

Innovative Approaches to Poverty Reduction & Social Protection: Conditional Cash Transfers

14 July 2006

Marzia Mongiorgi, SANS

Karin Schelzig Bloom, SESS

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Outline of the Brownbag

1. An Overview of Conditional Cash Transfers (CCTs)
2. Case Study: Indonesia
3. Case Study: Nepal
4. Discussion: Should ADB get more involved, and if so, how?

1. An Overview of CCTs

- Conditional Cash Transfers (CCTs) are rapidly gaining in popularity as a key element of many countries' poverty reduction and social protection programs.
 - 1st International CCT Conference in Mexico (2002): 8 countries, 35 participants
 - 2nd International CCT Conference in Brazil (2004): 25 countries, 100 participants
 - 3rd International CCT Conference in Turkey (2006): 40 countries, 350 participants

What are CCTs?

- CCT programs provide money to poor families on the condition that they make investments in human capital (such as sending children to school or bringing them to health centers on a regular basis).
- CCTs are a demand-side intervention with the dual objective of reducing current poverty AND future poverty:
 - The cash transfer provides immediate assistance to poor families, helping them to smooth consumption.
 - The conditionalities promote longer term human capital investments to break the inter-generational transmission of poverty.

CCTs in Latin America

- First CCT program developed in Mexico nearly 10 years ago. Many more since then...
 - **Mexico:** Programa de Educación, Salud, y Alimentación (PROGRESA) (expanded and renamed Oportunidades in 2002)
 - **Columbia:** Familias en Acción
 - **Brazil:** Bolsa Familia (previously Bolsa Escola + Programa de Eradicacao do Trabalho Infantil + other smaller programs)
 - **Jamaica:** Program of Advancement through Health and Education (PATH)
 - **Ecuador:** Bono de Desarrollo Humano
 - **Nicaragua:** Red de Protección Social (RPS)
 - **Chile, Honduras, Bolivia, Costa Rica,** etc.
- Specific design features adapted to particular country needs and issues, but all programs based on the same premise of reducing current and future poverty and vulnerability.
- Most CCT programs are financed by the World Bank and IADB (often co-financed).

Conditionality

- **Transfers are traditionally tied to conditions in education and health/nutrition**
 - Most programs have two components but some address only the one.
 - The benefit levels vary substantially by country
 - Payments are usually made to mothers
- **Education:** Receipt of money contingent on enrollment PLUS regular attendance (e.g. 85% of school days)
 - Can be targeted at primary or secondary school children in countries with higher educational attainment (Mexico, Columbia, Jamaica).
 - Grants for secondary school often higher to reflect higher opportunity cost of staying in school as children grow older.
 - Ideally this is a variable benefit (depending on number of children).

Conditionalities

- **Health/nutrition:** Receipt of money conditional on certain number of health center visits (for immunizations, regular growth monitoring, etc.) and and/or attendance at health and nutrition workshops.
 - Transfer often targeted at newborn children up to age 6.
 - Many countries also include pregnant and lactating women as beneficiaries
 - This is usually a flat rate per family.
- Some programs are experimenting with setting conditionalities beyond health and education (see Nepal example).

Size, Cost and Impact: Oportunidades (Mexico)

- Size & Costs (2005):
 - 5 million households (20% of the population)
 - 0.35% of GDP
- Selected Impacts:
 - 12% lower incidence of illness and decrease in stunting of 0-5 year olds
 - 8% increase in number of visits to health centers
 - 15% higher grade 6 completion rates for girls
 - Positive effects on total consumption, and consumption of healthy foods

Size, Cost and Impact: Bolsa Familia (Brazil)

- Size & Costs (2005):
 - 8 million households (32 million people)
 - 0.36% of GDP
- Selected Impacts:
 - Better nutrition through increased food expenditure, increased caloric intake, greater dietary diversity
 - Significant decrease in child labor (one of the stated goals)
 - School dropout rates much lower among beneficiaries (0.4%) than non-beneficiaries (5.6%)

Who administers CCT Programs?

- **Ecuador:** Ministry of Social Wellbeing
 - **Brazil:** Ministry for Social Development
 - **Colombia:** Office of the President
 - **Jamaica:** Ministry of Labor & Social Security
 - **Mexico:** Department of Social Welfare
 - **Nicaragua:** Ministry of Family Welfare
 - **Peru:** Ministry of Women and Social Development
 - **Turkey:** Social Investment Fund
- Institutional arrangements differ, but coordination is key everywhere, particularly with line ministries and local governments.

The Pros and Cons of CCTs

Cons:

- **CCTs are complex and take serious time to design & implement.** Need to consider many dimensions:
 - targeting,
 - setting appropriate conditionalities,
 - analyzing supply capacity (and covering any supply gaps),
 - choosing institutional arrangements and level of decentralization,
 - establishing strong inter-agency coordination,
 - developing payment systems,
 - building implementation capacity at all levels (national, provincial, district and community),
 - monitoring compliance of conditions by beneficiaries,
 - institutionalizing strong M&E systems...

The Pros and Cons of CCTs

Cons:

- **CCTs are a long-term commitment** that must survive political administration changes in order to be effective.
- **CCTs are not a panacea, or silver bullet.** CCTs need to be part of a larger poverty reduction/social protection framework (CCTs exclude households without children, for example).

The Pros and Cons of CCTs

Pros:

- **Proven benefits.** Rigorous impact evaluation studies show encouraging outcomes in LAC.
- **Flexibility.** CCT programs can be adapted to specific country and local circumstances.
- **Political attractiveness.** CCTs are not “hand-outs” but aim at sustainable long-term poverty reduction. Can have significant impact on MDG achievement. CCT programs have withstood administration changes (Mexico).
- **Targeting.** The benefits of targeted vs. untargeted programs (e.g. universal subsidies) are evident in the literature. Most programs use mix of geographic and household targeting.

The Pros and Cons of CCTs

Pros:

- **Cash benefits.** Benefits of cash include low transaction costs, households have discretion over how to spend (=empowerment), price distortions avoided.
- **Synergies in human development.** Focusing on health, nutrition, and education recognizes complementary relationships between elements of human capital that break the inter-generational transmission of poverty.
- **Women's empowerment.** Many programs set higher benefit levels for girls. Girls who stay in school longer have lower fertility rates, better employment opportunities, etc. Benefits paid to mothers can mean reduced intra-household inequalities, more control over household expenditure decisions, etc.

Main Messages from Evaluations

- CCTs are well targeted to poor households and have helped provide a consumption floor
- Disincentive effects appear to be small
- CCTs substantially increase the utilization of education and health services
- Important knowledge gaps remain about optimal program design, size of transfers, monitoring conditionalities, and how households are penalized for non-compliance

Where are there CCTs in Asia?

- Turkey (Conditional Cash Transfer)
- Bangladesh (Food for Education, Primary Education Stipend)
- Indonesia (plans to move from unconditional transfer program in 2005/06 to CCT in 2007)
- Cambodia (JFPR 9028 scholarship program)
- Pilot efforts in Nepal, World Bank project in Pakistan, very preliminary discussions underway in the Philippines... Other examples?