

# The Design and Implementation of conditional Cash Transfer Programs



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ADB Workshop on Social Assistance  
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Manila, July 23-24, 2009

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# Outline

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1. **What are CCT Programs, What Was New About CCT, Why CCTs have been Attractive**
  - **Key elements for the Design of CCT programs**
  - **The Implementation of CCTs**
    - **Institutional arrangements-Governance**
    - **Management of CCTs**
    - **Developing Targeting System**
    - **Verification of Compliance**
    - **Payments systems**
    - **Monitoring and Evaluation**
  - **Issues and Lessons**

# What is a Conditional Cash Transfer Program

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- Transfer of money to target group (usually poor families) on certain conditions they have to meet (generally, attendance to primary health care and education services for children)
  
- Thus, CCT have dual objective:
  - Financial support or social assistance
  - Induce and or promote use of public services such as education and health by the poor

# What Was New About CCT Programs

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- ❑ **Family Focus:** Traditional SA programs focus on individuals and or specific categories rather than on families
- ❑ **Poverty Targeting:** SA programs focus on categories such as vulnerable groups rather than on the poor
- ❑ **Shared responsibility:** Government provides individuals receive, no shared commitment to change, now conditions
- ❑ **Cash, rather than in-kind assistance:** Mostly food assistance (food for work, other)
- ❑ **Increased time duration of benefits' Allows people to plan and take risks**
- ❑ **Provides platform for integration of services** <sup>4</sup>

# Why CCTs Have Been Attractive

## (1)

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- ▣ **Good outcomes and results:** Impacts on improved diets, child nutrition in some countries (Mexico; Colombia), increased number of education attained, improved health of children, reduced child labor, reduce head count poverty and poverty gaps.
- ▣ **Cost effectiveness.** Compared to the cost, CCT programs have shown good economic returns. Additional years of education, better nutrition result in higher incomes. For instance, benefits cost ratios have been much higher than 1 in Colombia, under conservative assumptions of economic and wage growth.

# Why CCTs Have Been Attractive

## (2)

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- **Flexibility or adaptability:** CCTs can be adapted to a country's profile and gaps for the poor to make them more effective.
- **Scalable:** After piloted, CCT programs can be expanded (if proper design and implementation arrangements exist)
- **Highly visible:** CCT are often controversial and visible and Gov. can show they are taking actions to help the poor (during crisis and or non-crisis)

# Why CCTs Have Been Attractive (3)

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- ❑ **CCTs provide a platform for effective coordination** of key social services by inducing supply side coordination of service agencies and inducing demand for services by interested beneficiaries
- ❑ **CCTs have low administrative costs:** Cost range from 10% to about 20% (during pilot) which is much lower than costs of other programs (e.g., food transfers > 40%), workfare

# The Design of CCT programs

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- Defining program **objectives**
- Defining **institutional arrangements** for governance and running the program
- Defining program **conditions**
- Determining the **amount of the grants**
- Defining target populations and **targeting** method (s)
- Defining **payment** arrangements
- Defining **verification** arrangements
- Defining **monitoring** and **evaluation**
- Designing **complaints**, grievance system

# Defining Program Objectives

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- **What is it you want to achieve with CCT program?**
- How much in social assistance vs. human capital. Not a single rule but:
  - If country has no good safety nets, then CCT can give larger weight to social assistance
  - If gaps for the poor in basic health and education indicators are large then larger weight to human capital objectives
  - If crisis and CCT exists, more focus on assistance—temporarily increasing grants
- ***Objectives have to be clearly defined and reflecting key country needs***

# Defining Arrangements for Governance and Operation

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- Depending on the objectives, CCT require strong coordination with government agencies at central, regional and local levels
- For *governance*, CCT generally require:
  - Creation of National Steering Committee (policy making) and regional and local technical committees
  - Special agreements with local agencies
- For *operation*—Choosing agency for running the program

# Defining Program Conditions

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## □ Objectives determine the basic conditions of the CCT:

- **Conditions.** Most common design includes basic design includes conditions on health and education to promote access to those services by poor poor. Not a rule but:
  - Depends on gaps of target population
  - Assistance vs. human capital objective

Some critics of conditioning point to:

- Stigma, penalizing non-complying
- BUT conditions may be ***empowering*** people for seeking better services and supply response

# Determining the Amounts of Grants

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- **In theory, optimal transfer is minimum amount required to produce desired objectives**
- **In practice**, calculating optimal transfer is not easy for lack of data, lack of knowledge about behavioral responses of families. Key considerations include:
  - Grants should be not too high as to discourage work effort
  - Grants should be not too low as to have no effect. In most countries grants are 13-20% of mean income of poor families

# Determining the Target Population

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- **CCTs have targeted poor (extreme poor) families** with children 0-15 or 0-18 years of age
- **Main issues** have been:
  - Defining which poverty measure to use (Income, consumption, multi-dimension measures, other)
  - How to identify and select poor (who, how. by which methods)

# Defining Targeting Method (1)

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**Several options exist including:**

- **Income** and **wealth** indicators
  - Self-reported (**unverified**). Not widely used as can lead to large inclusion errors. Main issue is that people have incentives to under-report income and or wealth, can induce people to switch from formal to informal employment
  - Self-reported (**verified**). Not widely used in developing countries with large informal sectors and where incomes/wealth can not be verified. Also, hard to put in place a massive application system to deal with crisis or other

# Defining Targeting Method (2)

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## □ Proxy Means Test

- Estimates of income. Used when good data on income exist in HH surveys
- Estimates of consumption. Ideal welfare measure for PMT as it reflects permanent income and can be compared with poverty thresholds (generally base on cost of basket)
- Estimates of multi-dimensions of poverty. Used with no income and or consumption data exist, other

## □ Combined methods

- (Geographic + PMT). Most widely used in CCTs

# Determining Payment Arrangements

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- ***Payments have to be accurate,*** transparent and efficiently done. Cash transfers are key in CCT programs. Payments on time give credibility to program and indicate gov. commitment
- In ***practice,*** payments hard to do due to:
  - Hard to put in place MIS and payroll system
  - Beneficiaries live in far away, isolated areas
  - Banking institutions lack branches in those areas and reluctant to go to those places
  - Some times high cost of transactions

# Defining Verification of Compliance Arrangements

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- Most CCTs have verification systems to:
  - Make sure people are following rules and commitments (responsibilities)
  - Put pressure (by way of demand push) for a supply side response from service providers
  - Satisfy public opinion and taxpayers (money is given for something)
- In ***practice***, verification not easy. Generally involves reporting from:
  - Service providers (schools, health units)
  - Spot checks

# Defining Monitoring and Evaluation Systems

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- Monitoring systems: to review progress in program implementation and fix design and or implementation flaws. Two types
  - Internal (generally with data from MIS)
  - External (general spot checks, audits, performance monitoring)
- Impact evaluation. Key for assessing net program outcomes and achievement of objectives. Options:
  - Experimental or quasi-experimental design
  - Econometric modeling (regression discontinuity, propensity scores, other)

# Designing Complaints, Grievance and Case Management System

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- Define procedure and responsible people within program agency for dealing with
  - Inclusion and or exclusion errors in targeting
  - Problems with payments
  - Problems with supply side response
  - Any corruption problems
- Procedures need to include:
  - How to present complaints, grievances, updates
  - Time limits to address them
  - Appeals

# Key Implementation Issues of CCTs

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- ❑ Deciding who will run the CCT program
- ❑ Defining coordination arrangements with partner agencies
- ❑ Selecting beneficiaries
- ❑ Supply side assessments
- ❑ Contracting or Payments
- ❑ Verification of conditions
- ❑ Complaints, grievances, updates
- ❑ Sanctions for non-complying beneficiaries and for non-complying partner agencies (supply side, other)

# Deciding Who Will Run the CCT Program

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- Generally run by Ministry of Social Welfare. Issues include:
  - Weak institutional capacity
  - Inadequate skill mix relative to CCT needs.
  - Poor and or lagging IT infrastructure and systems
  - Complex procedures for procurement
  - Low salaries
- This requires:
  - Strong capacity building and TA
  - Building strong IT infrastructure and capacity
  - Training of staff
  - Improving salaries

# Defining Coordination Arrangements

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- CCTs require strong coordination with central, regional and local agencies charged with service provision, other
- Key is clearly defined functions by government and or agency level. MOA needs to be signed by agencies

For instance:

- In education: roles of central, regional, local
- In health: roles of central, regional, local
- Role of local government units for other services

# Selecting of Beneficiaries

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Involves:

- Analyzing data and performance of existing targeting systems

If PMT,

- Calculation of PMT estimates
- Design questionnaires, manual and implementation strategy
- Develop MIS
- Do field work and validate data
- Select final beneficiaries

# Do Supply Side Assessments

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Involves:

- ❑ Clearly establishing the service requirements of the conditions imposed
- ❑ Collecting data on the current state of required services
- ❑ Simulating the extent of increase in demand due to program
- ❑ Identify gaps in service provision
- ❑ Work with concerned agencies to make sure supply is available

# Payment Arrangements

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- CCT payments generally done through banking system, Post Office
- Key Issues
  - Prepare accurate payroll to be shared with pay agency--hard to do due to primitive IT systems, data errors when targeting
  - Agree with pay agency to pay in remote areas—issues of security, insurance, etc
  - Agree on low pay fees—1-2% of budget (most CCTs work with state banks)
  - Introduce other pay modaliteis (rural banks, mobile banking, etc.)

# Verification of Compliance

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- Most CCTs have strong systems for verification of compliance:

Hard to do and involves:

- Defining how (to all, to samples), when (how often)
- Defining data flows and responsible agents
- Develop MIS
- Developing rules for non-compliance
- Defining operational links to payments and to complaints systems

# Lessons on CCT Design and Implementation

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- **Lesson 1:** CCTs are hard to design and implement—requires lot of good analytical work and careful attention to operation cycle and MIS
- **Lesson 2:** CCTs most useful and cost effective to address issues of extreme poor families—lagging basic health and education indicators—high poverty gaps

# Lessons

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- **Lesson 3:** CCTs do not address all social needs. So, CCTs should not replace other good programs of safety nets

Key issues not addressed:

- Transient poverty due to loss of employment, income during crisis. Other programs to be considered:
  - Unconditional cash transfers—e.g. temporary subsidies to unemployed, general UCT
  - Public works or workfare
  - Other

# Lessons

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**Lesson 4:** CCTs to be effective require special attention to the following:

- A ***design*** (conditions) that is tailored to specific country needs (what are main gaps of the poor, advance of MDGs)
- ***Implementation*** features that focus on:
  - Selecting a committed and skilled institution to run the program
  - Selection of good manager and team
  - Building a technically sound and credible targeting system
  - Putting in place efficient spot checking and monitoring system

# Lessons

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- **Lesson 5:** No country has been able to design a workable exit strategy. Though no negative effects on work efforts detected, need to watch:
  - Possible des-incentive effects on formal employment vs. informal
  - Negative effects on investments in housing quality, other in PMT
  - Des-incentive to productive migration
  - Other

# Lessons

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- **Lesson 6.** For better CCTs it is required:
  - More focus on ***quality*** of conditioned social services (so far focus has been on quantity but quality remains a problems)
  - Gradual ***integration*** of synergetic social services (e.g. Chile, El Salvador, Colombia)
  - *Improve ***social marketing**** by using CCTs large data bases
  - Add ***portability*** to CCT benefits—critical specially for urban areas



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Thank You