to be added to existing social safety net programs. Because of their multisectoral approach, they should be part of a broader social safety net reform that rationalizes and links programs in a coherent way.

These lessons suggest that countries adopting CCTs should
start with a pilot phase to experiment with key features like targeting formulas and benefit amounts, to practice cross-sector collaboration, and to adjust the program cycle to specific country needs. Sponsors need to recognize the need for careful planning. All major program elements should be included from the start, from the pilot phase to monitoring and evaluation systems. Considering the proven value of CCTs that are well planned and executed, careful investments in the initial planning and pilot stages will pay off later.

About the Author

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Notes


Recent World Bank Publications on CCTS

Evaluating the Impact of CCT Programs: Lessons from Latin America

Laura B. Rawlings and Gloria M. Rubio. (June 2003)

The conference proceedings from the May 2002 Puebla workshop “Conditional Cash Transfer Programs (CCTs): Operational Experiences,” covers implementation issues. The objective of the workshop, the first to focus exclusively on operational and implementation issues related to CCTs, was to provide a forum so that executing agencies or units of different CCT’s could share their experiences—both successes and challenges—so that they could learn from one other with the final goal of improving the operation of their programs. The workshop participants included program officials from eight countries in which CCTs, financed by local governments and/or the World Bank and the IDB, are currently operating—these include Mexico, Brazil, Colombia, Costa Rica, Honduras, Jamaica, Nicaragua, and Turkey.

Targeted Transfers in Poor Countries: Revisiting The Trade-Offs And Policy Options

Martin Ravallion (June 2003)

This paper revisits the role of targeted transfers in poor countries in the light of the new theories on the social costs of uninsured risks and unmitigated inequalities. Recognizing that the policy implications depend crucially on whether there is good empirical evidence to support the theoretical arguments, the paper begins with a discussion of the evidence. The paper then takes up a key question for policy: Can the potential for efficient redistribution be realized in practice using targeted transfers, given the constraints faced in poor countries?

Conditional Cash Transfers, Schooling and Child Labor: Micro-Simulating Bolsa Escola

Francois Bourguignon, Francisco H.G. Ferreira and Phillipe G. Leite (May 2003)

Cash transfers targeted to poor people, but conditional on some behavior on their part, such as school attendance or regular visits to health care facilities, are being adopted in a growing number of developing countries. Even where ex-post impact evaluations have been conducted, a number of policy-relevant counterfactual questions have remained unanswered. These are questions about the potential impact of changes in program design, such as benefit levels or the choice of the means-test, on both the current welfare and the behavioral response of household members. This paper proposes a method to simulate the effects of those alternative program designs on welfare and behavior, based on microeconometrically estimated models of household behavior. In an application to Brazil’s recently introduced federal Bolsa Escola program, we find a surprisingly strong effect of the conditionality on school attendance, but a muted impact of the transfers on the reduction of current poverty and inequality levels.

Limiting Child Labor Through Behavior-Based Income Transfers: An Experimental Evaluation of the PETI Program in Rural Brazil

Yoon-Tien Yapa, Guilherme Sedlacek, and Peter F. Orazem

This paper analyzes the effects of the program known as the Programa de Erradicacao do Trabalho Infantil (PETI) which was implemented in poor rural states of Northeast Brazil. The PETI provided income transfers to poor households in exchange for an agreement that the child would attend school at least 80% of the time. In addition, the child had to attend an afterschool program that effectively doubled the length of the school day. Using data on children in PETI municipalities and children in a matched set of control municipalities, this study derives estimates of the program’s impact on child schooling, labor supply, academic performance and hazardous work. The program increased time in school, reduced labor force participation and hazardous work, and increased academic success for children in the program.

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