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VOICE AND ACCOUNTABILITY IN TRANSFER PROGRAMS IN LATIN AMERICA AND THE CARIBBEAN

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Background

A two-day workshop, organized by the World Banks Poverty Reduction and Economic Management (PREM) and Human Development (HD) departments, was held in June 2005 in the Dominican Republic with the objective to explore whether voice and accountability can improve the effectiveness of Conditional Transfer Programs. Participants included government and civil society representatives from ten countries in the region, as well as World Bank staff.

In recent years, many countries in Latin America and the Caribbean region (LAC) have begun reforming their transfer systems to make them more effective, inclusive and less burdensome. The central idea of Transfer Programs (TPs) is to condition monetary payments to the poor for investment in human capital by its beneficiaries. Some programs, such as the Mexican *Oportunidades* Program, target individuals or households, and imply giving cash to poor parents under the condition that they send their children to school and for health visits. Other TPs, such as the Brazil Community Driven Development (CDD) project, target communities through the transfer of funds for approved community investments directly to the bank account of the respective associations.

Initial evaluations suggest that TPs can be an effective and feasible instrument in both reducing current poverty, as well as improving the future of children and communities through increased investment in human capital. However, these same evaluations suggest that TPs are costly and, though "well-targeted", the targeting mechanisms themselves can cause tensions within communities. There is a strong hypothesis that improved accountability through increased transparency and monitoring mechanisms by citizens might provide better targeting and make TPs more effective in the long run by offering feedback to service providers of potential obstacles and long-term benefits, beyond the immediate and obvious benefits that these programs have on human development indicators.

Accountability in Transfer Programs

A conceptual framework for accountability in transfer programs, developed by Alain de Janvry from the University of California at Berkeley, was presented at the workshop (See Figure 1). The main features include:

(i) **Main actors of the accountability framework:** government, service providers (central government, municipalities, or contracted NGO), and beneficiaries of programs.

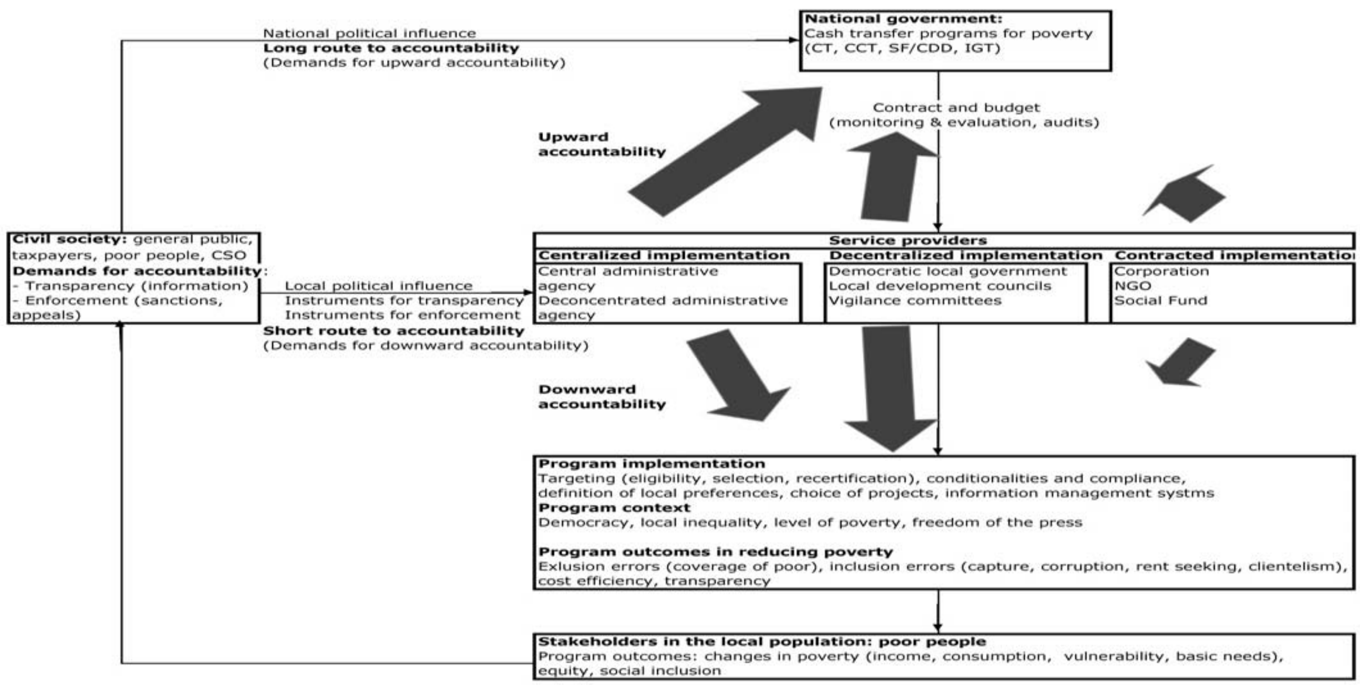
(ii) **Objectives of accountability:** To assure that cash transfer programs are used for poverty reduction in the short and long run; to avoid exclusion errors (people that qualify who are not covered by program) and inclusion errors (elite capture, corruption, rent-seeking, clientelism).

(iii) **Types of accountability:** Upstream accountability of service providers towards the central government; downstream accountability of service providers towards beneficiaries and potential beneficiaries.

(iv) **Requirements for accountability:** Transparency (updated information on program criteria, implementation arrangement, and beneficiaries should be made accessible to the central government and interested parties); enforcement (appeals systems and sanctions for non-compliance or poor performance)

(v) **Channels to exercise accountability:** Referring to the *World Development Report 2004*, de Janvry presented the "long-route" of accountability and the "short route" of accountability. Via the long route, accountability can be exercised through local or national elections of politicians who define budget allocations, tax collection and

Figure 1: Voice and accountability in cash transfer programs for poverty reduction



redistribution systems. Through the "short route," citizens demand accountability from service providers in terms of implementation, targeting and performance of programs.

The workshop results

The two-day program was designed around three dimensions: (i) the share of social expenditure in public spending in LAC, (ii) the structure and quality of social expenditures, and (iii) the design of transfer programs, especially the evaluation and accountability mechanisms, which were explored in plenary sessions and case studies from Mexico, Ecuador, Brazil and Argentina.

1. Public social expenditure as a share of total public expenditure in LAC

The workshop opened with a presentation of the results of a research program analyzing the effectiveness of public transfer programs in Latin America[1]. In LAC, social expenditures, as a share of GDP, rose from 8 percent (1970) to 13 percent (2002), with variations from below 2 percent (Nicaragua) to over 20 percent (Uruguay). This represents 40 percent (1970) as opposed to 48 percent (2002) of total public expenditure. The increase in expenditure for social security has been mainly explained by the increase of expenditures for pensions from 2 percent of GDP (1970) to 5.5 percent of GDP (2002), which has primarily benefited the richer 20 percent of the population. This, in addition to the fact that transfer programs have been counter –cyclical, and thus have been cut in times of economic crises, represents a double burden on the poorest two quintiles of the population, who are most affected by economic shocks.

Presented with these facts, participants discussed various possibilities for LAC countries to improve quantity and quality of social spending:

- Improve tax collection to make the total envelope for social spending larger: improving transparency around the revenue process and *black listing* tax evaders can help to improve the collection process.
- Enhance transparency and accountability: there is evidence that countries with good governance and accountability and low levels of corruption spend more on social policy.
- Improve quality of social spending: governments can, on the one hand, improve targeting of transfer programs and, on the other, restructure social spending in order to provide universal rights granted by constitutions.
- Make social programs, including social assistance, pro-cyclical: the creation of stabilization funds help poor households to better absorb adverse economic shocks, but are often difficult to finance.

2. Structure of social expenditures: Social Security vs. Social Assistance

In a second step, participants were introduced to the main types of social programs. Transfer programs are divided into: (i) social security that includes risk pooling in the form of contributions and are linked to the formal labor market (pensions, insurances), and (ii) social assistance, including conditional transfer programs, school feeding programs and others. Whereas evidence derived from the above mentioned study suggests that redistribution through social security is regressive, targeting of social assistance programs is progressive and tends to reduce inequality. In addition, as opposed to pensions or insurances, cash transfer programs are pro-cyclical and their coverage is high. However, monthly per capita amounts received through most cash transfer programs are relatively low (between USD 7 and USD 36) and thus have a limited impact on poverty.

LAC countries with high social spending (~13.1 percent of GDP) tend to spend more on social security (10.8 percent of GDP) than on social assistance (2.3 percent of GDP). LAC countries with low social expenditures (~1.6 percent of GDP) spend a larger share on social assistance (1.2 percent of GDP), and a smaller share on social security (0.4 percent of GDP). In countries with high social spending, social security tends to reduce poverty, but not inequality.

In light of these facts, the following recommendations and comments emerged:

- Social assistance programs have an impact on poverty in the long run when they contribute to the creation of human capital.
- Reducing social policy to compensatory, palliative measures should be avoided and transfer programs should become a permanent rather than a temporary feature of social policy. In addition and in order to be sustainable, transfer programs should be complemented by sound exit strategies, e.g. through linkages to employment generation programs.
- Shifting from social security to social assistance or within social assistance programs with different target beneficiaries has implications for the political economy, since strong interest groups exist around traditional social security mechanisms. In addition, possibilities to increase tax income and restructuring within social spending are often limited. The political attitudes about redistribution and equality of opportunity versus equality of outcomes vary among countries leading to a different set of program options likely to be politically sustainable.
- Social security is an important instrument for redistribution and equality in a society and the question is whether they should or could be replaced by transfer programs that target different groups. Reducing pension payments, for example, could mean that more people fall into poverty.
- The informal sector, the poor and needy, are often not covered, either by social security or transfer programs. Programs should consider how to include them.

3. Social Accountability in Transfer Programs

Based on the hypothesis that the quality and quantity of social spending, and transfer programs in particular, could be improved, the question of *if* and *how* social accountability might have a positive impact on improved redistribution through transfer programs was at the centerpiece of the conference. The prerequisites for social accountability mechanisms, such as the costs and the need for organizational capacity of beneficiaries, were discussed. However, presenters confirmed that social accountability has a proven positive impact on poverty reduction, but that few studies measuring the impact of social accountability on redistribution and equality exist. There is a need, thus, for further evaluation of these mechanisms.

Lessons Learned

In plenary sessions and working groups discussing the four case studies presented at the event (Mexicos *Oportunidades*, Ecuadors *Bono de Desarrollo Humano*, Brazils Community Driven Development Project (CDD), and Argentinas *Jefes y Jefas del Hogar)*, participants elaborated the following recommendations that should be taken into account when designing transfer programs:

Targeting

- Apply clear, transparent targeting rules as opposed to secret proxy-mean formulas, as in *Oportunidades*. Secret formulas limit stakeholders right of appeal, third party verification and create inter-personal tensions in communities.
- Locate sites for interviews for information collection in schools or health centers, away from the Mayors office (to decrease clientelism and patronage) and away from the home (to allow for witnesses).
- Consider using qualitative information to make targeting formulas fit local realities. This could be done by having a central formula that provides allocations to regions or states, and thus, ensure equity. But in addition, authorities could use qualitative information to make sure that the centrally run program fits local realities. This is particularly important for programs that are urban and rural, and include indigenous and non-indigenous groups as beneficiaries.
- Allow for verification of self-reported income information. This is easier when the identification of eligible beneficiaries is decentralized.
- Define successful targeting not only by reaching intended beneficiaries, but also by achieving acceptance and comprehension of program goals among the general population. This is key for the sustainability and ownership of the program, and affects the underlying program design.

Information and Oversight

- Provide clear information to providers and beneficiaries about program rules. For many transfer programs, there exists confusion about who/how beneficiaries are selected.
- Post lists of beneficiaries in public places, if there are no confidentiality constraints, providing households with benchmark comparisons in claiming their rights.
- Use civil society organizations (CSOs) to facilitate the flow of information, as they have the advantage of access to local information. CSOs can use this information to inform and educate providers and government officials about how to better manage programs and to expose deviations from norms and corruption.
- Provide access to citizen oversight committees to relevant and timely information (beneficiary lists, selection criteria, compliance with conditions by beneficiaries, etc.).

- Revise incentive systems for public functionaries to provide better information and responsiveness to users.
- Complement traditional quantitative evaluations with qualitative evaluations (such as the one carried out by the International Food Policy Research Institute-IFPRI around the *Oportunidades* program in Mexico). Qualitative information can provide important insights into the perceptions and behavior of beneficiaries, obstacles to effective implementation, the impact of the program on social relations, the effectiveness of the program in terms of the overall well-being (social capital) of the community. Since social capital is considered to be an important strategy for poverty reduction and inclusive development, impacts at the community level should also be considered during evaluations.
- With a central provider (as in *Oportunidades*), there is more downstream accountability, but possibly less upstream accountability, whereas a decentralized provider (Argentina *Jefes y Jefas*) provides the opportunity for more upstream accountability. In decentralized programs, it seems easier to achieve enforcement and transparency, whereas centralized programs might help to prevent clientelism and elite capture at the local level.
- Public perceptions about the purpose and usefulness of social programs influence whether they receive political support. Therefore, regular evaluations of programs, including qualitative methodologies to assess them along with effective communication programs, are important. Accountability mechanisms that facilitate continuous evaluation can be catalysts for improved public policies. Such mechanisms should be well linked to broader monitoring and tracking systems within the government.

Enforcement

- Provide appeals mechanisms. In Brazil, appeals can be directed to the federal government through telephone hotlines; the principal difficulty has been weak follow-up to these complaints. Appeals can also be directed to the local council, although the council then acts as judge and jury. Access to courts or conflict resolution mechanisms, like the ombudsman, are generally lacking.
- Give purchasing power to beneficiaries to help them hold local providers accountable. This includes use of development coupons and targeted vouchers with choice among competing providers.
- Require beneficiary endorsement before payment is made to providers. Report Cards can be used to evaluate providers as done with Ecuadors *Bono de Desarrollo Humano*.

Conclusion

Voice and accountability can strengthen sustainability of conditional transfer programs through improved oversight over program implementation as well as the use of funds and transparent targeting of beneficiaries. Also, accountability mechanisms for cash transfer programs, especially when linked to monitoring mechanisms and tracking systems within the State, can help to correct the design of cash transfer programs since providers are informed early on about potential obstacles in program implementation.

Notes

[1] Lindert, K.; Skoufias, E.; Shapiro, J. (2005): *How effectively do Public Transfers in Latin America Redistribute Income ?*. The World Bank, Washington D.C.
Photos taken from Mexico's *Oportunidades* program.

About the Authors

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