About Social Assistance and Conditional Cash Transfers: Proceedings of the Regional Workshop

The Regional Workshop, held on 23–24 July 2009 at the Asian Development Bank (ADB), brought together people from ADB, its developing member countries, partner development agencies, research institutes, and civil society organizations to share their views and experience on social protection and its modalities, especially the conditional cash transfers (CCTs). The Regional Workshop served as a forum for discussing ideas, experiences, and information on social assistance and CCTs.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
SOCIAL ASSISTANCE AND CONDITIONAL CASH TRANSFERS
PROCEEDINGS OF THE REGIONAL WORKSHOP

JULY 2009

EDITED BY
SRI WENING HANDAYANI
CLIFFORD BURKLEY

Asian Development Bank
Asian Development Bank social assistance and conditional cash transfers proceedings of the regional workshop


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FOREWORD

This volume brings together the conference proceedings from the Regional Workshop on Social Assistance and Conditional Cash Transfers (CCTs), held on 23–24 July 2009 at the Asian Development Bank (ADB). ADB organized the Workshop as part of its program on distilling social assistance experience and advancing the operational agenda for social protection in Asia and the Pacific. Participants came from ADB, its developing member countries (DMCs), partner development agencies, research institutes, and civil society organizations to share their views and experience on social assistance and its modalities, especially CCTs. Among the participants were experts on CCT with extensive experience in its implementation in Latin America, where it has been most actively used. These included Tarcisio Castañeda, Julia Johannsen, Vicente Paqueo, and Emmanuel Skoufias. Through interactive panel discussions, their experience and that of practitioners and policymakers in Asia and the Pacific was shared and discussed.

The Workshop took place as developing Asia and the Pacific was confronting the social and economic impacts of the global economic crisis, and thus is of immediate relevance to policymakers faced with determining how best to handle the fallout, but especially the impacts on the poor and vulnerable populations.

Many key insights arise from the papers presented and discussions held. First and foremost, social assistance as a tool for poverty reduction is an investment in the development of human capital, and ultimately growth. Second, CCTs have improved attendance at school and health centers, and the nutrition of children. Cross-country comparisons in Latin America have shown they have resulted in an immediate 10%–30% improvement in consumption, in both quality and quantity, of food. In Bangladesh, they have increased the age at marriage of school girls. In Indonesia, community cash transfers have precipitated community involvement in small works projects that provide access to schooling and healthcare. And third, the conditional transfer programs are cost-effective—while they require significant up-front preparation, the overall administrative costs have been impressively low, usually less than 10% of the total program cost.
CCTs are part of the social protection arsenal, but they are not a panacea. They are normally targeted to and relevant for an important segment of society (such as families with school-age children and infants), to build human capital. But other social protection measures are still needed for groups such as the elderly, households without children, and the disabled.

ADB’s RDM, its current long-term strategic framework, highlights inclusive economic growth as one of three critical strategic agenda items for Asia today. Social protection is at the core of promoting inclusive growth, by working to enable poor, vulnerable, and marginalized groups to improve their living conditions for current and future generations.

I am particularly pleased to see that these Proceedings are being made accessible more widely. We hope it will be a useful resource for everyone, especially development professionals in the Asia and Pacific region.

Xianbin Yao
Director General
Regional and Sustainable Development Department
Asian Development Bank
The brief descriptions below provide background on major contributors to and presenters at the Workshop.

**Alicia Bala**—Undersecretary in charge of policy and programs, Department of Social Welfare and Development (DSWD), Philippines, and Director of the National Sector Support for Social Welfare and Development Reform Project and of the National Household Targeting System for Poverty Reduction. She was the key figure in the adoption of the ASEAN Children’s Forum as the mechanism for children’s participation in the ASEAN Region. She has a master's degree in Social Work from the University of the Philippines.

**David Bloom**—Director of the Harvard University Program on Global Demography and Aging and the Chair of the Department of Population and International Health at the Harvard School of Public Health. He has published over 200 articles and books on economics and demography. He is a Fellow of the American Academy of Arts and Sciences and has received, among other things, an Albert P. Sloan Research Fellowship and the Galbraith Award for quality teaching in economics. He was a Fulbright Scholar in India and a scholar-in-residence at the Russell Sage Foundation during 1989–1990. His current research interests include labor economics, health, demography, and the environment. He has served as a consultant to ADB, the International Labour Organization (ILO), the National Academy of Sciences, the United Nations Development Programme (UNDP), the World Bank, and the World Health Organization (WHO). He has a PhD in economics and demography from Princeton University.

**Clifford Burkley**—Social Development Specialist, Regional and Sustainable Development Department (RSDD), Asian Development Bank (ADB). Prior to joining ADB, he was an undersecretary with DSWD and first project director of KALAHI, assistant secretary in the Department of Agrarian Reform (Philippines), a practicing attorney, and an advocate for public sector reform in the Philippines. He has a law degree from the University of the Philippines and has master’s degrees in public administration and public policy from Harvard University.

**Esperanza I. Cabral**—Secretary, Department of Social Welfare and Development, Philippines. She has authored and co-authored over 85 medical papers. After many years in private practice, she became active in public service, public awareness, and government service. She has been director of the Philippine Heart Center and commissioner representing Science and Health of the National Commission on the
Role of Filipino Women. She has an MD from the University of the Philippines, with internships and training in internal medicine, cardiology, and clinical pharmacology at the Philippine General Hospital and at Harvard Medical School, Massachusetts General Hospital, and the Joslin Clinic in the US.

Tarsicio Castañeda—Social Protection Specialist. He has served as a consultant for the Inter-American Development Bank (IADB); UNDP; United States Agency for International Development (USAID); World Bank; and governments of Colombia, Mexico, Peru, and several Central American countries. He advises Colombia’s Minister of Health in the design of the Colombian Health Sector Reform and has served as the senior economist for the Organization of American States, Sector Economist for the World Bank (Latin America Region), and Senior Economist for the World Bank technical assistance for projects in Central America. He was a Professor of Economics at the University of Chile in Santiago and Universidad de los Andes in Bogotá, Colombia. He has a PhD in economics from the University of Chicago.

Ngy Chanphal—Secretary of State for the Ministry of Interior, Cambodia; Second Vice Chair of the Council for Agricultural and Rural Development; and Coordinator for the Mapping and Scoping of the Social Safety Nets of Cambodia. He was appointed Undersecretary of State for the Ministry of Interior in 2006 and was responsible for preparing the Demand for Good Governance Project. Prior to that, he was Undersecretary of State for the Ministry of Rural Development and Director General for Community Development. He has been responsible for many rural development projects in Cambodia. He has more than 15 years of experience in community development, social safety nets, decentralization, training, planning, and project management. He has an MBA from Barney School of Business and Public Administration.

Krzysztof Hagemejer—Chief of Policy Development and Research, Social Security Department, International Labour Organization, Geneva. He has been involved in social protection economic and financial modelling. He was Assistant Professor of economics at Warsaw University, Adviser to the Polish Minister of Labour and Social Affairs, and Adviser on social and economic policies to the National Committee of the Independent Trade Union “Solidarnosc.” He holds a master’s degree in econometrics and a PhD in economics, both from Warsaw University.

Sri Wening Handayani—Senior Social Development Specialist, Regional and Sustainable Development Department, ADB. She is the focal point for social analysis for ADB’s projects; provides awareness and training on social analysis; promotes knowledge about and management of social dimensions; facilitates sharing of information on social dimensions and social protection; and supports external relations and coordination with development partners on social development, social protection, and labor issues. Prior to joining ADB, she was a consultant practitioner in social development. She holds a PhD in sociology from the University of Missouri.
Md. Afzal Hossain—Project Director, Female Secondary School Stipend Project, Ministry of Education, Bangladesh. He has served in various levels of government and handled a wide range of administrative areas, including finance, agriculture, education, disaster management, and justice administration. He administered an advocacy program for raising awareness for gender equality and empowerment, and has been directing the Female Secondary School Stipend Project-2 since April 2008. He has an MBA.

Julia Johannsen—Social Development Specialist, Social Protection and Health Division, IADB. She works in the operational design and targeting assessment of conditional cash transfers and other social programs. She participated in several development and research projects in Latin America, contributes to loan preparation, and coordinates preparation of technical assistance for Latin American countries, focusing on design and analysis of conditional cash transfer programs, household targeting, and beneficiary registration systems. Prior to working with IADB, she worked in various capacities with numerous organizations. She has a PhD in social economics and rural development from Goettingen University.

Kee Beom Kim—Labor Economist, ILO Office for Indonesia and Timor-Leste. Previous to this, he was in the Multinational Enterprises Department at ILO in Geneva. Before joining ILO, he was an analyst at the Korea Development Bank. His work and research focuses on labor market policy and poverty reduction strategy in Southeast Asia and the labor market impact of foreign direct investment. He has authored and coauthored various publications in these areas, including the *Labour and Social Trends in ASEAN 2007–2008 Report*. He has a bachelor’s degree in economics from the University of Pennsylvania and a master’s degree in economics from Korea University.

Jyotibala Macwan—Secretary General of the Self Employed Women’s Association in India (SEWA). Prior to this, she served as SEWA’s coordinator for the Kheda District, and coordinator of SEWA’s Shaishay Child Care Programme, also in Kheda. She was awarded the Vyavsaylakshi Mahila Puraskar for promoting women’s employment and the Special Leadership Award, both by the Gujarati Catholic Samaj. She has a bachelor’s degree in communications from Sardar Patel University.

Vicente Paqueo—Lead Economist at the World Bank’s Social Protection Sector of the Latin America and the Caribbean Region (before his retirement). His fields of interest include social sector expenditures, public and private education in developing countries, social costs, efficiency of schools, and student performance. At the World Bank, he worked on countries including Costa Rica, Colombia, Indonesia, Malaysia, Mexico, Thailand, and Venezuela. Prior to this, he held positions at the Ministry of Education of the Philippines, Population Center of the Philippines, and University of the Philippines. He has a PhD in Economics from the University of Philippines.

Ursula Schaefer-Preuss—Vice-President, Knowledge Management and Sustainable Development, ADB. She is an economist and has been engaged in development policy for more than 30 years. Prior to joining ADB, she was
Director-General of the Federal Ministry for Economic Cooperation and Development in Bonn/Berlin, Germany, responsible for the development policy framework for various countries and regions. She was also engaged in bilateral cooperation with countries in Asia, Latin America, and Europe. She was Chief of Cabinet of the Federal Minister for Economic Cooperation and Development (1998–2000); and held postings in the Permanent Mission of the Federal Republic of Germany to the United Nations in New York; IADB in Washington, DC; and the German Embassy in Khartoum, Sudan. She has a PhD in economics from Albert-Ludwig University.

**Karin Schelzig Bloom**—Social Sector Specialist, Cambodia Resident Mission, ADB. Prior to joining the Cambodia Resident Mission she was a Poverty Reduction Specialist at ADB headquarters working on social safety nets and conditional cash transfer in Indonesia. She has a PhD in development studies from the London School of Economics.

**Emmanuel Skoufias**—Lead Economist, World Bank. He joined the World Bank in January 2004 as a Senior Economist. His professional experience includes senior appointments at IADB’s Research Department and at the International Food Policy Research Institute (IFPRI) where he led a project evaluating Mexico’s Education, Health, and Nutrition Program (Progresa). In addition to numerous consulting appointments, he has been Associate Professor at the Economics Institute in Boulder, Colorado, and Assistant Professor of Economics at Pennsylvania State University. His research interests include program evaluation and the analysis of urban and rural labor markets, household behavior and the allocation of time within families, the determinants of child work and schooling, and the role of risk and insurance in poverty alleviation. He has a PhD in economics from the University of Minnesota.

**Hyun H. Son**—Economist, Economics and Research Department, ADB. Before joining ADB she was Poverty Specialist at UNDP. She also worked for the World Bank in Washington DC and had an academic position at McQuarrie University in Sydney, Australia. She has worked on poverty in equality, pro-poor growth, inclusive growth, health and education, and public policy. She has a PhD in economics.

**Wang Jiyang**—Director, General Administration Division, Department of Minimum Living Security, Ministry of Civil Affairs, People’s Republic of China. He has been a Deputy Director at the Department of Disaster Relief and Director Section Member at the Department of Social Affairs. He was educated at the Machinery Design University, Beijing Light Industry and Building Materials Institute.

**Axel Weber**—Consultant, Social Development and Consensus Building and Processes. He is an internationally experienced specialist with focus on social security and social development. He has been a Lecturer at Cologne University and an Officer at the German Ministry for Labor and Social Affairs, and has held positions in the German Social Health Insurance, in the EU Commission (as National Expert), and as Social Protection Specialist at ADB. He has 10 years’ experience as adviser and consultant to governments and nongovernment organizations. He has a PhD in economics from Cologne University.
Xianbin Yao—Director General, Regional and Sustainable Development Department, ADB. He currently leads ADB’s environment, social, and climate change program. Since joining ADB as a young professional in 1991, he has worked in country operations, education and agriculture sector operations, and economic research, and has been Assistant Chief Economist. He holds a PhD in agricultural economics from Michigan State University.

Omer Bin Zia—Deputy Secretary, Benazir Income Support Programme, Pakistan. He has been with the government for 12 years. He is part of the operations teams responsible for design, implementation, monitoring, and evaluation of the program. Liaison and coordination with international donor organizations is also his responsibility. He has worked in A-programming and in project monitoring, review, and evaluation, while in the Ministry of Economic Affairs. He has also served in the Ministry of Law, Justice, and Human Rights, and the National Accountability Bureau, the APEC Anti-Corruption Agency of Pakistan. He holds an LLM in law and development from the University of Warwick and a master’s degree in applied psychology from the Punjab University, Pakistan.
Acknowledgments

The workshop was made possible through the joint efforts of many people. From the Asian Development Bank (ADB), Vice-President for Knowledge Management and Sustainable Development Ursula Schaefer-Preuss; Director General Xianbin Yao of the Regional and Sustainable Development Department (RSDD), and Director Bart Édes of the Poverty Reduction, Gender, and Social Development Division gave full support for the workshop.

Sri Wening Handayani, Senior Social Development Specialist in RSDD was the overall facilitator. Clifford Burkley, Social Development Specialist, RSDD, helped frame the agenda and document and oversee the workshop. They prepared the executive summary and are the technical editors of this document.

Neeraj Jain, ADB’s Country Director, Philippines Country Office, introduced the keynote speaker—Secretary Esperanza Cabral of the Philippines’ Department of Social Welfare and Development (DSWD) and assisted with protocol. Myo Thant, Principal Regional Cooperation Specialist, RSDD, facilitated many of the workshop sessions.

David Bloom (Chair, Department of Global Health and Population, Harvard School of Public Health) introduced and wrapped up the workshop, and served as presenter and discussant. The other discussants and presenters were Alicia Bala (Undersecretary, DSWD); Armin Bauer (Senior Economist, Poverty Reduction, Gender, and Social Development Division, RSDD); Tarsicio Castañeda (Social Protection Specialist); Ngy Chanphal (Secretary of State, Ministry of Interior; 2nd Vice Chair, Council for Agricultural and Rural Development, Cambodia); Krzysztof Hagemejer (Coordinator, Social Security Policy, Social Security Department, International Labour Organization [ILO]); Md. Afzal Hossain (Project Director, Female Secondary School Assistance Project, Bangladesh); Julia Johannsen (Social Development Specialist, Social Protection and Health Division, Social Sector Department, Inter-American Development Bank); Kee Beom Kim (Technical Specialist, ILO-Jakarta); Jyotibala Macwan (Secretary-General, Self-Employed Women’s Association, India); Vicente Paqueo (Social Protection Expert); Karin Schelzig Bloom (Social Sector Specialist, Cambodia Resident Mission, ADB); Emmanuel Skoufias (Senior Economist, World Bank); Hyun H. Son (Economist, Economics and Research Department, ADB); Wang Jihang (Director, General Administration Division, Ministry of Civil Affairs, Department of Minimum Living Security, People’s Republic of China); and Omer Bin Zia (Deputy Secretary, Benazir Income Support Program, Pakistan).
Ian Anderson (Adviser, RSDD); Michiel van der Auwera (Social Security Specialist, Central and West Asia Department, ADB); Luwalhati Pablo (Undersecretary for General Administration and Support Services Group and National Program Director of Pantawid Pamilyang Pilipino Program, DSWD); and Christopher Spohr (Education Specialist, Southeast Asia Department, ADB) were discussants.

Mario Randolph Dacanay (consultant) drafted the invitations and prepared the briefs. Marife Principe (Social Development Officer, RSDD) supervised the overall preparation and conduct of the workshop. Honey May Manzano-Guerzon (Senior Operations Assistant, RSDD) coordinated with resource persons and relevant ADB offices. Princess Lubag (Operations Assistant, RSDD) sent invitations, followed up responses, and helped with the many logistical arrangements. Transcripts were prepared by a team comprising Michelle Tan, Honey May Manzano-Guerzon, and Vicky Mabugat.

ADB’s Office of Administrative Services (OAS) assisted with the logistics for travel, accommodations, transfers, the requisite venue and equipment, visitors’ registration, food and beverages, reproduction of documents, and an exhibit. Specific assistance came from OAS’ Ma. Rebecca Salvo (Events Management Officer), Anna Clarissa Araullo and Thelma Gail Abiva (Senior Events Management Assistants), and Paolo Aglahian and Eloisa Andres (consultants).

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<thead>
<tr>
<th>Abbreviation</th>
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<tr>
<td>4Ps</td>
<td>Programang Pantawid Pamilyang Pilipino (Bridging for the Filipino Family Program)</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>BISP</td>
<td>Benazir Bhutto Income Support Program</td>
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<td>BPS</td>
<td>Badan Pusat Statistik Republik Indonesia (Statistics Indonesia)</td>
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<td>CCT</td>
<td>conditional cash transfer</td>
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<td>CEB</td>
<td>Chief Executives Board</td>
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<td>DFID</td>
<td>Department for International Development of the United Kingdom</td>
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<td>DMC</td>
<td>developing member country</td>
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<td>DSWD</td>
<td>Department of Social Welfare and Development</td>
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<td>EFA–FTI</td>
<td>Education For All—Fast Track Initiative</td>
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<td>FFE</td>
<td>food for education</td>
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<td>FY</td>
<td>fiscal year</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>HEF</td>
<td>health equity fund</td>
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<td>ID</td>
<td>identification</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IT</td>
<td>information technology</td>
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<td>LGU</td>
<td>local government unit</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MIS</td>
<td>management information system</td>
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<td>MOEYS</td>
<td>Ministry of Education, Youth and Sport</td>
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<td>MOLVT</td>
<td>Ministry of Labor and Vocational Training</td>
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<td>MOP</td>
<td>Ministry of Planning</td>
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<tr>
<td>MOSAVY</td>
<td>Ministry of Social Affairs, Veterans and Youth Rehabilitation</td>
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<tr>
<td>NADRA</td>
<td>National Database and Registration Authority</td>
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<tr>
<td>NGO</td>
<td>nongovernment organization</td>
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<td>NPRDC</td>
<td>National Program for Rehabilitation and Development of Cambodia</td>
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<td>Acronym</td>
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<td>NSSF</td>
<td>National Social Security Fund</td>
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<td>PKH</td>
<td>Program Keluarga Harapan (Hopeful Family Program)</td>
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<td>PMT</td>
<td>proxy means test</td>
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<tr>
<td>PRC</td>
<td>People's Republic of China</td>
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<td>RSDD</td>
<td>Regional and Sustainable Development Department</td>
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<tr>
<td>SEDP</td>
<td>Socio-Economic Development Plan</td>
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<td>SEWA</td>
<td>Self Employment Women’s Association</td>
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<td>SMCH</td>
<td>Support for Mother and Child Health</td>
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<tr>
<td>SWD</td>
<td>social welfare and development</td>
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<tr>
<td>SWOT</td>
<td>strengths, weaknesses, opportunities, and threats</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>VDC</td>
<td>village development committee</td>
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<td>WFP</td>
<td>World Food Programme</td>
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WORKSHOP HIGHLIGHTS AND
EXECUTIVE SUMMARY

Sri Wening Handayani and Clifford Burkley

1. OVERVIEW

The Asian Development Bank (ADB) hosted the Regional Workshop on Social Assistance and Conditional Cash Transfers (CCTs) on 23–24 July 2009 in Manila. The workshop was presented in response to the interest that several of ADB’s developing member countries (DMCs) had expressed in exploring and expanding the applicability of CCTs and other social assistance schemes in their countries. The workshop brought together officials from ADB’s DMCs; development partners; ADB staff; academe, and civil society organizations, including representatives from global labor unions. The workshop served as a venue for sharing ideas, benefits, challenges, and experience in addressing operational complexities surrounding CCTs and similar programs. It helped identify gaps in designing social assistance and CCT interventions and facilitated sharing of experiences among practitioners in selected countries. The workshop confirmed that social assistance and CCTs are a potentially powerful instrument of social protection for the poor and vulnerable, particularly in the context of the global economic slowdown.

The workshop comprised five main sessions: An Overview of Social Protection in Asia and the Pacific; Social Assistance in Asia and the Pacific; Arguments and Foundations of CCT; Country Experiences, Benefits, and Challenges of CCT Initiatives; and Lessons from and the Future of CCTs.

The main conclusions drawn from the 2-day workshop were:

- Social protection is not merely a cost or a rescue package for the poor and vulnerable against the impacts of economic downturn. More importantly, it is an investment in the future for the development of human capital and a tool for poverty reduction.
- Social assistance experience is rich in the Asian and Pacific region. Exchanges during the workshop validated that most countries in the region have some form of social assistance, especially during economic downturns, and that CCTs are fast becoming a popular tool in the region.
- CCTs are an important tool in the arsenal of social protection measures and can find high relevance in the region. There are, however, design and
2. **OPENING SESSION**

2.1. **OPENING REMARKS**

ADB Vice-President for Knowledge Management and Sustainable Development, Ursula Schaefer-Preuss, opened the workshop and welcomed the participants and resource persons. In her opening address, Dr. Schaefer-Preuss stressed the importance of social protection systems and programs, especially in times of crisis, to support the poor and vulnerable so they do not slip further into poverty. She introduced the concept of CCTs and their potential in addressing the intergenerational transfer of poverty. She said that CCTs are an example of the shift in the treatment of social assistance from a short-term, crisis-driven equity tool to a longer term solution in risk management.

Dr. Schaefer-Preuss noted that, in a region as diverse as Asia and the Pacific, a one-size-fits-all solution is rarely applicable. She expressed her hope that the 2-day workshop would allow for in-depth discussions on the different facets of CCTs and that the concept and principles of CCTs as they apply to the region would be further clarified.

2.2. **KEYNOTE SPEECH**

The Philippines’ Secretary Esperanza Cabral, of the Social Welfare and Development Department, delivered the keynote address for the workshop. She identified widespread poverty, lagging achievements in educational outcomes, low nutrition, and a high rate of maternal mortality as justifications for pursuing the CCT scheme, the Pantawid Pamilyang Pilipino Program or 4Ps (literally, the “Building Bridges for the Filipino Family” Program). The 4Ps seeks to address these issues by providing short-term social assistance to targeted families while promoting their longer term human development through conditions pertaining to education, health, and nutrition. This CCT program is the Philippine government’s response to the challenge of meeting the Millennium Development Goals (MDGs) and promoting investment in human capital among the poor.

Secretary Cabral highlighted the advantages of CCTs over other social protection measures: (1) CCTs are readily scaled up—in merely 10 months, the 4Ps moved from pilot testing to rolling out to cover almost 750,000 families; (2) they are quick disbursing; and (3) they achieve both crisis-driven objectives of immediate assistance and social development goals of empowerment and reaching the MDG objectives.

Secretary Cabral pointed out that the following are required before a CCT program can be successfully adopted and implemented:
• an analysis of country contexts and capacities, identifying the needs and supply as well as the appropriate tool to address gaps;
• a robust and independent beneficiary targeting system;
• mechanisms and coordination arrangements for compliance verification and monitoring;
• secure, dependable, timely fund transfer systems;
• capacity assessment and training of interlocutors and lower level partners; and
• clear and practical grievance redress and anticorruption systems.

3. Workshop Highlights

3.1. Session 1: An Overview of Social Protection in Asia and the Pacific

The discussants—David Bloom of the Harvard School of Public Health and Krzysztof Hagemejer and Kee Beom Kim of the International Labour Organization (ILO)—described how social protection is defined by development agencies and cited progress achieved and innovations introduced in the region. They highlighted the role of social protection strategies in providing protection and support to the poor and as effective social stabilizers, in light of the current global economic crisis. They stressed that social protection is affordable, even for poor countries, with the right mix of policy and efficient allocation of resources. The discussants also proposed a demand–supply analysis and gap analysis for social protection programs in the region, to serve as tools for governments in their resource allocation and prioritization decisions.

ADB defines social protection as policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people’s exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption or loss of income. In Recovering from the Crisis: A Global Jobs Pact (2009), the ILO equates social protection to social security and defines it as “measures providing benefits, whether cash or in kind, to secure protection, inter alia, from (1) lack of sufficient income caused by illness, disability, maternity, injury, unemployment, old age, or death of a family member; (2) insufficient access to healthcare; (3) insufficient family support, especially for children and older dependents; and (4) general poverty and social exclusion.”

Other development agencies, such as the World Bank and bilateral funding partners, have also defined social protection as aiming to reduce poverty and vulnerability. These definitions recognize that poverty and vulnerability are multidimensional phenomena that result not just from economic deprivation but also from deficits in health, education, and social standing, and that vulnerabilities have a multiplicity of causes—from accidents of birth to the social distribution of wealth and to the nature of a country’s laws, regulations, and social norms.

However, not all policies that have the effect of reducing poverty and vulnerability fall under the rubric of social protection. Major elements of macroeconomic policy,
such as exchange rate, money supply, trade, and technology policies, are intended to promote economic growth and therefore reduce poverty and vulnerability. They are not, however, considered social protection because they are not directly and explicitly aimed at reducing poverty and vulnerability even though they may have some downstream social protection value.

**Changing view of social protection.** The perception of social protection is evolving. What used to be seen as merely an afterthought in the process of growth and development is becoming integral to that process, playing an important role as builder of human capital, an instrument for risk sharing, and a social stabilizer. The ILO also emphasized that the costs of such benefits are within reach of even the poorest countries but require a rationalization of spending priorities as well as policies and measures that increase “fiscal space.”

**Social protection is an investment.** The provision of social protection is not merely a cost or a rescue package but an investment in a country’s development, offering returns in poverty reduction; increased demand, translating to expanded markets; and a healthier, better educated, and more productive workforce. These, in turn, translate to more stable societies.

CCTs exemplify the idea of social protection as not a cost but an investment; not afterthoughts to the economic growth process, but a direct spur to economic growth. CCTs contribute to contemporaneous poverty reduction through the cash transfer component and contribute to education and health, and, therefore, long-term economic growth and poverty reduction, through the conditions imposed.

**Social contract.** The conditions attached to CCTs prevent the beneficiaries from being wholly passive. They are required to do things that are good for themselves and for society in response to the benefits that they receive. They become part of a social contract that involves a quid pro quo, reducing the risk of creating a culture of dependency. Redistribution that requires beneficiaries to help themselves and contribute to the self-reliance of future generations is much more politically palatable than redistribution that requires nothing more than the passive receipt of cash.

**Limits of CCTs.** CCTs have some natural limits and are far from being “magic bullets.” CCTs are unlikely to offer an across-the-board approach to addressing a country’s whole portfolio of social protection needs. That CCTs are normally targeted at poor households with children means that they will not automatically address some vulnerabilities, such as the poor elderly who do not reside with children, poor households without children or with older children, and people with disabilities.

CCTs are also not the best tool for social insurance against all risks. The risk of unemployment is better addressed by providing temporary support during an actual spell of unemployment than by the long-term transfers that are implied by CCTs. Because many risks become a transitory reality for only a small portion of the population, it is financially sensible to provide the support to people who
need it after the risk has become a reality rather than before, to everyone who might need it.

Some vulnerabilities involve social exclusion and discrimination rather than poverty and poor education or poor health. Rather than CCTs, the appropriate responses include political and legal reform as well as mobilization for changes in social norms and attitudes.

Social protection audit. Social protection is especially relevant in times of crises. However, only a few countries in the region have a comprehensive social security system.

The way in which each country addresses its social protection deficits will vary. Different programs and instruments will deal with different needs and contingencies. Every country has a social protection system mix. The character of this mix will depend on labor market structures, specific needs, and the priorities of the vulnerable people.

The current crisis presents an opportunity for countries in the region to improve and expand social protection and poverty reduction programs, with the aim of gradually developing an effective social protection system over time. Among the options that may be considered is the idea of a “social floor”—a set of guarantees providing social protection through different means, which may include improved access to employment opportunities; affordable access to basic healthcare, protection, and education for children, the elderly, and people with disabilities; social assistance for the poor or the unemployed; and other features that vary according to country needs and stages of development.

A social protection audit is essential to determine which social protection package is best suited by asking what other pressing social protection priorities the country has. The audit entails a three-step process.

- The first step is to measure all the vulnerabilities the population faces, how many people are affected by each one, and the size of the vulnerability faced by the representative population. Measuring where vulnerability tends to be geographically concentrated will help focus interventions. This first step determines the “demand” or need for social protection.
- The next step involves canvassing the country’s social protection activities, in terms of the number of beneficiaries they reach, the value of the benefits, and the measures of program quality (e.g., cost efficiency, targeting efficiency, and political popularity). This will include social protection activities by other important actors such as nongovernment organizations (NGOs), religious organizations, and communities. This result will describe the “supply” of social protection.
- The third step is an examination of the difference between the demand and supply, or the extent of social vulnerability that is currently not met by social protection efforts. New initiatives, including CCTs, must be prioritized to address the unmet needs for social protection.
This process provides evidence-based information that will stimulate and inform policy debate on different social protection interventions.

3.2.  SESSION 2: SOCIAL ASSISTANCE IN ASIA AND THE PACIFIC

The discussants—Alicia Bala, Undersecretary, Department of Social Welfare and Development, Philippines; Armin Bauer, ADB; Ngy Chanphal, Secretary of State for the Ministry of Interior, Cambodia; and Jyotibala Macwan, Secretary General of the Self Employed Women’s Association, India—presented models of social assistance programs in the region. The models included food subsidies (Cambodia), guarantees for minimum incomes (People’s Republic of China [PRC]), community block grants (India), income support through cash transfers (Pakistan), and conditional and unconditional transfers to households and individuals (Philippines).

Most programs were responses to crisis, man-made or natural, or to the increasing rate of poverty. Common issues among the models are (1) the need to strengthen targeting of beneficiaries, (2) high leakages in poorly targeted and monitored schemes, (3) insufficient coordination, and (4) difficulty establishing the size of benefits. Innovations discussed included assistance directly to women, increased participation of civil society and faith-based organizations in implementation, and the use of new technologies such as electronic cash cards and mobile phone messaging for cash transfers.

Social assistance, a component of ADB’s social protection strategy, includes interventions that provide protection to the needy who otherwise would not qualify for benefits within the established and formal social protection systems, such as pensions and social insurance. The traditional role of social assistance has been to enhance social welfare through targeted poverty reduction interventions to help the needy overcome risks during crisis situations. Social assistance involves direct and targeted service provision to highly vulnerable groups, helping them manage risks of shocks such as disasters, conflicts, and economic crisis. The better-known forms of social assistance programs are cash or income transfers; in-kind transfers and other food-based programs; child allowances; housing, fuel, or cash subsidies; and emergency employment schemes.

The relevance of social assistance for addressing the impact of crises on the poor and near poor has been highlighted in experience. ADB and other development agencies have provided significant support for social assistance to several countries through loans, grants, and technical assistance. This has included support during or after crises and disasters to protect the vulnerable and the poor from the impacts of food shortages, high fuel prices, earthquakes, cyclones, and the Asian tsunami.

Social assistance programs can be classified into (1) conditional or nonconditional assistance, (2) targeted and means-tested or universal programs, (3) household- or individual-based programs, (4) tied or nontied programs, and (5) temporary or unlimited assistance.
Cambodia. Prior to the war of 1970, Cambodia’s social safety net comprised the traditional sharing—mutual assistance among and between networks of extended families and neighbors through charity and community self-help activities. The socioeconomic and political changes of the last 2 decades, however, altered Cambodia’s social fabric, dislocating its culture as families and communities were fragmented and weakened by death and separation.

After the war, attempts at formalizing the social protection system were made through the Constitution and legislation in response to the need to provide continuing support to the poor, especially women and children affected by the war. Cambodia has implemented numerous externally-supported projects and programs on food security, relief and rehabilitation, and improved livelihoods. A key issue for Cambodia is the challenge of coordination and targeting as various ministries and institutions are involved in the development and implementation of different social safety net programs and projects.

India. The Self-Employed Women’s Association (SEWA) is an organization of poor, self-employed women workers who work for their full employment and self-reliance. SEWA was formed in 1972 and has close to 1 million members across 7 states in India and 14 districts of Gujarat.

SEWA uses a collective community model of social support to assist poor communities, especially for food security. In 2002, SEWA implemented a livelihood security program intended to build the capacities of communities to strive for their own development through collective community cash transfers. SEWA facilitates the formation of village development committees that work closely with the councils of elders and leaders (panchayats). Communities, through their village development committees, prepare and implement 5-year micro plans and manage the grant funds. The communities benefited highly from the collective cash transfer mechanism.

Pakistan. The Benazir Income Support Program (BISP) seeks to address the reduction of poor families’ purchasing power. The BISP, a cash transfer program targeting female heads of low-income families, is a nonconditional means-tested program.

In 2008–2009, the BISP covered over 3 million families—15% of the population—with an allocation of approximately $425 million. For 2010, the target is to cover about 5 million families with an allocation of $875 million. The BISP is the largest cash grant scheme in Pakistan’s history.

Philippines. Before introducing its CCT program, the Department of Social Welfare and Development implemented various forms of social assistance schemes in response to risks and vulnerabilities faced by the poor, including life cycle risks (hunger, illness, old age, disability, death); economic risks (unemployment, economic crisis); environmental risks (natural calamities); and social and governance risks (armed conflict, social exclusion).
The food-for-school program, which aims to address hunger, is among the largest social assistance services in the Philippines. The program is a food subsidy intervention that provides rations of rice to school children on the days that they attend school. A similarly large scheme comprises access to basic commodities in villages through a state-supported village store (Tindahan Natin), ensuring the availability of basic food commodities at reasonable prices in poor areas. Cash and food-for-work complement emergency response models. The emergency response models, providing food and basic necessity rations to victims in the first few days after calamities or disasters, is complemented by some shelter assistance to help rebuild or replace damaged houses. The 4Ps is a relatively new CCT program that has been rolled out quickly, aiming to improve health and education outcomes. Many of these models are implemented with partner institutions, particularly local governments and NGOs.

**People’s Republic of China.** Social assistance is one of the major components of the PRC’s social protection system. Among the PRC’s schemes, the most important is the Minimum Living Standards Guarantee Scheme (known as Dibao), which caters to poor rural households with per capita income below locally determined poverty or social assistance lines. The Dibao provides regular cash transfers to help poor households cover the gap between their income and the poverty line. By the end of 2008, all counties in the PRC had set up the scheme, benefiting over 19 million households and 43 million people. Key problems under the scheme include determining benefit rates and levels vis-à-vis the availability of funds and inflation, and defining effective targeting methods.

**Indonesia.** Indonesia groups its poverty reduction programs into three “clusters”: (1) social assistance and protection, (2) community empowerment, and (3) micro and small business empowerment. The first cluster, social assistance and protection, uses cash transfers, subsidies, and assurances to address issues of food, shelter, water and sanitation, health, and education. In 2009, 17.1 million people were assisted through this cluster. The cluster includes unconditional cash transfers; CCTs to the poorest households with pregnant women and children of school age; and community cash transfers through which communities are empowered to plan, implement, and control health and education projects for their own benefit. Key issues pertain to targeting, cash transfer mechanisms, and coordination across poverty programs.

**Summary.** The presentations confirmed the richness of the region’s experience in social assistance. The discussants highlighted the need for further work on improving the systems through better targeting; strengthening administrative capacities (including the need for coordination); and complementing existing systems (whether formal or informal) with other programs, especially on education, health insurance, and labor market interventions.

Lessons from previous crises show that general strategies to maintain government social spending have often failed to protect poor people’s access to essential social services but help better-off groups instead. A mix of financial and technical
assistance in implementing well-designed social protection programs has been found critical.

3.3. SESSION 3: ARGUMENTS FOR AND FOUNDATIONS OF CCTS—THEORIES, CONCEPTUAL FRAMEWORKS, AND PRACTICE

The discussants—Julia Johannsen, Inter-American Development Bank; Vicente Paqueo, Social Protection Expert; and Emmanuel Skoufias, World Bank—described the genesis and rationale of CCTs. They presented arguments for and against CCTs, challenges, and their views of the agenda for action on CCTs.

Although Asia and the Pacific has been the fastest growing region for many years, it still has very poor social indicators, particularly for maternal health. High maternal mortality and neonatal child death rates result in an intergenerational problem. Out-of-pocket expenditures are extremely high, a barrier to accessing healthcare, and a source of impoverishment and inequity.

Cash transfers are regarded as among the most effective ways to support the purchasing power of vulnerable populations, especially during times of economic crises. A particularly attractive instrument is provided in the CCTs pioneered in Latin America in the early 1990s. The overall effectiveness of these schemes, however, depends largely on their ability to reach the poor, their cost of administration, and the context within which they are being introduced or implemented.

CCTs, a form of social assistance through which a regular amount of money is given directly to particular groups (e.g., the unemployed, pregnant women, or families with children) in exchange for complying with a set of requirements, have received much focus in recent years. The conditions or requirements attached to the cash benefits distinguish CCTs from other cash or in-kind distribution programs.

CCTs are recognized as a significant and innovative way to reduce inequality. They provide immediate assistance and tend to improve household consumption while helping households break the vicious cycle of intergenerational poverty by promoting child development, education, and nutrition outcomes.

Characteristics of CCTs. Characteristics of CCTs vary. Typically, regular (quarterly, monthly, or twice monthly) cash grants are given to poor families with school-age children. The transfers are conditioned on health- and/or education-related behaviors. For education, a child must attend school for a certain number of days (e.g., 75%–85% of school days). Some programs make continuation of benefits conditional on school performance as well and as a means to encourage transition or progression. Some specifically give larger transfers to girls, to address their significantly lower school enrollment and attendance than is the case for boys.

Objectives. CCTs have the twin goals of immediate poverty reduction—through cash transfers that can be spent—and long-term poverty reduction—through
human capital development. Additional income allows parents greater purchasing power to secure more or better quality food or medicines. Parents may use the cash to invest in household materials and equipment (construction materials) that reduce exposure to hazards. Children are often the focus of the human capital investments, with the intention of giving them the tools to break the intergenerational transfer of poverty.

Many countries have CCTs of varying sizes, amounts, and coverage. Some reach millions of households while others are narrowly targeted to the “socially excluded” or primarily designed to increase school enrollment among girls. Some transfers are large, reaching as much as about 0.5% of gross domestic product.

This session of the workshop sought to understand the basic question: “Under what circumstances do CCTs make sense and what is the evidence that they have impacts on poverty and on human capital?”

**Good results.** There is much justification for using CCTs. Evidence from several studies and evaluations indicates that CCTs have generally led to substantial reductions in consumption poverty, especially when the transfers are large, changing the composition of consumption toward more expenditure on food and higher quality sources of calories. CCTs also tend to be well-targeted, ensuring that the transfers go to the poorest households, whereas other forms of public expenditures, such as infrastructure and other public services, often fail to reach the very poor. CCTs also resulted in substantial increases in the use of education and health services, especially among poor households.

**Future directions and challenges.** Much more needs to be done to understand CCTs and their applicability to particular contexts. Among the issues raised for continued discussion were (1) whether to attach conditions to the transfers, (2) the “missing exit strategy,” and (3) the complementary supply-side reform to achieve better outcomes. Given the trend in urbanization, an added area requiring deeper pilot testing and analysis is urban design for CCTs.

The discussants reiterated that, while cash transfer alone works, attached conditions have proven important for the success of CCTs, especially in achieving much more than additional food consumption, e.g., education and health outcomes. Studies have shown that, while unconditional transfers work, conditional ones work better.

On the need for complementarities, the discussants noted that despite the increased use of health and education services, the effectiveness in terms of final outcomes in education and health remains mixed, at best. There is very little or no evidence that CCTs are improving learning or health outcomes. The consensus was that complementary action is necessary to help achieve outcomes, including improved quality and supply of services (e.g., building or rehabilitating schools and health centers, and providing performance bonuses for teachers). Efforts are also needed to change household behavior and improve the understanding of the value of accumulating human capital.
Regarding the “missing exit strategy,” the discussants noted that budgetary limits and cycles usually lead to exit rules related to a number of years to be spent on the program. However, CCTs cannot reduce extreme poverty immediately and by themselves, and require other complementary actions. Panelists suggested looking into results-oriented exit strategies based on and corresponding to the program’s objectives, e.g., in terms of finishing a secondary or high school education grade.

CCTs are not necessarily good instruments for dealing with crisis. Discussants agreed that CCT instruments are better suited to structural rather than transient poverty. CCTs are difficult to apply to crisis situations, primarily because CCTs usually take a year to prepare well.

3.4. Session 4: Country Experiences, Benefits, and Challenges of CCT

The discussants—Md. Afzal Hossain, Project Director, Female Secondary School Assistance Project, Ministry of Education, Bangladesh; and Hyun H. Son and Karin Schelzig Bloom, ADB—presented country experiences in CCT implementation. The Bangladesh case (the Nationwide Female Stipend Program) is a narrowly targeted program to improve girls’ education outcomes. Results of an ex ante study on the impacts of the CCTs in the Philippines were presented as a tool for policymakers in designing CCTs. Lessons from Indonesia’s CCT program—Program Keluarga Harapan—were also discussed.

CCTs were shown to have positive effects on nutrition and/or education. In Bangladesh, where women have always lagged behind men in literacy and education, girls’ enrollment improved from 33% in the 1980s to 53% in 2002. An innovative aspect of the program, requiring that girls pass the exams for secondary levels prior to marriage, also decreased the early marriage rates for girls. An ex ante analysis of the CCTs in the Philippines confirmed the program’s potential for improving health and education indicators. The study investigated the program’s impact on poverty and the impact of the extra money on school attendance under different transfer amounts and targeting criteria.

The experiences presented, and those of other countries, provide an array of good practices to adopt and dangers to avoid in designing CCTs. A good starting point in developing CCTs is an ex ante evaluation of their possible impacts to help policymakers decide on key design elements, such as the size of transfers, targeted population, and conditions to be used.

Lessons from Indonesia included common weaknesses of CCT programs that require further analysis and capacity building for implementers. The weaknesses point to the needs to assure (1) a transparent and efficient fund transfer system, (2) targeting modes that allow for better participation of the poor, (3) improved interagency coordination among participating ministries, (4) verification of compliance with conditions, (5) inflation-proofing of the transfers so the benefits do not erode, and (6) better socialization or information campaigns.
Among the good practices emphasized were (1) analyzing the range of conditions that will best result in the desired outcomes, such as the lower early marriage rates in Bangladesh; (2) emphasizing targeting systems that minimize exclusion errors to avoid undertargeting of the poor; (3) complementing CCTs with other components of social policy and supply-side interventions; (4) improving governance; (5) regularly monitoring operations; and (6) conducting rigorous evaluations.

4. CONCLUDING SESSIONS

The discussants—David Bloom, Harvard University; Tarsicio Castañeda, Social Protection Specialist; and Luwalhati Pablo, Undersecretary and National Program Director of the 4Ps, Department of Social Welfare and Development, Philippines—considered policy and operational aspects of designing and implementing CCTs. Dr. Bloom also summarized the key messages from the workshop through a strengths, weaknesses, opportunities, and threats (SWOT) framework. CCTs introduced several innovations in social assistance that are major departures from traditional programs. These include the family focus instead of targeting vulnerable individuals; introduction of co-responsibility in managing the outcomes of projects; a rigid poverty targeting system that has become, in many cases, national policy; longer duration of benefits; empowerment of women and the poor; and convergence and integration of social service delivery toward the beneficiaries of assistance.

4.1. LESSONS FROM AND THE FUTURE OF CCTS

Designing CCTs involves much preparation and commitment: detailed analysis is needed to determine the objectives and conditions, build an institutional and governance framework, establish targeting criteria, and set up mechanisms for identifying and verifying conditions.

Major lessons from experience in CCT design and implementation include the needs to

- take time to design the program, considering the gaps it should address and how this will be done;
- simplify the program through uniform transfer amounts and a lowered frequency of transfers;
- avoid too many conditions or programs;
- pay attention to issues of portability of the program, especially in urban settings;
- allow for a longer timeframe of interventions, to ensure quality; and
- provide capacity building for implementation units.

Last, the discussants emphasized that CCTs are not for all situations and all vulnerable groups. CCTs generally try to address gaps in human development that require a longer term intervention. An economic crisis may be a temporary
phenomenon better addressed by unemployment insurance, wage subsidies, or other active labor policies or unconditional cash transfer programs. Identifying people affected by a crisis, including people that have joined the ranks of the poor (or the “new” poor), is complicated and time consuming.

4.2. Analysis of Social Protection and CCTs

Social protection is gaining traction in the development community, because of its potential to offer a platform from which growth and development can take off sustainably. Justifications for undertaking social protection measures abound. From a human rights point of view, social protection strengthens the universal idea of every person being entitled to a decent standard of living. Socially, it builds human capital that minimizes inequalities. Economically, it promotes human capital accumulation that contributes to growth in the long run. Politically, it tends to promote stability.

The ILO has empirically demonstrated the affordability of basic social protection packages for developing countries, debunking the much used criticism that social protection is very costly. The flexibility of social protection measures, as seen from the different models presented, make it possible to customize packages according to countries’ needs and resources.

The call for pursuing social protection measures, given their justification and the current crisis, is strong. The impetus to act quickly and pursue CCTs or other schemes, however, poses a risk of rushing into action without appropriate preparation and analytical work to prepare the right mix of measures that meets demands and promotes efficiencies. On the other hand, failing to act in time for the next crisis is also a risk.

An opportunity for expanding and undertaking complementary activities to support social protection exists. Inevitably, countries will require support to arrive at informed decisions on resource allocation and suitable packages for the poor and vulnerable. The role of development agencies as knowledge providers or in developing products around social protection will be critical. The potential involvement of the private sector, especially in the areas of insurance and pensions, should also be explored.

A challenge for institutions such as ADB and the ILO pertains to their ability to improve their competencies for understanding and developing knowledge and products that will be relevant for partner developing countries. This will include specialization, staff development, and stronger integration with operations departments, including private sector operations, toward developing appropriate interventions.

4.3. Closing Remarks

Xianbin Yao, Director General of ADB’s Regional and Sustainable Development Department, closed the 2-day Regional Workshop, highlighting and recommending the next steps from the outcomes of the workshop.
The workshop affirmed the region’s wealth in social policy and the high potential for cross learning and cooperation. A reiteration that social protection is not merely a cost or a rescue package for the poor and vulnerable against the disastrous impacts of change is an important message of the workshop. The focus on CCTs showed how they can be an important tool in the arsenal of social protection measures. There are, however, design and policy considerations in determining the type of social protection programs that will be most appropriate and packages will have to be tailored to the needs, supply, and capacity of each country.

Analytical work and knowledge sharing will be crucial. Among the tools presented worth looking into are ADB’s social protection index, the ILO’s social security review, and the proposed social protection audit. The Regional Workshop’s outcomes will form part of a wider ADB initiative to address the social impacts of crisis and strengthen social protection for inclusive growth—a key agenda under ADB’s Strategy 2020.

Ultimately, the objective we wish to achieve is for social protection to be integrated in the development strategies and programs of partner DMCs, enabling them to grow with better managed risks. Achieving this requires a change of perception, embracing a forward-looking and more comprehensive approach and framework toward social protection, seeing it beyond a measure of last resort in times of emergency and as a standard, permanent feature of development strategies.

5. ABOUT THE PROCEEDINGS

The opening and keynote statements follow this summary. The following sections provide the papers of the Regional Workshop, divided into four parts:

- Social Protection and the Foundations of Conditional Cash Transfers;
- Social Assistance in Asia and the Pacific;
- Country Experience, Benefits, and Challenges of Conditional Cash Transfers; and

This is followed by the closing remarks and three appendixes: summaries of presentations not provided as papers in the main text, the workshop agenda, and a list of participants.

The papers in the following sections are ordered to help the reader follow the flow of thought intended. Each paper is preceded by a “brief,” prepared by ADB and summarizing the content. Four presentations are summarized in Appendix 1. Discussions, questions, and answers at the workshop are provided online, at www.adb.org/documents/events/2009/high-level-social-assistance/program.asp.
PART I

SOCIAL PROTECTION AND THE FOUNDATIONS OF CONDITIONAL CASH TRANSFERS
Honorable Esperanza Cabral, Secretary of the Department of Social Welfare and Development in the Philippines; Honorable Carol Kidu, Minister of Community Development of Papua New Guinea; distinguished guests; ladies; and gentlemen, good morning. On behalf of the Asian Development Bank (ADB), it is a great privilege for me to welcome all of you to this forum, the Regional Workshop on Social Assistance and Conditional Cash Transfers (CCTs). I am pleased that we are joined today by officials and development partners at the forefront of the struggle for poverty reduction and protection of the poor.

For 2 decades, the Asian and Pacific region has been remarkably successful in sustaining growth, reducing poverty, and improving living standards. Many people in the region are richer, healthier, and better educated because of this unparalleled growth. The incidence of extreme poverty has gone down significantly. Life expectancy increased dramatically. Adult literacy also improved substantially, from 40% in 1970 to about 90% in 2008.

But even before the current global economic slowdown, the Asian and Pacific region had been confronted with major challenges of poverty, inequity, and social exclusion. This region is still home to 1.6 billion women, men, and children who live on less than $2 a day, and 950 million live in extreme poverty. The region has some of the world’s poorest nations, such as Bangladesh, Nepal, Papua New Guinea, and Solomon Islands; some 500 million people, equivalent to about 60% of the world’s population, are undernourished; 4 million children in the region die before they reach the age of 5; over half of the 450 newborn babies who die every hour in the world die in just six Asian countries: Afghanistan, Bangladesh, the People’s Republic of China, India, Indonesia, and Pakistan; 250,000 women die each year during childbirth or from pregnancy-related complications. And while primary education is one of the region’s great successes, our performance is less impressive when it comes to reducing the drop-out rates, especially for young girls.

With the global economic slowdown spreading to the Asian and Pacific region, the achievement of the Millennium Development Goals in the region is even more challenged. It is estimated that more than 60 million individuals who would have
been lifted above extreme poverty will remain trapped in absolute poverty because of the crisis. The number may rise to 80 million in 2009 and 130 million by 2010 if the impact on the vulnerable is considered.

The Asian Development Bank's programs and projects. ADB is responding in a number of ways to meet these challenges. We have significantly enhanced our lending and guarantee operations, and stepped up our support for policy advice and regional cooperation. New initiatives are planned to provide quick-disbursing financial support. The Countercyclical Support Facility of up to $3 billion for 2 years, to provide crisis assistance and maintain credit flows to the real economy, has recently been approved. In partnership with other agencies, we will help our developing member countries protect, expand, and improve public expenditure on health, education, and social assistance. Currently, discussions are underway to design the Countercyclical Support Facility to provide support to a number of our developing members based on properly designed, targeted interventions. Furthermore, ADB has continued to process supporting projects for the vulnerable groups. For example, at the end of last year, we approved a $400 million loan for social protection measures for the People’s Republic of China, Mongolia, the Philippines, and Viet Nam, worth more than $1.1 billion. Grant support to Bangladesh, Indonesia, Mongolia, and Nepal, worth about $55 million, has already been approved this year.

Investments in social protection remain an important feature of ADB's lending activities, especially in light of the new Strategy 2020 promoting inclusive growth. Between 1998 and 2006, social protection projects represented 13% of the total ADB lending. In 2006-2008, some 6% of ADB's lending consisted of projects categorized as social protection stand-alone projects and another 18% of projects had social protection components. In addition, we have been working very closely with a number of stakeholders to enhance our own capacity. For instance, we have been holding a series of training activities with the International Labour Organization (ILO) on core labor standards. This is a clear example that ADB has been working to enhance our own standards and build solid partnerships.

Conditioned cash transfers. In CCTs, vulnerable families receive cash payment in exchange for complying with a set of socially and developmentally beneficial activities such as continued participation in antenatal care programs, nutrition programs, or school attendance. CCTs are particularly attractive policy options during economic downturns, because they provide countercyclical funds into the hands of the most vulnerable, who are likely to spend the money on essential items such as food and housing. CCTs are also attractive policy options to governments because, as experience in Latin America suggests, they can be operated at large— even national— scale and for relatively low cost.

There are clear indications that CCTs can work effectively to protect the poor in Nicaragua, for example, the portion of children taken to a healthcare center increased from 70% to 92% after CCTs. Immunization rates almost doubled, from 35% to 71%. Actual health outcomes and impacts are of course much harder to assess.

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to measure, but some studies suggest infant mortality fell 11% under Mexico’s Progresa program.

This also means that CCTs represent an important policy tool for our region to address the increasing incidences of poverty during this economic crisis. This Regional Workshop is an important one for ADB, as we hope that you will share your expertise, experience, and recommendations on how ADB can best use CCTs as an important tool to reduce poverty in our partner countries. Some important, fundamental questions include:

- What are the most relevant experiences from other parts of the world that can be effectively applied to this region?
- How can we design the CCTs to be more affordable while maintaining cost effectiveness?
- What other forms of social assistance programs can effectively complement the CCTs, particularly as related to gender equity and protection of young children?

We understand that these questions can not be fully answered in the next 2 days, but I am hopeful that, with your support and partnership, we can make significant contributions toward enhancing this important policy tool in operations. In addition, we also understand that much of this forum’s outcomes will be further discussed in the upcoming conference in Hanoi on “The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific,” in September.

Conclusion. Ladies and Gentlemen, Excellencies: In sum, I am hopeful that the 2 days of discussion can help us crystallize our thinking and approach on this and other potential interventions for the poor—especially women, young children, and other disadvantaged groups. I wish to thank all of you, especially those who traveled far to join us for this Regional Workshop. I wish you all a very fruitful discussion and, hopefully, also a good stay here in Manila.

Thank you once again and good morning.
Good morning everybody, distinguished guests, and friends.

First, I would like to thank the Asian Development Bank (ADB) for inviting me to the Regional Workshop on Social Assistance and Conditional Cash Transfers (CCTs). I am very happy to be with you this morning to share with you our experience with CCT.

Background. Our CCT program is called the 4Ps—short for the Pantawid Pamilyang Pilipino Program. The translation is “a bridge for the Filipino family,” the bridge from vulnerability to progress.

The Philippines has 80 provinces, 136 cities, and nearly 1,500 municipalities. Our population exceeds 92 million Filipinos. Our population growth rate, as of 2008, was 2.04% per year. Of the 92 million Filipinos, 4.68 million families are considered poor, consisting of 18 million individuals. The subsistence poverty incidence is 11% (2006), with 1.9 million subsistence poor families. Thus, one of the government’s reform areas is providing faster and better social protection through improved and appropriate models and programs.

Up to 3 years ago, we had a center-based model for social protection. We have at the moment about 66 centers and institutions taking care of our children, women, older persons, and disabled who need institutional care. We also have a disaster management and risk mitigation model and a community model for social protection and development—KALAHI CIDSS, which is a community-driven development program—as well as our early childhood care and development program.

Establishing the 4Ps. In 2007–2008, we established a family or household model for social protection, which is the topic of our discussion this morning. To tackle the poverty problem and respond to the challenge of meeting the Millennium Development Goals (MDGs), in March 2007, President Gloria Macapagal-Arroyo agreed to pilot test a CCT program—the 4Ps—in two provinces and two cities, covering 6,000 people. We had intended to scale up the program to cover

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1 KALAHI = Kapit Bisig Laban sa Kahirapan (Linking Arms Against Poverty); CIDSS = Comprehensive and Integrated Delivery of Social Services.
20,000 people the following year, but in January 2008 the President provided an additional P5 billion to cover 320,000 families in the country’s 20 poorest provinces.

The 4Ps was designed to promote investment in human capital among poor families with children 1–14 years of age, and works toward attaining the following MDGs:

1. elimination of extreme poverty and hunger,
2. achievement of universal participation in primary education,
3. promotion of gender equality and empowerment of women,
4. reduced child mortality, and
5. improved maternal health.

The 4Ps is patterned after the CCT programs in Latin American and African countries that have proven successful as poverty reduction and social development measures. As is the case with all CCTs, the 4Ps’ transfers aim to induce socially optimum behavior and should be considered as contracts with the recipients for the delivery of service, not as handouts. The objective is to provide assistance to the poor to alleviate their immediate needs, and to break the intergenerational cycle of poverty by investing in human capital, i.e., education, nutrition, and health.

The 20 provinces initially covered were determined through the 2006 Family Income and Expenditure Survey. In December 2008, the President extended coverage through a budgetary allocation of an additional P5 billion. The total coverage at the end of 2008 included all 17 of the country’s regions; 45 provinces—half of the country’s provinces; 255 municipalities—about 20% of the total; and 15 of the 136 cities.

Targeting and conditions. The 4Ps targets 400,000 poor households—14.8% of the poor—primarily in the 20 poorest provinces and 180 poorest municipalities, which had a poverty incidence of 61% or more in the National Statistics Office’s Small Area Estimates of 2003.

An important characteristic of the CCT program is its targeting system. First, the poorest provinces were selected based on the 2006 Family Income and Expenditure Survey. Second, the poorest municipalities in those provinces were selected based

2 They are (in order of decreasing poverty) Tawi-Tawi, Zamboanga del Norte, Maguindanao, Apayao, Surigao del Norte, Lanao del Sur, Northern Samar, Masbate, Abra, Misamis Occidental, Agusan del Sur, Oriental Mindoro, Sulu, Occidental Mindoro, Kalinga, Surigao del Sur, Mountain Province, Sarangani, Lanao del Norte, and Negros Oriental. We found that the funding provided would allow greater coverage, and added Pangasinan, Isabela, Nueva Ecija, Quezon, Albay, Antique, Dinagat Island, and Davao Oriental.

3 This brought into the program 16 more provinces: Ilocos Sur, La Union, Palawan, Romblon, Zamboanga del Sur, Zamboanga Sibugay, Sorsogon, Aklan, Western Samar, Bukidnon, Compostela Valley, Davao del Norte, Davao del Sur, South Cotabato, Sultan Kudarat, Agusan del Norte, and Misamis Oriental.
on the Small Area Estimates. Third, households in barangays\(^4\) in those municipalities were surveyed to select the poorest among them, based on a ranking system using a proxy means test.

The co-responsibilities the household beneficiaries have to comply with are that

- pregnant women must get pre- and post-natal care, and their childbirths must be attended by skilled health professionals;
- parents or guardians must attend responsible parenthood sessions, mother's classes, and parent effectiveness seminars;
- children to the age of 5 must have regular preventive health checkups and vaccinations;
- children aged 3–5 must attend daycare or preschool classes at least 85% of the time; and
- children 6–14 years must attend elementary or high school at least 85% of the time and be dewormed twice a year.

We picked these conditionalities because they address the problems that we have. It is estimated that, by targeting poor families with children, the incidence of poverty will be reduced by 9.3% by spending 0.5% of our gross domestic product (GDP) on the CCT, and 31% by spending 1.5% of our GDP on the program (Son and Florentino 2008). The severity of poverty will be reduced by 29% by spending 0.5% of our GDP, and 64.3% by spending 1.5% of our GDP.

We also need to reduce our high infant and child, as well as maternal, mortality rates and the malnutrition rate of children in the Philippines. An estimated 1 of every 4–5 children is malnourished. Reduction of the maternal mortality rate is one of the MDGs that we are unlikely to achieve by 2015. As far as infant mortality is concerned, we may or may not get there. Only 64% of Filipino children meet the World Health Organization’s weight-for-age standard. And because malnutrition and the death of mothers contribute to our still high infant and child mortality rates, we chose to put conditionalities that will address these things. Our CCT also hopes to address child labor, empowerment of women, and other development issues.

To each eligible household, the program provides

- (1) for health and nutrition, P500 a month or P6,000 a year—about $110 a year; and
- (2) for education, during the school year, P300 a month for each child, to a maximum of three children.

Thus, the theoretical maximum that a family with three or more children in school can receive is P1,400 a month. The average that we provide is actually nearer P1,200 a month because not all families have three children in school.

\(^4\) The barangay is the Philippines’ lowest administrative level.
The cash transfers are provided to the most responsible and able adult in the family—usually this is the mother. We provide it through an ATM at Land Bank, which provides our beneficiaries with a cash card. Alternate means are needed to reach families in areas not served by Land Bank ATMs—this may require up to 6 hours of travel.

The program cycle is as follows:

1. select the provinces and municipalities;
2. determine if schools and health facilities exist in the area;
3. select households;
4. assemble and register beneficiaries, and have them commit to the co-responsibilities;
5. provide the first payment;
6. verify compliance with the conditions; and
7. remit the second and succeeding payments (with continued verification of compliance).

Goals and accomplishments. We expect to see

- a significant decrease in the prevalence of stunting;
- a significant increase in the number of pregnant women getting pre- and postnatal care, and whose childbirth is assisted by a skilled birth attendant;
- a significant increase in the number of children availing of preventive health services and immunization;
- a significant increase in school enrollment;
- a significant increase in school attendance;
- a significant increase in the average years of education completed;
- an increase in the knowledge and ability of parents and mothers, particularly about how to use and mobilize government and other community services and facilities; and
- an increase in the skills and interest of mothers in transacting with financial institutions.

Accomplishments to date are that we have

- surveyed more than 1.4 million households;
- found almost 700,000 households eligible (the first group started receiving cash benefits in late 2008, and the rest, in July 2009); and
- spent more than P3 billion in grants alone.

Our administrative cost is about 3% of the total cost of the program.

The profile of our beneficiaries is nearly 40,000 pregnant women; nearly 2 million children 0–14 years old; and over 650,000 of the nearly 700,000 households are, as far as the 4Ps program is concerned, headed by women to whom we give the
responsibility of managing the money and making sure that the family exercises its co-responsibilities.

In addition, we have trained our field workers and local government unit workers on the health and education systems and components of the 4Ps. We have developed a compliance verification system to check compliance of household beneficiaries with the conditionalities. We have established a grievance redress system to capture data on vulnerabilities in project implementation as a basis for refining and improving the program. The program is a work in progress, it is not perfect, but we learn as we go along and improve whenever we need to do so.

Our modules and manuals are being used by all involved in the program, and we have established networks and linkages; for example, with the United Nations Population Fund (UNFPA) on demand-side financing for maternal and newborn health in one of the municipalities in one of the poorest provinces in the country, to improve newborn and maternal health in these areas even more than would have been the case just with the 4Ps. We also have a partnership with the United Nations Children’s Fund (UNICEF) and Barclays Bank to implement “Banking on a Brighter Future” in one city in Metro Manila and in one province.

Challenges. We face many challenges, including (1) developing alternative and complementary programs to meet the other needs of 4Ps household beneficiaries and to enhance the effectiveness of the program; (2) strengthening coordination and collaboration with stakeholders on supply-side support and augmentation; and (3) finding the safest and most accessible way to make cash transfers to 4Ps beneficiaries who do not have access to ATMs.

Evaluation. Data from the ADB ex ante impact evaluation conducted late last year indicate the following:

(1) Conditionality plays an imperative role in CCT programs because cash transfers alone will not suffice to increase school attendance significantly.
(2) Proper targeting is important to maximize the program’s impact and effectiveness.
(3) CCT programs should be complemented with other development programs.
(4) Good governance is a vital component of the program.
(5) Regular monitoring of operations and rigorous evaluation of effectiveness should be ensured.

The estimate is that, if you provide P300 a month in cash transfer for education targeting the poor, school attendance will increase from 85% to 92%, and the uniform cash transfer will reduce poverty by 9.3% using 0.5% of the GDP and by 31% using 1.5% of the GDP.

Partners. The Department of Social Welfare and Development is conducting this program with the help of other organizations. Partner agencies include the Department of Health and the Department of Education, which provide the health
and educational facilities; the Department of Interior and Local Government; the National Anti-Poverty Commission; Land Bank of the Philippines; and local government units in the areas where the 4Ps operates.

We acknowledge the help of the World Bank and the Australian Agency for International Development (AusAID) for training in financial management for improving governance and instituting anticorruption measures; technical assistance and foreign consultancy; benchmarking study tours; and the impact evaluation studies on education and health parameters of beneficiaries in eight municipalities, conducted by an independent organization.

It is said that “one generation plants the trees, another gets the shade.” We hope that we plant many trees this way.

**REFERENCE**

C. OPENING PRESENTATION: SOCIAL PROTECTION AND CONDITIONAL CASH TRANSFERS*

David E. Bloom, Ajay Mahal, Larry Rosenberg, and Jaypee Sevilla

BRIEF

The Asian Development Bank and other organizations have varied definitions of “social protection,” but all have the goal of reducing poverty and vulnerability. During the last half century, the development community has moved from viewing social protection as a cost to seeing it as integral to growth and a valid contributor to it through building human capacity. Conditional cash transfers (CCTs) comprise a relatively new component of social protection. CCTs usually are cash transfers to poor households conditioned on parental investments in their children’s health and education. Thus, CCTs contribute to reducing poverty while building human capital. They support the development of the next generation, while involving the recipient families in activities that are good for themselves and for society at large.

By their nature, CCTs require monitoring and evaluation, which has contributed to the popularity of CCTs by showing their effectiveness, e.g., in getting children to schools and healthcare centers, and in recipient families’ improved diets.

But CCTs have specific targets and do not serve to help all the poor—e.g., the elderly, the disabled, and families without young children. CCTs do not serve as social insurance against all risks, e.g., unemployment and social exclusion. Each country needs to evaluate its own situation and determine which sort of social protection will best serve the needs through, for example, a social protection audit. Then, given the resources at hand, the country will likely have to set priorities for action and determine which programs best fit the priorities.

* Presented by David E. Bloom. The authors thank Marija Ozolins for her contributions.
1. Introduction

I have two main messages to convey this morning. The first is that conditional cash transfers (CCTs) are a potentially powerful instrument of social protection. The second is that capturing the potential requires that the design and implementation of CCTs be embedded within the broader society-wide exercise of priority setting, involving all social protection policy options.

Defining social protection is a good place to start. Here is the definition of social protection used by the Asian Development Bank (ADB):

Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income (Ortiz 2001).

Other development agencies, such as the World Bank\(^1\) and the International Labour Organization (ILO)\(^2\) have their own definitions. Although not identical, their meaning is quite similar in that the essential goal is the reduction of poverty and vulnerability.

I’d like to make two observations about ADB’s definition. The first has to do with the phrase “poverty and vulnerability.” Although this phrase sounds simple, it actually reflects a sophisticated and modern understanding of the nature of threats to human well-being. The development community has traditionally focused on a narrow, economic view of underdevelopment, which emphasized income poverty and the low-income population’s lack of access to productive physical assets.

However, over the past half-century, the development community has shifted its stance to acknowledge that suffering and vulnerability are both multicausal phenomena; for example, suffering results not only from economic deprivation, but also from deficits in health, education, and social standing. In addition, suffering can result from deprivations that attack groups of people defined by aspects of shared identity such as gender, race, ethnicity, religion, and age. Vulnerabilities have a multiplicity of causes, encompassing everything from accidents of birth to the social distribution of wealth to the nature of a country’s laws, regulations, and social norms. Vulnerability does not only imply having low levels of income or education; for example, it also includes risks of further deprivation such as that caused by catastrophic impact on household finances due to illness, destruction of

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1 World Bank: “public policies that assist individuals, households, and communities in better managing risks and that support the critically vulnerable” (World Bank 2009, p. 1)
2 ILO: the set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner); the provision of health care; and the provision of benefits for families with children (ILO 2000, p. 29.)
harvest or home by natural disaster, and loss of employment or schooling due to global economic downturn.

It is also important to keep in mind that, as our understanding of the scope and extent of suffering and vulnerabilities grows, so too do the scope and extent of policies that fall under the umbrella of social protection.

A second observation about ADB’s prototypical definition of social protection is that although it aims to address poverty and vulnerability, not all policies that have the effect of reducing poverty and vulnerability fall under social protection. For example, although policies governing exchange rate, money supply, trade, and technology are intended to promote economic growth and therefore to reduce poverty and vulnerability, they are not normally considered part of social protection. This makes sense, as social protection would become a vacuous and unhelpful concept if it included everything that contributed to the reduction of poverty and vulnerability. Thus, social protection usually refers to policies that are directly and explicitly aimed at poverty and vulnerability, rather than policies with another primary goal whose activities may have some downstream social protection value.

By way of further background, the ADB framework for thinking about social protection has five components. These include labor markets, social insurance, social assistance and welfare, micro- and area-based programs, and child protection. The labor markets component concerns the promotion of employment and labor market efficiency, and the protection of workers against forces such as discrimination and exploitation. The social insurance component refers to policies that spread the risk of economic impacts associated with unemployment, ill health, disability, work injury, and old age. The social assistance and welfare component refers to policies and programs that involve the redistribution of social resources to vulnerable groups such as single mothers, the homeless, and the physically and mentally challenged. The micro- and area-based program component includes initiatives like social insurance, social funds, and programs to manage natural disasters—insofar as they have a subnational geographic scope. Finally, the child protection component aims to ensure healthy and productive child development through, for example, the establishment of child rights, advocacy, and development programs, and through the provision of resource transfers to families.

These components are not mutually exclusive. For example, CCTs traditionally fall under the category of social assistance, but it is also fairly clear that CCTs contribute

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3 A social fund (sometimes also called social investment fund, social fund for development, social action fund, national solidarity fund, or social development agency) is an institution, typically in a developing country, that provides financing for small-scale public investments targeted at meeting the needs of poor and vulnerable communities. Social funds also aim to contribute to social capital and development at the local level. In many cases they serve as innovators and demonstrators of new methods of decentralized participatory decision making, management, and accountability that may be adopted for broader application by public sector organizations.
to child protection. In addition, when CCTs are implemented regionally, they are an example of a micro- and area-based scheme as well.

2. **Social Protection—Expanding Human Capacities**

   In recent years, there has been a dramatic shift in the way social protection is viewed within the context of the general process of social and economic development. Social protection was traditionally viewed as little more than picking up the pieces around the edges of the important business of economic growth. Put another way, social protection was viewed as consumption, not investment. Recently however, development thinking has evolved to view social protection as wholly integral to the process of economic growth.

   Three concrete and coherent mechanisms are believed to be at work with respect to the ways in which social protection may serve as an instrument of economic growth. First, social protection is seen as promoting household well-being, which in turn facilitates household decisions to accumulate human capital through health and education in the younger generation, thereby setting the stage for long-term economic growth. Second, social protection disperses the risks that threaten a healthy, productive, and secure workforce. And third, social protection promotes sociopolitical stability by reducing socioeconomic inequality. It does this by expanding the share of the national population that has the opportunity to participate in economic activity, which will tend to promote a widespread and deep commitment to that growth.

   ADB deserves credit, because it gives explicit recognition in its Strategy 2020 to the role of social protection in promoting inclusive economic growth, one of its three primary goals. According to that strategy, “the region must promote greater access to opportunities by expanding human capacities, especially for the disadvantaged, through investments in education, health, and basic social protections. It must also improve the poor’s access to markets and basic productive assets by putting in place sound policies and institutions. Finally, social safety nets must be strengthened to prevent extreme deprivation” (ADB 2008, pp. 11–12).

   To monitor its own performance, ADB has identified a number of social protection indicators. These indicators coincide closely with the United Nations’ Millennium Development Goals and include absolute poverty, the prevalence of undernourishment, the primary school completion rate, and gender ratios in primary school enrollments.

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[^4]: The estimation method for number of people undernourished is explained in [http://millenniumindicators.un.org/unsd/mdg/Metadata.aspx?IndicatorId=0&SeriesId=640](http://millenniumindicators.un.org/unsd/mdg/Metadata.aspx?IndicatorId=0&SeriesId=640). Three key parameters for each country include the average amount of food available for human consumption per person, the level of inequality in access to that food, and the minimum number of calories required for an average person.
The overlap between outcomes used by ADB to evaluate social protection programs and the Millennium Development Goals includes:

- population living on less than $1 per day,
- prevalence of undernourishment,
- primary school completion rate,
- under-5 mortality rate,
- maternal mortality rate, and
- gender enrollment parity.

ADB can also be praised for clearly and forcefully arguing that the global economic crisis heightens rather than diminishes the importance of social protection. Like many others in the world, ADB seems to understand that one should never let a serious crisis go to waste: “Governments must help prevent millions of the vulnerable from sliding into poverty. Attention to social protection and investments to stimulate internal demand and reduce this vulnerability is imperative during the economic slowdown” (ADB 2009, p. 17).

### 3. Conditional Cash Transfers

With this brief overview of social protection in place, I will now proceed to the specific component of social protection that brings us all together—CCT programs. CCTs are usually defined to be cash transfers made to poor households conditioned on parental investments in the education and health of their children. CCTs have become very popular, as gauged by the number of developing countries that have implemented or are actively showing interest in them. CCTs have broad appeal, and it is hardly surprising that they are proving themselves so attractive. Countries with CCTs in 2008 included Argentina, Bangladesh, Bolivia, Brazil, Burkina Faso, Cambodia, Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, India, Indonesia, Jamaica, Kenya, Mexico, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, the Philippines, Turkey, and Yemen (World Bank 2009a).

Contributing to the popularity of CCTs is that they do double duty as an instrument of development: they contribute to contemporaneous poverty reduction through the cash transfer component, and they contribute to education and health (and therefore long-term economic growth and poverty reduction) through the conditionality component. CCTs therefore exemplify the potential for social protection to be not mere consumption but investment; not an after-thought to the growth process, but a direct spur to economic growth itself.

In addition, the primary beneficiaries of CCTs are young children; this is important for both moral and biological reasons. Regarding the first set of reasons, children occupy a special place in our moral sentiments because they are vulnerable in that they cannot help themselves and are wholly or substantially dependent on others; they are innocent in the sense that they are not responsible for their situation
the way that adults might bear some responsibility for their poverty; and, most importantly, they represent the future. Regarding the biological reasons, we realize that investments in early childhood development are wholly vital, and that early life deprivations often have effects that are irreversible later in life.

A third explanation for the popularity of CCTs is the aspect of conditionality that prevents beneficiaries from being wholly passive. In response to the benefits they receive, CCT beneficiaries are required to do things that are good for themselves and for society. They become part of a social contract that involves a quid pro quo that reduces the risk of creating a culture of dependency. This is of immense value in the political economy and sociocultural context of redistribution, because redistribution that requires beneficiaries to help themselves and contribute to the self-reliance of future generations is more politically palatable than redistribution that requires nothing more than the passive receipt of cash.

4. Monitoring and Evaluation

A fourth reason underlying the popularity of CCTs is that early CCT interventions, particularly in Latin America, were accompanied by rigorous monitoring and evaluation. These studies consistently showed beneficial impacts on household consumption, school enrollments and attendance, and health service utilization, with little adverse impact on labor supply.5

Two components of the monitoring and evaluation revolution are worth highlighting. The first involves the ancillary benefits of measurement. For example, if the primary goal is to reduce individual vulnerabilities, those vulnerabilities must be directly measured at an individual level. More specifically, the data must involve large samples of individuals that are representative of a region or country, and that directly relate to the vulnerabilities in question: poverty, health, cognitive function, and so forth. Conveniently, the information needed for evaluating impact is the same information needed to establish priorities among different geographies, groups, vulnerabilities, and policies. In this sense, monitoring and evaluation—which we already know how to do reasonably well—is complementary with the design and implementation of social protection policies and of priority-setting among them.

The second comment about monitoring and evaluation relates to the strategies adopted for measuring effectiveness. A few prominent CCTs have employed randomized experimental designs that produced evidence of effectiveness that was relatively uncontaminated by statistical problems like sample selection or endogenous program placement. In the language of statistics, the experimental evidence had high internal validity in the sense that the evaluation exercises yielded

5 The literature suggests an uncertainty with respect to the impact of CCTs on actual health and on cognitive development; these are clearly areas in which future research efforts must focus.
accurate measures of effectiveness for the places in which these programs were implemented. These studies have, however, received some skepticism with respect to their external validity. In other words, their lessons may not be readily applied to other contexts. Still, although randomized evidence may have high internal validity and questionable external validity, this is superior to having no data for monitoring and evaluation or data whose properties are not well understood. Monitoring and evaluation studies using poor-quality data will have neither internal nor external validity.

5. LIMITS OF CONDITIONAL CASH TRANSFERS

CCTs are a very attractive policy option, for the reasons just mentioned; they also address important priorities within social protection. However, CCTs do have some natural limits and are far from being a magic bullet with respect to social protection.

First, CCTs are targeted toward poor households with children, with the aim of promoting long-term human capital accumulation. It follows that there are vulnerabilities that CCTs will not naturally address. Obvious examples are the poor elderly who do not reside with children, or poor households without children or with older children. People with disabilities are also excluded.

Second, CCTs are probably not the best tool for social insurance against all risks. For example, the risk of unemployment is better addressed through the provision of temporary support during an actual unemployment spell than by the long-term transfers implied by CCTs. Many risks become a transitory reality for a small portion of the population, and it is financially sensible to provide the needed financial support after the fact and only to those who need it, rather than to provide it before the fact to everyone who might need it.

Third, some vulnerabilities involve social exclusion and discrimination rather than poverty and poor education or health. For such vulnerabilities, the appropriate responses might include political and legal reform, as well as mobilization for changes in social norms and attitudes. CCTs are not appropriate for such circumstances.

In sum, even if CCTs represent an attractive policy option and a sensible solution to some aspects of social protection in a particular country, it is exceedingly unlikely that they will offer an across-the-board approach to addressing a country's whole portfolio of social protection needs.

6. PRIORITIZING SOCIAL PROTECTION OPTIONS

Assuming we all accept the proposition that CCTs are but one element of social protection, what are the implications that follow? One important implication concerns the relative priority of CCTs as a solution to the set of pending social
protection needs. Economics is about making difficult choices or trade-offs. The discipline is premised on the idea that, whether we are individuals or groups, we can’t have everything we want. If we want more of item A, we usually have to live with less of item B. This is true when you go to the grocery store, and it is also true of governments and development agencies with respect to their policies and programs. When you cannot do everything you want to do, you must of course prioritize. The key is to prioritize rationally and systematically.

In every developing country, one will find children whose health and education suffer because of household poverty. One will also find these children co-existing with elderly poor who have no pension incomes, with unemployed persons, with disabled persons, and in households that are burdened by expensive treatments and medicines for their associated illnesses.

Just as CCTs are a possible policy option, so are universal pensions for the elderly, universal access to essential health services, and perhaps a universal minimum income. I do mean everybody in the term universal, including those in the informal sector. The ILO has done valuable work in estimating the costs of a basic social protection package involving similar elements to those just enumerated, and has come to the conclusion that such packages are within reach of even the poorest countries—between 4% and 8% of gross domestic product for a selection of Asian countries, including Bangladesh, India, Nepal, Pakistan, and Viet Nam.6

A key bottom line, then, is that a government cannot address the question of whether CCTs are right for its country without also asking the more general question of what the other pressing social protection priorities in that country are, and where CCTs fall in the list of priorities.

How exactly might a developing country rationalize its social protection priorities and contextualize CCTs within them? By way of an answer, my colleagues and I propose the development of a protocol for what we might call a social protection audit.

The first step in the audit is an empirical measurement of all social protection needs and vulnerabilities within a population. With a fair amount of statistical sophistication and heavy reliance on population-level micro-data, you must take seriously the challenge of measuring all the various vulnerabilities faced by the population. You must measure not only which vulnerabilities exist, but how many people are affected by each one, and the size of the vulnerability faced by the representative person. The size of the vulnerability in turn might involve the poverty gap among the elderly poor, or the average cost of catastrophic illness. You must also measure where vulnerabilities tend to be geographically concentrated,

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6 “The evidence presented shows that low-income countries not only should but also can have social security systems that provide a basic package of health services to everybody, basic cash benefits to the elderly and to families with children and social assistance to a proportion of the unemployed” (ILO 2008, p. 17).
and so on. “Bigger” vulnerabilities get higher priority; “smaller” vulnerabilities get lower priority. Because I am an economist, I am inclined to call this the population’s “demand” for social protection.

The next step in the audit involves canvassing existing social protection activities, in terms of the number of beneficiaries they reach; determining the value of the benefits per beneficiary; and defining various measures of program quality including cost efficiency, targeting efficiency, and political popularity. We should not limit ourselves to social protection conducted by governments, but include those conducted by other important social actors like nongovernment organizations, religious organizations, and communities. And again, because I am an economist, I am inclined to call this the “supply” of social protection.

The difference between demand and supply is the extent of social vulnerability that is currently not met by social protection efforts. We can call this the unmet need for social protection. It is in this space of unmet need for social protection that prioritization for new initiatives, including CCTs, must take place.

As I noted earlier, of all the things that might be done to address these unmet needs, CCTs are only one option for addressing some vulnerabilities. Other options should be in this enumeration as well, including policies that might extend pensions and health coverage to the informal sector. Of course, each of these policy options should come with an estimate of its costs as well as an estimate of its benefits. These costs are not limited to dollar costs, but include costs in terms of administrative capacity, political capital, leakage, etc. The benefits are the magnitude of the vulnerabilities that each policy will eliminate: the more people a policy reaches, or the larger the benefit per person reached, the larger the benefits. Priorities are then ranked in terms of net benefits. From this exercise, you see that the question for CCTs is not only whether they yield positive net benefits, but also whether they yield larger net benefits than alternative uses of resources.

The act of trying to set priorities rationally, as we propose to do in this audit, raises many difficult issues of valuation. For example, deciding on the relative priority of different social protection activities will implicitly require addressing questions such as: What is the relative value of raising an elderly person above the poverty line, versus protecting a family from the risk of catastrophic health expenditures, versus promoting the health and education of a young child from a poor family? This is not the occasion to try to provide a fully elaborated and defended answer or set of principles for addressing such questions. The point is that, in a world of scarcity, such questions must be answered, and are in fact being implicitly answered by governments when they choose the budgets and scale of their programs, regardless of whether they are aware they are doing so. Indeed, much can be learned from this exercise just from taking governments’ existing social protection portfolios and inferring from them, through the amount of dollars currently committed to each of the vulnerable groups, the implied relative valuations of the outcomes.
Although I will not spell out the algorithm, I am confident that the valuation exercise being proposed could be implemented meaningfully in that it would contribute useful inputs to the process of making informed judgments about the desirability of different social protection interventions. In the event that controversy attaches itself to any particular principle offered for solving the relative valuation problem, an alternative may be to perform a sensitivity analysis. That is, we may conduct the prioritization exercise for alternative plausible answers to the relative valuation problem. If certain priorities always emerge for a lot of different approaches to relative valuation, then we might be comfortable with those priorities.

As you can see, the complexity of this process prevents it from being a cut-and-dried exercise yielding a scalar ranking of priorities. The most such a process can contribute is to point in certain directions. It can do no more than contribute inputs to a process of making informed judgments.

7. Conclusion

Contrary to the words of Thomas Hobbes—the English moral and political philosopher who in 1660 described life in an unregulated state of nature as being “solitary, poor, nasty, brutish, and short”—the key premise of social protection is that this is not the way it has to be. We live at a moment in history that is both challenging and exciting; challenging because of the global economic crisis, and exciting because of our growing commitment to and understanding of social protection and CCTs.

We are seeing a paradigm shift from an earlier mindset in which social protection was viewed as an unproductive allocation of resources and a drag on growth, to one where social protection and CCTs are important contributors to growth and providers of support both to those who do or will contribute to growth and to those who are unable to do so.

As an emerging subfield within the field of development, social protection has a lot going for it because it’s not an area where we are being blinded by grand theories and forced to think in terms of overly simplistic dichotomies. Instead, the researchers and practitioners in this area are showing an admirable degree of attentiveness to context, to evidence, and to each other, something that is both refreshing and promising.

7 The question of relative valuation in social protection is made somewhat easier because many of the alternatives involve transfers of cash, either through pension income, reimbursement for health expenditures, or CCTs, so that the relative value of giving a dollar to an elderly poor person, to someone who has just suffered from an expensive illness, or to a poor household with a school child can be approximated by the relative size of the marginal benefits that such a dollar provides to each of these three groups. In the case of someone suffering from an illness, this marginal benefit includes the insurance value of the dollar. In the case of the household with children, it includes the return to human capital.
REFERENCES


Brief

A majority of the world’s population, including that in Asia, still has no access to even basic social security. In crisis, such as the one now being experienced globally, when sources of income security shrink or disappear, the consequences of social security deficit become even more dramatic than usual. While the impact of the crisis on the labor markets of Asia and the Pacific will differ by country, a few common patterns are emerging. The first of these common patterns is growing job losses, particularly in wage employment. The most recent national data indicate a significant employment impact in the manufacturing sector for a number of countries, particularly in key export industries. Job losses in industries combined with stalled new recruitment are pushing unemployment rates up in some Asian countries.

An adjustment to retrenchments in developing Asia is the shift to informal and vulnerable employment. In situations of high levels of poverty and inadequate social safety nets, workers who are cut from formal wage employment frequently are left with few alternatives except to turn to lower productivity and informal economic activities. Many workers in these types of employment do not enjoy social protection in cases of job loss, personal or family illness, or other difficulties; they are less likely than formal wage employees to receive adequate income and to have their fundamental labor rights respected.

Current social security systems in the Asia and Pacific region include contributory social security systems that proved effective in providing social security coverage to those who have relatively regular cash incomes. But only a few countries in the region have comprehensive social security systems that cover more than 10% of workers and their families. The current crisis presents an opportunity for some developing countries in the region to improve their social assistance and poverty reduction programs, with the aim of gradually developing an effective “social protection floor” over time. Such a social protection floor includes improved access to employment opportunities; affordable access to basic healthcare; protection and education for children, the elderly, and people with disabilities; social assistance
for the poor or the unemployed; and other features that vary according to country needs and stages of development.

1. INTRODUCTION

1.1. MAIN MESSAGES

The main messages of this paper are as follows:

- Provision of basic social security is an investment in a country's development, giving in return not only reduced poverty but also increased demand and expanded domestic markets; a healthier, better educated, empowered, and more productive workforce; and peace, stability and social cohesion, less conflicts, and politically more stable societies.
- In times of crisis, social security transfers not only prevent widening and deepening of poverty but work as economic and social stabilizers.
- To achieve sustainable development, countries thus have to start building their social security systems, beginning with setting a “social protection floor” consisting of mechanisms providing affordable access to basic healthcare; minimum income support for the elderly, disabled, and children; and employment guarantees and social assistance to the unemployed and the working poor.
- The cost of such a benefit package is within reach of even the poorest countries, but making it affordable requires political will followed by rationalization of current spending programs, reallocation of domestic resources and donor aid, as well as policies and measures creating the new “fiscal space.”

1.2. TERMINOLOGY

Definitions of social protection and social security differ across countries and international organizations. We do not aim here to propose any universal definition; the purpose is only to clarify terms and concepts as they are used in this paper and other International Labour Organization (ILO) documents.

The term “social protection” is used across the world and institutions with a great variety of meanings. Some define it as having a broader character than social security (including protection provided between members of the family or members of a local community), some as being narrower (understanding it as including only measures addressed to the poorest, most vulnerable, or excluded members of society). The ILO (similar to the European tradition) tends not to distinguish between “social security” and “social protection” (although institutionally the “social protection sector” of the International Labour Office covers a wider range of programs than social security and includes issues of safety at work and other aspects of working conditions such as hours, wages, etc.).

The notion of social security (equal to social protection) adopted here covers all measures providing benefits, whether in cash or in kind, to secure protection, inter
alia, from (1) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (2) lack of or unaffordable access to healthcare; (3) insufficient family support, particularly for children and adult dependents; and (4) general poverty and social exclusion.

Social security usually is provided by public institutions and financed either from contributions or taxes. However, delivery of social security can be mandated to private bodies, and many privately run institutions (of insurance, provident fund, self-help, community-based, or mutual character) may provide certain social security functions or even include social security schemes. Entitlements to social security are conditional either because social security contributions were paid for a prescribed period (contributory schemes, i.e., social insurance), or by entitlement by all residents of a country who meet certain criteria (noncontributory schemes). These other criteria may make benefit entitlements conditional on age, health, labor market, income, or other determinants of social or economic status and/or even certain behavior.

What distinguishes social security from other social arrangements is that (1) benefits are provided to beneficiaries without any simultaneous reciprocal action required (e.g., it is not remuneration for work or other services delivered); and (2) it is not based on individual agreement between a protected person and a provider (e.g., a life insurance contract) but has a wider, group character (e.g., a collective agreement).

Depending on the category of the conditions applied, one can also distinguish between non-means-tested schemes (where conditions of benefit entitlement do not include a total level of income or wealth of the beneficiaries and their families) and means-tested schemes (where, to qualify, beneficiaries must have income or wealth below a prescribed threshold).

The special category of “conditional” schemes includes schemes that, in addition to other conditions, require beneficiaries (and/or their relatives or families) to participate in prescribed public programs (e.g., specific health or educational programs).

Branches (or functions) of social security, as defined in Convention No. 102, include protection in case of sickness (medical care and income support); disability (medical care, rehabilitation, income support, and long-term care); maternity (medical care and income support); employment injury (medical care, rehabilitation, and income support); unemployment (income support and active labor market policies); old age (income support and long-term care); and death of a family member (income support). One can, however, add functions such as income support to secure housing and income support in case of general poverty and social exclusion.

1.3. Universal Right to Social Security

Social security, as defined above, was declared a human right only in 1948 in the Universal Declaration of Human Rights (article 25):
Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond his control.

However, the ILO has been making social security an inherent part of international labor standards since its creation in 1919. The preamble of the ILO Constitution (1919) gives the organization a mandate to improve conditions of labor through, inter alia, “the prevention of unemployment … the protection of the worker against sickness, disease, and injury arising out of his employment, the protection of children, young persons, and women, provision for old age and injury.” In 1944, the Declaration of Philadelphia (which became part of the ILO Constitution) widened this mandate, further stating its continuing support to all the national and international efforts aimed at “the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care.”

In 2008, the International Labour Conference strongly confirmed this mandate in the ILO Declaration on Social Justice for a Fair Globalization by declaring that

“based on the mandate contained in the ILO Constitution, including the Declaration of Philadelphia (1944), which continues to be fully relevant in the twenty-first century and should inspire the policy of its Members and which, among other aims, purposes and principles … recognizes that the ILO has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of … the extension of social security measures to provide a basic income to all in need, along with all the other objectives set out in the Declaration of Philadelphia” (ILO 2008b).

Unfortunately, despite the above declared commitment, a majority of the world’s population, including a majority of the population in Asia, has still no access even to basic social security. In a crisis, like the one experienced globally, when sources of relative income security shrink or disappear, the consequences of social security deficit become even more dramatic than usual. That is why the international community in times of crisis calls for action aimed at providing—as quickly as possible—elements of basic social security to all in need. The Chief Executives Board (CEB) for Coordination of the Secretariat of the United Nations (UN) system, composed of all the chief executives of the UN system agencies, issued a communiqué, agreeing on nine joint initiatives with the aim to “assist countries and the global community to confront the crisis, accelerate recovery, and build a fair and inclusive globalization allowing for sustainable economic, social, and environmental development for all.” Among these nine initiatives, two in particular relate to the objective of providing social security to all in need: (1) the Global Jobs Pact, aimed at “boosting employment, production, investment and aggregate demand, and promoting decent work for all,” and (2) the social protection floor, aimed at “ensuring access to basic social services, shelter, and empowerment and protection of the poor and vulnerable” (CEB 2009a). The CEB issues paper explains the role of the social protection floor in greater detail (CEB 2009b):
This global crisis is likely to have dramatic social and health effects. In crisis conditions, social security benefits and public health services act as social, health, and economic stabilizers, thereby curtailing the potential social and economic depth of the recession, through avoiding poverty and stabilizing aggregate demand. The international community should advocate and support the development of a social protection floor to protect people during the crisis, and thereafter. The definition transcends the mandate of any individual UN agency, so a coherent system-wide approach is needed. A social protection floor could consist of two main elements: (a) Services: geographical and financial access to essential public services (such as water and sanitation, health, and education); and (b) Transfers: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum income security and access to essential services, including healthcare.

The ILO, together with World Health Organization (WHO), a lead agency in the social protection floor initiative, in the conclusions adopted by 98th session of the International Labour Conference in June 2009, saw building social protection systems as one of the main responses to the crisis and called for (ILO 2009c)

1. introducing cash transfer schemes for the poor to meet their immediate needs and to alleviate poverty;
2. building adequate social protection for all, drawing on a basic social protection floor, including access to healthcare, income security for the elderly and persons with disabilities, child benefits, and income security combined with public employment guarantee schemes for the unemployed and working poor;
3. extending the duration and coverage of unemployment benefits (hand-in-hand with relevant measures to create adequate work incentives recognizing the current realities of national labor markets);
4. ensuring that the long-term unemployed stay connected to the labor market through, for example, skills development for employability;
5. providing minimum benefit guarantees in countries where pension or health funds may no longer be adequately funded to ensure workers are adequately protected and considering how to better protect workers’ savings in future scheme design; and
6. providing adequate coverage for temporary and nonregular workers.

2. LABOR MARKET IMPACT OF THE GLOBAL ECONOMIC CRISIS IN ASIA AND THE PACIFIC

This section provides an overview of the impact of the current global economic crisis on labor markets in the Asia-Pacific region in order to assess vulnerable groups and their social protection needs. While the impact of the crisis on the labor markets

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1 This section draws on Hyunh et al. (2009).
of Asia and the Pacific will differ by country, a few common patterns are emerging from available information to date.

### 2.1. JOB LOSSES

The first of these common patterns is growing job losses, particularly in terms of reduction in wage employment. The most recent national data indicate a significant employment impact in the manufacturing sector for a number of countries, particularly in key export industries.

In the People’s Republic of China (PRC), job losses from large-scale factory closures, due to not only the crisis but also the industrial restructuring to higher value-added production prior to the crisis, have led to more than 20 million retrenched workers returning to the countryside in pursuit of rural employment.\(^2\) In Malaysia, the number of retrenched workers totaled 12,600 in the first quarter of 2009.\(^3\) While the absolute number of retrenched workers may be small, the number is nearly a fourfold increase from the average quarterly number of retrenched workers in 2008 of 3,460. More than three-fourths of the retrenched workers in the first quarter of 2009 were in manufacturing.

In Indonesia, the Ministry of Manpower and Transmigration reported that job reductions exceeded 51,000 workers while the Indonesian Employers Association (APINDO) reported over 237,000 layoffs between October 2008 and March 2009, with the textile and garments sector accounting for the bulk of those retrenchments, followed by palm oil plantations, automotive and spare parts, construction, and footwear (Tempo Interactive 2009 and Jakarta Post 2009). In Cambodia, employment in the garment sector contracted by 15% between September 2008 and February 2009 (Jalilian et al. 2009a). In Thailand, the number of persons on unemployment insurance rose by 17.2% in January 2009 alone, after rising by 38.3% in 2008 compared to the previous year (Thailand Office of National Economic and Social Development Board 2009).

Job losses in different industries combined with stalled new recruitment are pushing unemployment rates up in some Asian countries (Table 1). In the Philippines, the unemployment rate increased to 7.7% in January 2009 compared with 7.4% in January 2008, representing a 6.7% increase in the number of unemployed persons, while the number of unemployed persons increased by 28.7% in Thailand.

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2 The PRC government recently stated that around 20 million internal migrant workers in the country—more than 15% of the PRC’s estimated 130 million internal migrant workers—lost their jobs in recent months. While many of these workers will take up some form of employment to offset lost income and therefore will not be unemployed in the statistical sense, this figure is indicative of a rapid decline in labor demand and the reality of rising unemployment and underemployment, reduced hours, and falling job security (Johnson and Batson 2009).

3 Ministry of Human Resources, Malaysia. From the number of total layoffs reported from 1 October 2008 to 14 May 2009, it appears that around 75% of retrenchments are permanent, while 25% of retrenchments took place under voluntary separation schemes.
Social Protection and the Foundations
of Conditional Cash Transfers

In situations of high levels of poverty and inadequate social safety nets, workers who are cut from formal wage employment frequently are left with few alternatives except to turn to lower productivity and informal economic activities. One useful indicator that is likely to capture this shift from more formal, wage employment to less formal economic activities is “vulnerable employment,” which is defined as the sum of own-account workers and unpaid family workers. Many such workers in developing economies, but at times in developed economies as well, do not enjoy social protection in case of job loss, personal or family illness, or other difficulties; they are less likely than formal wage employees to receive an adequate income and to have their fundamental labor rights respected.

Recent official data in Indonesia and Thailand corroborate the expansion of vulnerable employment. In Indonesia, the number of employees expanded by 1.4% and a staggering 74.5% in Singapore from March 2008 to March 2009. On the other hand, in Indonesia, the unemployment rate in February 2009 decreased compared to a year ago. This favorable trend, however, is more nuanced if one takes into the account the accompanying trend of a shift to informal and vulnerable employment—a common pattern discussed next.

2.2. Expanding Vulnerable and Informal Employment

A larger adjustment to retrenchments in developing Asia is the shift to informal and vulnerable employment. In situations of high levels of poverty and inadequate social safety nets, workers who are cut from formal wage employment frequently are left with few alternatives except to turn to lower productivity and informal economic activities. One useful indicator that is likely to capture this shift from more formal, wage employment to less formal economic activities is “vulnerable employment,” which is defined as the sum of own-account workers and unpaid family workers. Many such workers in developing economies, but at times in developed economies as well, do not enjoy social protection in case of job loss, personal or family illness, or other difficulties; they are less likely than formal wage employees to receive an adequate income and to have their fundamental labor rights respected.

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### Table 1. Unemployment and Number of Unemployed in Selected Asian Countries, 2008–2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment Rate, Early 2008</th>
<th>Unemployment Rate, Early 2009</th>
<th>No. of Unemployed, Early 2008 ('000)</th>
<th>No. of Unemployed, Early 2009 ('000)</th>
<th>Change in No. of Unemployed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>8.5</td>
<td>8.1</td>
<td>9,430</td>
<td>9,260</td>
<td>−1.8</td>
</tr>
<tr>
<td>Japan</td>
<td>4.0</td>
<td>5.0</td>
<td>2,650</td>
<td>3,340</td>
<td>26.0</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>3.2</td>
<td>3.7</td>
<td>787</td>
<td>933</td>
<td>18.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>7.4</td>
<td>7.7</td>
<td>2,675</td>
<td>2,855</td>
<td>6.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.9</td>
<td>3.2</td>
<td>55</td>
<td>96</td>
<td>74.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.7</td>
<td>2.1</td>
<td>606</td>
<td>780</td>
<td>28.7</td>
</tr>
</tbody>
</table>

Note: Early 2008 and 2009 refers to February for Indonesia, April for Japan and the Republic of Korea, January for the Philippines, and March for Singapore and Thailand.


4 For a discussion of this definition of vulnerable employment, refer to ILO (2009, p. 14). Wage workers (employees) can also carry a high economic risk—particularly casual wage workers and workers on temporary contracts, who are often the first to be dismissed from a downsizing firm.
from February 2008 to February 2009, while the number of employers did not change much. On the other hand, employment statuses considered more vulnerable outpaced the growth in wage employment during the same period. In particular, the number of casual workers not in agriculture increased by around 7.3% during the period. In Thailand, the fourth quarter 2008 figures indicate that the number of wage employees contracted by more than 100,000 or by 0.6%, while the number of own-account and contributing family workers combined increased by an astounding 800,000 compared to the previous year, or by 2.6% and 6.4%, respectively.

Table 2. Recent Trends in Employment Status, Indonesia and Thailand

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>28.52</td>
<td>28.91</td>
</tr>
<tr>
<td>Employers</td>
<td>24.58</td>
<td>24.61</td>
</tr>
<tr>
<td>With permanent workers</td>
<td>2.98</td>
<td>2.97</td>
</tr>
<tr>
<td>With temporary workers</td>
<td>21.60</td>
<td>21.64</td>
</tr>
<tr>
<td>Own account workers</td>
<td>20.08</td>
<td>20.81</td>
</tr>
<tr>
<td>Casual Workers</td>
<td>10.93</td>
<td>11.50</td>
</tr>
<tr>
<td>In agriculture</td>
<td>6.13</td>
<td>6.35</td>
</tr>
<tr>
<td>Not in agriculture</td>
<td>4.80</td>
<td>5.15</td>
</tr>
<tr>
<td>Unpaid workers</td>
<td>17.94</td>
<td>18.66</td>
</tr>
<tr>
<td>Others</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>102.05</td>
<td>104.49</td>
</tr>
</tbody>
</table>

— = not available.

Note: The “Others” category in Thailand includes members of producers’ cooperatives.

Sources: Labor force surveys of Indonesia’s National Statistics Office and Thailand’s National Statistical Office.

Although the main transmission channels have primarily affected urban labor markets, the consequent effect on the rural economy, employment, and household income cannot be understated. In many parts of developing Asia, job losses in export manufacturing have affected the rural-to-urban migrants and their income support to their rural families. For retrenched workers who are not able to find new urban employment, seeking rural work opportunities is often the only remaining option. This process of reverse migration has taken place throughout the region, notably in India and Viet Nam, among others. The PRC, the factory of the world, has been experiencing unprecedented labor market pressures as approximately 20 million migrant workers who lost jobs in factories and cities have returned to
their home villages. In order to support themselves and their families, many of these returnees are likely to be involved in informal activities given their low skills and educational qualifications.  

### 2.3. Falling Incomes, Rising Working Poverty

As many workers in vulnerable employment are more likely to be in the lower end of the income spectrum, trends in vulnerable employment are very much linked with trends in working poverty. A great deal of uncertainty remains as to how the current crisis will affect overall levels of poverty and working poverty in the Asia region, but some possible scenarios are presented in the next section. Nonetheless, a tremendous impact will likely be felt by the workers and households who have risen just barely above the poverty line in recent years due to new formal employment opportunities and who are now very vulnerable to falling back into poverty as a result of the crisis. More than 52 million workers are currently living just 10% above the extreme $1.25-a-day poverty line, while more than 140 million are living just 20% above the extreme poverty line (ILO 2008f).

There is already evidence of falling incomes and increasing vulnerability to working poverty in the Asian region. In India, prices of waste materials, which low-skilled workers collect and sell to scrap shops, have in many cases fallen by 50% from October 2008 to January 2009 (Table 3). A survey conducted among unskilled

<table>
<thead>
<tr>
<th>Table 3. Prices of Waste, Ahmedabad, India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Waste</strong></td>
</tr>
<tr>
<td>Steel/Iron</td>
</tr>
<tr>
<td>Nuts, Bolts, Screws</td>
</tr>
<tr>
<td>Waste Steel</td>
</tr>
<tr>
<td>Plastic Bags</td>
</tr>
<tr>
<td>Type 1</td>
</tr>
<tr>
<td>Type 2</td>
</tr>
<tr>
<td>Paper</td>
</tr>
<tr>
<td>Brown paper</td>
</tr>
<tr>
<td>Newspaper</td>
</tr>
<tr>
<td>Hard plastic</td>
</tr>
<tr>
<td>Type 1</td>
</tr>
<tr>
<td>Type 2</td>
</tr>
<tr>
<td>Cloth</td>
</tr>
<tr>
<td>Clean cloth</td>
</tr>
<tr>
<td>White cloth</td>
</tr>
</tbody>
</table>


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5 Rabinovich (2008) noted that 95% of returning migrant workers are unskilled, with low educational qualifications.
workers in Phnom Penh in Cambodia revealed that real earnings have decreased considerably in 2009 from 2007, falling, for example, by over 20% for taxi drivers, small traders, and other unskilled workers (Jalilian et al. 2009a). Given such trends, another study on the impacts of the crisis in Cambodia estimates that the potential loss in real income due to the crisis will reach $677 million in 2009, affecting the incomes of 217,000 households or over 1 million people (Kang 2009). Given the large number of persons clustered around the poverty line in many Asian countries and if reductions of incomes and wages of the magnitude being witnessed in specific sectors described above broaden to other parts of economic activity, this will have hugely detrimental effects on working poverty, increasing the number of working poor people.

During times of economic crisis, poor households often cut spending on health in addition to pulling children from school as education becomes less affordable. Children may be sent to work in order to supplement household income (Mosel and Sarkar 2009). While income alone is not the sole determinant of the decision to send a child to school or to work, its influence cannot be understated. During the Asian financial crisis, a drop in enrollment rates and a rise in child labor were seen among 10–14 year-olds in the Philippines (Lim 2000). More recently, rapid inflation and macroeconomic instability in Pakistan have led to an observed rise in child labor as families have found few alternative coping mechanisms (IRIN News 2008). Importantly, when poor families have to make a choice between sending a boy or girl to school, even under precrisis conditions, studies have shown that parents often choose to invest in the education of their sons so as to not lose their daughters’ important household contribution. Furthermore, from a medium- and long-term perspective, enabling both girls and boys to have access to basic education is an absolute necessity to ensure that the future labor force has the foundation needed to engage in productive employment and help drive national growth and development.

3. **Social Security Systems in Asia and the Pacific: Coverage Deficit and the Efforts to Extend the Effective Coverage**

Contributory social security systems proved to be effective in providing social security coverage to those who have relatively regular cash incomes, giving them contributing capacity. This is especially true for people in contract employment, who are—in many countries—legally covered by statutory social security schemes. However, in Asia and the Pacific, only a minority of people have the status of employee in the labor market (Table 4).

But in many countries of Asia and the Pacific, even employees who are in the formal economy are not covered by a full scope of social security benefits and, at the same time, many employees can find only informal employment and thus are deprived of social security coverage if this legally exists.
Thus, only a few countries in the Asia and Pacific region have comprehensive social security systems that cover more than 10% of workers and their families (ILO 2008e). This is partly a reflection of low public investment in social security in the region. Expenditure on healthcare and cash social security transfers as a share of gross domestic product (GDP) averages only 5.6% in the region, which lags behind most other regions in the world (Figure). In recent years, however, there are more and more initiatives to increase investments in social protection and gradually close the coverage gap.

**Figure 1. Total Public Social Protection**

(% of GDP: regional estimates, latest year available, weighted by population)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>26.7</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>18.3</td>
</tr>
<tr>
<td>North America</td>
<td>16.2</td>
</tr>
<tr>
<td>CIS</td>
<td>13.1</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>10.5</td>
</tr>
<tr>
<td>Middle East</td>
<td>9.7</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>5.6</td>
</tr>
<tr>
<td>Africa</td>
<td>4.2</td>
</tr>
<tr>
<td>Total</td>
<td>8.6</td>
</tr>
</tbody>
</table>

CIS = Commonwealth of Independent States, GDP = gross domestic product.

Source: International Labour Organization, Social Security Department.
3.1. Unemployment Insurance

Current social protection measures often fail to reach the most affected groups in the present crisis: the nearly poor who recently escaped poverty and who now face the prospect of slipping below the poverty line as they lose their jobs in export-oriented industries. For this group, unemployment insurance can function as an automatic stabilizer that may cushion the impact of the economic shock and help maintain aggregate demand. Unemployment insurance could also slow the transmission of the crisis from urban to rural areas, especially in countries where large numbers of rural migrants have lost jobs in export-oriented industries. However, very few countries in the region have a proper unemployment insurance system in place—even higher income economies such as Malaysia and Singapore are no exception (Table 5). In the PRC, while a system is in place, unemployment insurance cannot be transferred between provinces, exacerbating the positions of some migrant workers.

Table 5. Unemployment Insurance Schemes, Selected Economies in Asia

<table>
<thead>
<tr>
<th>Economy</th>
<th>Date</th>
<th>Program Type</th>
<th>Share of Wage and Salaried Workers in Total Employment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China, People's Republic of</td>
<td>1986, 1993, and 1999</td>
<td>Local government administered social insurance</td>
<td>—</td>
</tr>
<tr>
<td>India</td>
<td>1948 (state insurance)</td>
<td>Social insurance</td>
<td>—</td>
</tr>
<tr>
<td>Indonesia</td>
<td>—</td>
<td>—</td>
<td>38.5</td>
</tr>
<tr>
<td>Japan</td>
<td>1947; 1974 (employment insurance), with 2003 and 2007 amendments</td>
<td>Social insurance</td>
<td>86.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>—</td>
<td>—</td>
<td>74.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>—</td>
<td>—</td>
<td>51.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>1990 (social security), implemented in 2004</td>
<td>Social insurance</td>
<td>43.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>—</td>
<td>—</td>
<td>84.7</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>2006 (Social Insurance Law) and 2008 (Decree 127)</td>
<td>Social insurance</td>
<td>21.5</td>
</tr>
</tbody>
</table>

— = not available.

Sources: Viet Nam’s Ministry of Labour, Invalids and Social Affairs (2007); ILO (2008d); Ministry of Labour, Republic of Korea (2008).
Despite an initially limited reach, the introduction of unemployment insurance schemes would be an important step toward both protecting workers and supporting domestic demand during crisis. Moreover, increasing the responsiveness of existing unemployment benefit systems could improve the effectiveness of policy response to the downturn. This could be done, for example, by extending the length, or relaxing the qualifying requirements, on a temporary basis during unemployment peaks. For example, during the 1997/98 Asian financial crisis, the Republic of Korea significantly expanded employment insurance and the duration of benefits, with costs rising to 1.4% of GDP at its peak in 1999 and declining to 0.3% as of 2001 (ILO 2009d). Another example is the use of unemployment insurance to subsidize companies that offer retraining for in-house reemployment in the PRC’s Hubei Province, which became effective in January 2009 (Lee 2009). Furthermore, linking unemployment insurance with active labor market policies, including training, job search assistance, and career guidance, can provide both a cushion and a bounce to vulnerable groups.

Many Asian countries have instead relied on severance payments for providing income security in case of job loss. Severance payments, however, may fail to provide sufficient income security, especially when companies become insolvent, and are seldom linked with active labor market policies.

3.2. Extension of Social Protection to the Informal Economy

The current expansion in informal and vulnerable employment is likely to be long-lasting. In Indonesia for example, the share of vulnerable employment rose rapidly as a result of the 1997/98 financial crisis and, despite the economic recovery that began in 1999, continued to increase and only approached the precrisis level in 2006 (Hyunh et al. 2009). Providing adequate protection to these groups of workers is a key challenge for many countries in the Asia and Pacific region.

One strategy to extend social protection to the informal economy has been to provide for schemes on a voluntary basis. For example, the government of Viet Nam introduced the Social Insurance Law in 2006, which stipulated the introduction of compulsory social insurance as of January 2007, the introduction of voluntary social Insurance as of January 2008, and the introduction of unemployment insurance as of January 2009. The voluntary social insurance scheme is targeted to workers in the informal economy, particularly farmers, and consists of an old-age pension and survivorship benefit. An innovative feature of Viet Nam’s system is that periods of contribution to the voluntary and compulsory schemes can be added to calculate the amount of benefits granted, which can be beneficial for workers who resort to the informal economy during an economic downturn while seeking for jobs in the formal economy again.

Nonetheless, experience indicates that few join the voluntary schemes as they are either unwilling or unable to pay the high contribution rates (ILO 2001). In Viet Nam, according to the National Social Insurance Agency, 6,200 persons were participating in the voluntary scheme after 1 year of implementation, as of the
end of 2008 (Tran 2009). These schemes, however, may have more success if the government is willing to provide subsidies. In Viet Nam, the government is exploring such subsidies, which are already being provided for the national health insurance scheme for the poor.

An alternative policy to provide income security and affordable access to healthcare is through noncontributory programs, where entitlements are either based on (1) residence alone; (2) all residents in a specific category (e.g., age—all older persons—or all children); or (3) only the poor who meet a certain income or means test. Asia and the Pacific provide a growing number of examples of social security coverage being radically expanded through such noncontributory programs.

Thailand secured over several years nearly universal access to basic healthcare services when—in addition to existing (since 1991) social health insurance for formal economy workers—the country implemented the tax-financed noncontributory public health scheme. The scheme was known at the beginning as the 30-baht scheme, and now has been transformed into the national health scheme.

Another area where universal noncontributory social security provisions are being debated and gradually implemented and expanded is income security for old age. Asia is ageing: while now persons over 65 are 7% of the population, this will increase to 18% in 2050. Already, 54% of the world’s elderly live in Asia and Asia is ageing quicker than the world as a whole; in 2050, this share will reach 62%. A large majority of the elderly in Asia now have no entitlements to any pension, and a large majority of those who are now of working age and will be elderly in 2050 do not contribute to any pension scheme and have no prospect to do so in the foreseeable future.

In this situation, the most effective way to avoid mass poverty in old age is to start building at least basic pension provisions on a noncontributory basis. Nepal has long provided basic pension to all residents over 75, and is now considering expanding it to all over 65 and to increase the amount. Thailand started recently to pay a very basic pension to all elderly, originally as an ad hoc anti-crisis measure. Now Thailand is discussing making the pension a permanent solution as well as increasing the amount paid. Various forms of noncontributory pensions are also implemented or implementation is being considered in several other Asian countries, e.g., Bangladesh, India, and Sri Lanka.

Microinsurance schemes can play an important role in increasing the social protection coverage, particularly in helping to secure affordable access to healthcare. The impact of microinsurance schemes can be magnified if their expansion is part of an overall coordinated strategy including expansion of statutory social insurance schemes and public tax-financed healthcare services. The state (or social insurance funds) can play a role in providing financial support (e.g., supporting set-up costs, providing subsidies in the form of matching contributions, and facilitating reinsurance options) and in creating a legal and regulatory framework under which such schemes can operate (ILO 2001). An ILO inventory in 2006 found 71 microinsurance
Social Protection and the Foundations of Conditional Cash Transfers

Social Assistance and Conditional Cash Transfers

3 schemes covering 6.8 million people in India and 240 schemes covering 25 million people in 8 countries of Asia (Jacquier et al. 2006). Health, life, and crop insurance appear to be those in most demand, although the demand varies by country context. Another ILO inventory of microinsurance schemes, conducted in 2004, found that, for example, 70% of schemes surveyed in the Philippines provided health insurance; life insurance was most common in Bangladesh (72% of surveyed schemes); while pension schemes were provided in only 4% of surveyed schemes in India (Jacquier et al. 2006).

While microinsurance alone is insufficient for protecting persons against risk, it is increasingly becoming recognized as one element in the broader strategy to extend coverage of social protection systems. This approach is taken in Cambodia, for example, where the country’s Master Plan for Social Health Insurance comprises three pillars: (1) compulsory social health insurance, (2) voluntary insurance through the development of community-based health insurance schemes, and (3) social assistance through the use of health equity funds (Annear 2009).

3.3. Social Assistance for the Poor

Falling incomes and the consequent pressures on working poverty in the current crisis are highlighting the need to support the poor. Traditional social assistance programs targeting the poor and the vulnerable vary in their design, ranging from food provisions to subsidized utilities to cash transfers. The effectiveness of these measures depends on how well they reach the poor or needy households (minimizing the exclusion errors) as well as on their capability to keep targeting costs at the affordable level (there exists here a trade-off between perfection of targeting and the costs of targeting). Experience shows that across-the-board food and utility subsidies often come at a significant fiscal and economic cost. They are not easily reversed and have often had only a modest impact on poverty (World Bank 2008). Furthermore, many schemes tend to be unresponsive to changes in the beneficiaries’ need for assistance (Ravaillion 2008). A promising approach to address these deficiencies is to strengthen the self-targeting component of existing programs, a move that would encourage beneficiaries to enroll when in need and drop out when better opportunities arise in the economy elsewhere.6

In the context of the crisis, social assistance programs such as employment programs and targeted cash transfers are generally regarded as the most effective way for governments to support the purchasing power of vulnerable households. Employment programs can create much-needed employment opportunities in local public works projects and the fiscal cost of such measures automatically declines when the number of beneficiaries falls back. One such example is India’s National Rural Employment Guarantee Scheme, which offers 100 days of work per family in rural areas at the minimum wage for agriculture and is complemented by a social security scheme in the informal economy and the National Health Insurance

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6 One example of self-targeting is a scheme that was introduced under the Thai fiscal package and uses subsidies of low-quality public transport (for which demand falls as income increases).
Scheme for unorganized workers. In 2007–2008, the scheme provided jobs to nearly 34 million households for a budget cost of about 0.3% of GDP (ILO 2009d). The National Rural Employment Guarantee Scheme has the potential to act as an automatic stabilizer in rural areas, which varies with the economic cycle: people enroll in the scheme when they need a job and income support and they leave it when there are better opportunities during upturns. In this regard, introducing employment guarantee programs in urban areas could provide safety for urban informal sector workers affected by the crisis.

Supporting poor households to keep their children in education must be part of the policy response in low income countries. Lower school fees could keep children in school, while support to family health could further mitigate the potentially long-term impact of the crisis. At the same time, extending school meal programs (food-for-education schemes) and reducing the indirect costs of education (such as transport, textbooks, and uniforms) are important (ILO–IPEC 2008). Scholarships targeting poor families could also be effective. Thailand pursues a more ambitious strategy by allocating a significant share of its stimulus package to providing free education to children up to the age of 15, plus healthcare in rural areas. Public–private partnerships that support the education of children in poor households also have a role to play.7

The most effective schemes combine measures to lower education costs with incentives for parents to keep the children in school and undertake regular medical checkups. The government of Indonesia, for example, has been implementing this kind of conditional cash transfer (CCT), through its Program Keluarga Harapan (PKH), or Hopeful Family Program, since 2007. The PKH provides cash transfers to chronically poor households linked to certain mandated behaviors, including sending children to school and attending health clinics.8 Originally piloted in seven provinces at its launch, the PKH was expanded to another eight provinces in 2008 and targets 6.5 million poor households, providing between Rp600,000 and Rp2.2 million a year depending on household characteristics. The female head of

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7 At the end of 2008, the Government of the Philippines introduced the Ye-Ye (youth education-youth employability) project in partnership with the Jollibee fast food chain. The objective of the partnership is to provide opportunities for the children of informal sector workers and child laborers to pursue a post-secondary course through tuition fee advances while obtaining practical training at the workplace. The project targets assisting some 100,000 children during 2009–2010 (DOLE 2008).

8 Poor households must have a child aged 0–15 years, a child under 18 years who has not completed primary school, or a pregnant/lactating mother. Mandated behavior includes (1) four prenatal care visits for pregnant women, (2) iron tablet consumption during pregnancy, (3) delivery assisted by a trained professional, (4) two postnatal care visits, (5) child immunizations, (6) monthly weight increases for infants, (7) monthly weighing for children under 3 and twice annually for under-5s, (8) two annual vitamin A doses for under-5s, (9) primary school enrollment of all children 6–12 years old, (10) minimum attendance rate of 85% for all primary school-age children, (11) junior secondary school enrollment of all 13–15 years old, and (12) a minimum attendance rate of 85% for all junior secondary school-age children.
the household receives the cash for a 6-year period, on a quarterly basis through the post office.

The Indonesian government is also in tandem implementing a CCT program that targets communities rather than households. Launched together with the PKH but in different districts, the Program Nasional Pemberdayaan Masyarakat Generasi Sehat dan Cerdas (PNPM Generasi), or National Community Empowerment Program for a Healthy and Smart Generation, provides block grants to communities and enables them to decide how best to use the grants as long as they are used for improving health and education conditions. For example, grants have been used for education materials for children and roads to education and health services. Such community-targeted CCTs address one of the shortcomings of household-targeted cash transfers, which do not address supply-side constraints such as lack of education infrastructure.

There is evidence from impact evaluations that CCT schemes bring real benefits to poor households in terms of reducing poverty and increasing investment in child schooling and healthcare. Furthermore, they have in general resulted in reductions in child labor and no significant negative impacts on the labor market participation of adults (Fiszbein, Schady, et al. 2009). Employment guarantee programs and CCTs can thus lead to the double dividend of providing effective social protection in the short term and reducing intergenerational poverty traps in the longer term.

### 4. Conclusions

As the crisis unfolds, the risks that people face are exacerbated by limited access to social protection. Supporting workers and their families through well-designed social protection policies should be a key component of the crisis response and in expediting a recovery. Engaging employers’ and workers’ organizations in the design and implementation of such policies is particularly important. Many countries have recognized the importance of social protection and have stepped up their efforts in the overall policy response, but gaps remain. The current crisis also presents an opportunity for some developing countries in the region to improve their social assistance and poverty reduction programs, with the aim of gradually developing an effective social protection floor over time. Such a social protection floor includes improved access to employment opportunities; affordable access to basic healthcare; protection and education for children, the elderly, and people with disabilities; social assistance for the poor or unemployed; and other features that vary according to country needs and stages of development.

Setting such a floor can be made affordable in most countries in the Asia and Pacific region. As ILO calculations show, providing a basic set of cash benefits to all elderly, families with children, and poor of working age in India would cost 2.2% of GDP; in Pakistan, 2.4% of GDP; in Viet Nam, 2.9%; in Bangladesh, 4.6%; and in Nepal, 5.7% (ILO 2008a and Mizunoya et al. 2006). Within this, the cost of basic universal pension to all elderly would not surpass 1% of GDP. Many of the
countries in Asia would be able to finance it from the available resources through allocating 20% of public expenditure to health and cash social protection transfers (most currently allocate significantly less).

Increasing domestic revenues allocated to basic social security is determined by both the fiscal space and the political will to increase it. The capacity to create fiscal space should be considered in the context of a comprehensive medium-term government expenditure framework. Key factors for creating fiscal space in low-income countries are determined by the national capacity to mobilize additional revenue through increasing the tax base, by ensuring efficient use of resources as a result of strengthening public institutions, and by promoting adequate policies to sustain productivity. Decisions to increase the share of public expenditure dedicated to basic social security will depend on political will and on the level of government budget already committed. To support the decision-making process, the overall feasibility, both financial and administrative, should be assessed and the projected outcomes of providing basic social security should be estimated.

The evidence shows that even low-income countries not only should but also can have social security systems that provide a basic package of health services to everybody, basic cash benefits to the elderly and families with children, and social assistance to a proportion of the unemployed. Even if such a social protection floor cannot be implemented at once, a sequential approach can generate immediate benefits in terms of poverty reduction, pro-poor growth, and social development. A forward-looking national social protection strategy can help to sequence the implementation of various social programs and policy instruments and ensure that these are integrated in broader development frameworks. As countries achieve higher levels of economic development, their social security systems can also advance in parallel, extending the scope, level, and quality of benefits and services provided.

Setting a social protection floor is affordable even in low-income countries if the package is implemented through the joint efforts of the countries themselves (reallocating existing resources and raising new resources, i.e., through health insurance or other earmarked sources of financing for social security) and of the international donor community—which would in some cases have to refocus international grants to supplementary direct financing of social protection benefits, strengthening the administrative and delivery capacity of national social protection institutions in low-income countries, and providing the necessary technical advice and other support. All these steps have been started in a number of low-income countries and there are signs that the process will accelerate in the near future. Resolution of the June 2009 International Labour Conference notes that “developing countries that lack the fiscal space to adopt response and recovery policies require particular support.” And thus: “Donor countries and multilateral agencies are invited to consider providing funding, including existing crisis resources...” for the implementation of the necessary policy responses. And, specifically, the resolution calls for the “international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis” (ILO 2009c).
The foregoing call may find a positive response in the donor community. A recent (27–28 May 2009) high-level meeting of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee endorsed a policy statement on Making Economic Growth More Pro-Poor: The Role of Employment and Social Protection, which includes the following (OECD 2009):

There is growing demand in partner countries and from regional institutions...for more public action on social protection and employment. Many countries incorporate strategies and targets in these areas in their national development and poverty reduction programmes. As donors, we need to respond positively to this demand and support these developing country policy initiatives. Donors’ support for social protection programmes should provide adequate, long-term, and predictable financial assistance to help partner governments establish gender-sensitive social protection programmes and create the conditions for those programmes to be politically and financially sustainable. This is especially important in the current situation of contracting fiscal space and declining financial inflows. Such support must be provided through harmonised and co-ordinated financing mechanisms in support of nationally defined strategies and programmes. This requires

- supporting developing countries’ own efforts to build the political commitment and policy processes needed to develop and implement social protection systems;
- committing to a long-term partnership, including financial and technical support, to underpin developing countries’ efforts to build social protection systems; and
- investing in developing country initiatives to develop and share knowledge on the effective design and implementation of social protection systems.

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A. Social Assistance in Asia and the Pacific: An Overview*

Axel Weber

Brief

The use of cash transfer programs has recently been increasing in many parts of the world and they have been cited as bringing about measurable socioeconomic improvements. Conditional cash transfer programs are targeted to encourage poor households to invest in their children’s development. This concept presumes that stimulating demand through income is not sufficient to induce major changes in development. Instead, a condition is attached to the cash transfer, such as meeting school attendance targets and compliance with health requirements.

The paper classifies social assistance programs as (1) conditional or nonconditional assistance, (2) targeted and means-tested or universal programs, (3) household- or individual-based programs, (4) tied or non-tied programs, and (5) of temporary or unlimited duration.

Various social assistance programs implemented in Asia are discussed in the paper. Among these are the Food for Education of Bangladesh, the Dibao program of the People’s Republic of China, the conditional means-tested cash transfer program (Program Keluarga Harapan) of Indonesia, the Benazir Income Support Programme in Pakistan, and the Pantawid Pamilyang Pilipino Program (4Ps) in the Philippines.

1. Introduction

Until a decade ago, social assistance programs were mainly found in the most developed countries. But recently, especially cash transfer programs have been increasingly used in many parts of the world and have been cited as bringing about measurable socioeconomic improvements. Among the cash transfer

* Presented by Armin Bauer.
programs, the conditional means-tested version has become the most prominent, following successful examples in Brazil and Mexico. The specific new characteristics of conditional cash transfers (CCTs) have been that they are targeted to poor households and at the same time have the objective to encourage beneficiary households to invest in their children’s development. This concept presumes that stimulating demand through income is not sufficient to induce major changes in development. Instead, a condition is attached to the cash transfer. In most cases, receiving the transfer requires meeting school attendance targets and complying with health requirements. Programs that follow this approach are, for example, Bolsa Escola and Bolsa Família in Brazil, Food-for-Education in Bangladesh, Programa de Asistencia Familiar in Honduras, the Programme of Advancement through Health and Education in Jamaica, Progresa (now called Oportunidades) in Mexico, Red de Protección Social in Nicaragua, and Subsidio Único Familiar in Chile (de Janvry and Sadoulet 2006).

But CCTs are not the only type of social assistance cash transfer programs. This paper will first analyze the different types of social assistance cash transfer programs and then discuss some prominent programs in Asia. Though Latin American programs were among the first to be developed and tested worldwide, more programs are emerging, partly copied from successful Latin American examples. Also, some larger programs have been developed in Asia.

2. Typology of Social Assistance Programs

Social assistance programs are mainly targeted to the poor and needy and aim to help them out of the poverty trap. Most developed countries have social assistance programs and in some countries provide an income even above the poverty level. In recent decades, developing countries have increasingly used CCTs in their social assistance programs. The paper therefore mainly deals with these monetary cash support programs. There are also social assistance programs involving in-kind support, including housing, clothing, food, services, etc. These will not be analyzed here except for some food-based social assistance programs in Bangladesh.

According to the typology used in this paper, social assistance programs are divided into five categories:

- conditional or nonconditional assistance programs,
- targeted and means-tested or universal programs,
- household-based or individual-based programs,
- tied or nontied programs, and
- temporary or unlimited programs.

All the categories will be briefly discussed in the following paragraphs.

Conditional programs normally request beneficiaries to show certain behavioral patterns, mostly related to their children, such as making sure the child attends school, that the child gets regular checkups, vaccinations, etc. The idea behind this
concept is not just to hand out money, but to achieve certain goals by doing so. Conditional programs normally have at least two features:

(1) They depend on the existence of appropriate services. Conditions can only be fulfilled if, for example, there are schools and health facilities in reach of the target groups, and if these fulfill certain quality standards.

(2) They require some monitoring and verification mechanism, which is administratively more demanding than nonconditional programs.

Nonconditional programs, on the other hand, normally are easier to manage but many people criticize them for not bringing about a real change in development perspectives. Others say that they are less expensive and easier to implement. Also, the services needed to satisfy the demands of CCTs are sometimes not available, so that the conditions are not achievable.

Targeted and means-tested programs suppose that not everybody needs support and that the scarce funds should be concentrated on people who are really in need. Also, there is a resistance to paying tax money to people who are not really poor. On the other hand, targeting is expensive and is associated with inclusion and exclusion errors. Targeting mechanisms may be more or less sophisticated. Less sophisticated mechanisms include regional targeting (selecting whole provinces or municipalities according to, for example, income criteria). A method widely used in developing countries is the proxy means test, which is used to determine eligibility according to certain indicators such as water, telephone, and electricity bills; available assets; and housing conditions. The most demanding means test is the income test, which presumes that a person’s income is verifiable. In developing countries this method is hard to implement due to their large informal sector, which is the main target of social assistance programs. It is argued that the targeting costs as well as the associated errors may exceed the costs of universal provision of the transfers. Also, even if programs are universal, not all people may avail of the benefits depending on the costs of and circumstances around applying for the benefits. This is why a self-targeting effect may be associated with universal benefit programs, depending on the administrative requirements for availing of them.

Sometimes, cash benefits are independent of household size. Sometimes they depend on the number and even the age of household members. Sophisticated social assistance cash programs have different benefit levels for household heads, other household members, and children, even according to age. Some cash transfer programs target individuals of a certain age, such as child or old-age benefit programs.

Cash transfers may be tied or untied. Tied programs hand out cash for certain purposes, such as covering the costs of school attendance (transport costs, books, school feeding, uniforms) or of healthcare (transport, fees, drugs). Untied programs hand out the cash without a link to expenditure patterns. The problem with tied programs is verification that the funds were used as intended. It is argued that in case the intention is to tie the funds to certain types of expenditures it is easier to fund the services directly and maybe to hand out vouchers to the target
groups. Some programs, however, count on moral suasion—that telling families that cash transfers are for certain purposes provides enough incentive to achieve the objectives in most cases.

In many countries, cash transfers are temporary. Families receive the grants for 3 or 5 years, for example, and then the benefit is suspended. However, some programs, especially social assistance programs in developed countries and, for example, old age benefits (social pensions) in some developing countries are not limited in time. Sometimes the benefits depend on the fulfilment of targeting criteria. In this case, they are limited in time depending on whether the target group is still poor or not.

There are examples for all these types of programs around the world and for some of them in Asia. The following section will discuss some prominent Asian examples.

3. SOCIAL ASSISTANCE PROGRAMS IN ASIA

3.1. PHILIPPINES

The Pantawid Pamilyang Pilipino Program (4Ps) is one of the more comprehensive programs in Asia. It was started only in 2008. The 4Ps is a means-tested conditional cash transfer (CCT) program following the model of Latin America, especially in Brazil and Mexico. The 4Ps provides grants to poor families, particularly to improve the health, nutrition, and education of children aged 0–14 years. It aims at short-term poverty alleviation and to break the intergenerational poverty cycle through investment in human capital. The specific features of this program are (1) regional targeting combined with proxy means test, and (2) conditionality and grants that are uniform but depend to some extent on the household size.

The program is targeted at the Philippines’ poorest households, which are selected through a three-step means test.

- Step 1—Regional targeting at the provincial level. The country’s 20 poorest provinces are selected based on the Family Income and Expenditure Survey. In addition, the poorest provinces in each of the six regions are included. Nine target cities are selected: 5 in the National Capital Region, 2 in the Visayas, 2 in Mindanao, and 1 city in the Cordilleras.
- Step 2—Regional targeting at the municipality level. The poorest municipalities in the poorest provinces are selected based on small area estimations and on the Family Income and Expenditure Survey.
- Step 3—Household-level targeting. The poorest households in the above-mentioned areas are selected based on a computerized ranking system and proxy means test. The means test uses criteria such as ownership of assets and appliances, type of housing unit, level of education attained by the household heads, and access to water and sanitation facilities. Community assemblies are conducted to finalize the selection process in the communities.
In January 2009, 379,345 households were identified through means testing. The target for 2009 is 700,000 households. The beneficiaries receive 2 types of grants:

- P6,000 ($130) per year or P500 ($11) per month per household independent of the number of household members and the number of children for covering health and nutrition expenses; and
- P3,000 ($65) per school year (10 months) or $6.5 per month per child for covering education expenses, for a maximum of three children.

Thus, a household with three children can receive P1,400 ($31) per month or P15,000 ($372) per year.

To avail of the benefits, the families have to comply with conditions:

- Pregnant women must avail of pre- and postnatal care. The birth must be attended by a professional birth attendant.
- Parents or guardians must attend qualified parenthood sessions, mother's classes, and parent effectiveness seminars.
- Children 0–5 must receive regular preventive health checkups and vaccinations.
- Children 3–5 must attend day care or preschool classes at least 85% of the school days.
- Children 6–14 must enroll in elementary or high school and attend at least 85% of the school days.
- Children 6–14 must take deworming pills every 5 months.

The cash grant is paid quarterly through a major bank in the Philippines (the Land Bank) or authorized rural banks using a cash card. The intention is for “the most responsible person in the household” to receive and manage the cash. Where there are no ATMs and cash provision through card is not possible, over-the-counter payment is permissible. The households will receive the cash grant for a maximum of 5 years.

The program is managed through the Department of Social Welfare and Development together with an advisory council composed of representatives from the departments of education and health, Department of Interior and Local Government, and local government. Compliance with conditions is monitored by the municipalities. Noncompliance will lead to suspension of the cash grant. The program is monitored by a private sector committee. There are grievance committees at municipal, regional, and national levels to ensure proper implementation and transparency. A budget of P10 billion per year has been allotted for this program (assuming about 700,000 beneficiary families).

3.2. PAKISTAN

The Benazir Income Support Programme (BISP) in Pakistan was established in 2008 and is an example of a nonconditional means-tested program. Pakistan ranked very
low on the Asian Development Bank’s social protection index (Baulch, Wood, and Weber 2008) and, partly as a response, Pakistan decided to improve its social protection programs. Also, the new government sees the program as a response to the cost the people have paid due to the economic policies of the outgoing regime and the cost that is now being imposed by the sharp escalation of world oil and food prices. Double-digit inflation since 2005 has accelerated during the last few months and has placed the budgets of most families under severe stress. The BISP is intended to compensate economically vulnerable families for the erosion of their purchasing power.

The key features of the program are as follows:

- Eligible families have a household income of less than PRs6,000 ($67) per month. The eligibility is verified through a proxy means test. To be eligible for benefits, a family must have or be
  - a female applicant who possesses an ID card,
  - monthly family income below PRs6,000,
  - a widowed/divorced woman with no adult males in the family,
  - a member who is physically or mentally retarded, and/or
  - a member suffering from a chronic disease.

- The families with the following are not eligible to participate:
  - members employed by the government, government-affiliated authorities/departments, or the armed forces;
  - a household member who draws a pension from the foregoing;
  - a member receiving post-retirement benefits from the foregoing;
  - a member who owns more than 3 acres (1.2 hectares) of agriculture land or more than 80 square yards (67 square meters) of residential land or home;
  - a member receiving income support from any other sources;
  - a member possessing a machine readable passport;
  - a member who has a National Identity Card for Overseas Pakistanis; and/or
  - a member who has a bank account (except at banks catering to the poor, including microfinance banks).

- The households receive PRs2,000 (about $22) every alternate month.
- Disbursement is made through Pakistan Post, delivered by postal money order at the recipient’s address. Work is under way to develop a “smart card” system that will ultimately become the medium for disbursing the BISP and other support that the government is contemplating.
- Payment is made only to the female head of the family.
- No conditionality is associated with the BISP.

The BISP has been allocated PRs34 billion for the fiscal year (FY) ending in 2009. The target is about 5 million households. The BISP is the third largest cash allocation
in Pakistan’s public budget and constitutes 0.3% of gross domestic product (GDP). When fully developed, the BISP will cover up to 12–14% of the country’s population, mainly in low income brackets. Special attention has been accorded to remote areas such as in Balochistan, Chitral, Kohistan, North and South Waziristan, and Tharparkar. Members of Parliament, irrespective of party affiliation, may recommend deserving families, based on specified criteria.

In administering the BISP, program management, recipient selection, verification, and disbursement processes are separated. Recipient selection is the exclusive domain of parliamentarians. Parliamentarian-recommended families are subject to a computer-based verification process. This process has been entrusted to the National Database and Registration Authority (NADRA), charged with establishing a new registration system for the entire population. NADRA applies predesigned software to screen out ineligible people according to the specified criteria. NADRA transmits the final list of recipients electronically to Pakistan Post.

At the other end, is the separation between recipient selection and disbursement. The disbursement mechanism has been designed for minimum intermediary involvement or human interaction in the process of transmitting funds from the Treasury to the recipient. Neither the program management nor parliamentarians have any control over or access to the funds, which are transferred electronically from the Treasury to Pakistan Post and then disbursed according to the list provided electronically by NADRA. The only time anyone physically touches the money is when the post officer delivers it to the designated female head of the family. This is also the point where the process faces some vulnerability.

An internal monitoring mechanism is being put in place to verify actual delivery of the exact amount to the designated families. A proposal is under consideration to place the list of recipients on the website to enable instant, round-the-clock independent third party validation that the families receiving the payouts fulfill the specified criteria.

For families earning, say, PRs5,000 per month, the PRs1,000 payout will amount to a 20% increase in their current purchasing power. Families in low income brackets spend 50%–70% of their income on food. At current flour prices, the PRs1,000 a month will suffice to finance 20–25 days of flour for a 5–6 member family.

3.3. The People’s Republic of China

The People’s Republic of China (PRC) has different cash transfer programs for different target groups: urban and rural.

The urban Dibao program provides regular cash and/or in-kind support to poor households up to a locally defined poverty line that is based on a means test. The Dibao program was initiated by some of the PRC’s more economically developed regions in the 1990s and subsequently promoted nationwide through the issuance of a regulation on urban Dibao by the State Council in 1998. The funding of
urban Dibao is shared by central and local governments, with the bulk from central government and mainly directed to middle and western parts of the PRC. The scheme is believed to be a success that has covered all poor urban households whose per capita income falls below local poverty lines. Table 1 shows the number of recipients and the costs of the program.

### Table 1. Beneficiaries and Costs of the Dibao Program, 2003–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Beneficiaries (million)</th>
<th>Annual Costs (CNY billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>22.46</td>
<td>15.31</td>
</tr>
<tr>
<td>2004</td>
<td>22.05</td>
<td>17.27</td>
</tr>
<tr>
<td>2005</td>
<td>22.43</td>
<td>19.19</td>
</tr>
</tbody>
</table>


Rural Dibao, Tekun, and Wubao are the three main social assistance programs providing cash assistance to the rural poor. Tekun is the preliminary form of rural Dibao and will eventually be replaced by the latter. Wubao is particularly targeted at the most vulnerable, the group known as the “Three Nos”—no supporting family members, no ability to work, and no source of income.

The current rural and urban Dibao schemes are similar in design and delivery methods, the main difference being that financing of the rural Dibao scheme is entirely a local responsibility. The rural Dibao scheme is, however, much more recent in origin, having only started in 2003/04, and is gradually being extended across the nation. In 2005, 13 provinces had established a rural Dibao scheme and 8.25 million rural people received minimum livelihood security at an average of CNY306 (about $21) per person a year, which is well below the poverty line.

The Tekun program is implemented in less economically developed regions in order to provide social assistance to poor rural households living in destitution. The support it offers is in cash and/or in kind. Tekun is similar to rural Dibao in many respects, including its intended beneficiaries (the poorest section of the rural population), methods of financing (both are locally financed programs), and benefit levels (compatible with the local economy). There is, however, a major difference between the two programs in the provision of benefits. The provision of Dibao benefits is based on a locally defined poverty line, whereas Tekun benefits are given at the discretion of local cadres. Also, the level of benefits often depends on the availability of funds in relation to the number of poor households in need of support. In 2005, 10.67 million individuals in 6.55 million households received Tekun assistance with a total expenditure of CNY2.78 billion ($190 million) and CNY208 ($14) per capita per year.

In the 1950s, the PRC established the Wubao program; new regulations for it were introduced in 2006. The program’s aim is to maintain the basic living standard of the elderly, the disabled, and children with the Three Nos. Benefits usually include food, clothing, medical care, housing, and burial expenses, often referred
to as the “five guarantees.” Under this program, Wubao households are either cared for separately in their own houses or collectively in seniors’ residences, and both standard benefits and methods of provision are largely determined at the local level—assistance is thus mainly provided in kind. The criterion for assistance to Wubao beneficiaries is higher than for ordinary Dibao (or Tekun) recipients.

Some Three Nos Wubao recipients are cared for collectively by government agencies in both rural and urban areas. In 2005, 880,000 adults were cared for in this way (National Bureau of Statistics of China 2006). The total expenditure was CNY3.68 billion.

3.4. Indonesia

In October 2005, Indonesia established a program that issued grants of Rp100,000 ($10) per month to households of poor and near poor families. The initial target of 60 million people in 15.5 million households was extended to more than 70 million people in 19.2 million households in the second round.

The program is implemented as follows (ILO 2008 and 2009):

- The poor are identified by local authorities and classified by economic level on the basis of 14 criteria developed by Indonesia’s statistics bureau—Statistics Indonesia (BPS). Local authorities at the lowest level produce lists of households of people identified to be poor. These households are then visited by a BPS enumerator who helps them fill out the assessment form.
- The form is then sent to the local BPS office where the forms are graded and a list of poor households is developed.
- The list is then supplied to the Post Office, and entitlement cards are issued to the households assessed as poor.
- Cash transfers are made via Bank Rakyat Indonesia to the Post Office, which in turn makes payments in lump sums to the designated households. The households must produce their BPS card to receive payment.
- Payments are made quarterly.

The government allocated Rp23 trillion ($2.42 billion), of which Rp15 trillion ($1.5 billion) was for paying the first three quarters (benefits and administrative costs) in 2005. The program was criticized because of inaccurate targeting and the absence of conditionalities.

In 2007, this unconditional cash transfer program was replaced by the means-tested CCT program, Program Keluarga Harapan. In July 2007, the government launched pilot programs in seven provinces. The target groups are poor households with pregnant women and children 0–15 years of age. These households receive cash for a maximum of 6 years. According to BPS data, 6.5 million households are estimated to be in this category. The CCT benefit consists of a fixed sum of Rp200,000 per household and Rp800,000 per child. The average amount per household is Rp1,390,000 ($140) per year. The minimum amount per household is Rp600,000; the maximum is Rp2.2 million. Unlike the previous program, the
receipt of the cash benefits depends on certain health and education conditions being met. The 12 conditions include prenatal care visits for pregnant women, the taking of iron tablets during pregnancy, delivery assisted by a trained professional, postnatal care visits, childhood immunizations, and specified monthly weight increases for infants.

3.5. THAILAND

Since April 2009, Thailand’s citizens aged 60 and above who are not receiving any government subsidy are eligible for a monthly social pension of B500 ($14). This, along with existing pension schemes, covers more than 5 million older people—71.4% of older people in Thailand. The subdistrict administrative organizations are responsible for implementation at the community level, with community consultations conducted in selecting beneficiary communities. The government recognizes that B500 is insufficient given the national poverty line of B1,453 ($41). An increase will take time but is a government priority.

3.6. NEPAL

Nepal introduced a universal noncontributory non-means-tested social pension scheme in 1995 (Help Age International 2009). This scheme is unique in Asia, being the first universal pension scheme in the region and a model for other developing countries. The program comprises a flat rate, unconditional, time unlimited, cash transfer to people aged 75 and above and allowances to poor widows aged 60 and above.

In FY2009, Nepal’s government reduced the age limit from 75 years to 70 years and increased the pension from NRs150 to NRs500 ($6.5) per person per month. The pension is managed by the Ministry of Women, Children and Social Welfare, and distributed by the Ministry of Local Development at the village level.

Approximately 76% of eligible older people received allowances in FY2007. It is assumed that the others do not avail of the benefits because they have too much income to want to undergo the administrative procedure required. The scheme in FY2007 represented 0.23% of Nepal’s GDP.

3.7. BANGLADESH

Various safety net programs are being implemented by the government. Programs include the Old Age Allowance, which began in 1997/98. In 2006, 1.6 million older people received Tk200 ($2.9) per month. Bangladesh also has an in-kind transfer program that has common features with CCTs and the entitled families can sell the food they receive and thus have additional cash income.

The Government of Bangladesh launched the Food for Education (FFE) program in 1993 on a large-scale pilot basis (Akhter and del Ninno 2002). The FFE was designed to combat the country’s poverty and malnutrition by developing long-term
human capital. Many children from poor families in Bangladesh do not attend school mainly because they are required to contribute to their family’s livelihood. The FFE provides a free monthly ration of food grains to poor families if their children attend primary school. Thus, the FFE food grain ration becomes an income entitlement enabling a child from a poor family to go to school. The family can consume the grain, thus reducing its food budget, or it can sell the grain and use the cash to meet other expenses. The FFE provides immediate sustenance for the poor, but, perhaps more importantly, it can help to empower future generations by educating children. Education can equip children from poor families to improve their productivity, thereby expanding their future income earning opportunities.

By 2008, the FFE covered about 30% of all primary schools in Bangladesh. Of 5.2 million students enrolled in schools with FFE, about 40% receive food grains (mostly wheat) through the program. About 2 million families benefit from the FFE. Households with primary-school-age children become eligible for FFE rations if they meet at least one of four targeting criteria.

The program is means tested and conditional. To maintain their eligibility, children must attend 85% of classes each month. The program costs about $0.10 per student per day.

3.8. Japan

Japan has an elaborate social assistance program to guarantee a minimum standard of living for poor people and to support their self-reliance by providing assistance depending on the level of poverty. The types of assistance fall into eight categories: (1) livelihood assistance (basic living expenses for food, clothing, and utilities); (2) housing assistance (rent); (3) education assistance (school meals, textbooks, class fees, etc., until the completion of lower secondary school); (4) medical care assistance (medical expenses); (5) nursing care assistance (cost of nursing, cost of transport, etc.); (6) childbirth assistance (cost); (7) occupational assistance (fees for vocational training, clothing allowance for employment, etc.); (8) funeral assistance (expense); and (9) others (e.g., expenses for diapers, kitchenware, school entrance, and moving). Most of the assistance is given as cash transfers.

Provision of public assistance is determined by certified social workers who carefully examine the application regarding assets, ability to work, and assistance from legally obliged supporters. If the household’s gross income is lower than the minimum living expenses as determined by the national government, the balance is provided as assistance. The minimum living expense is calculated based on five expense categories: livelihood, housing, education, nursing care, and medical care. Differences in living cost by region and household structure are taken into account. The assistance is given on a household basis. The welfare office of each municipality operates the system and provides related services. The expenditure for public assistance is covered by the general account expenditure of the national government. About 1.5 million people receive public assistance and the total benefit expenditure was Y2.63 trillion in FY2005 (Table 2).
4. Conclusion

The brief description of the programs in Asia showed that nearly all features listed in the typology are used in Asia’s cash transfer public assistance programs. Most schemes were created in the last decade, which shows the increasing interest in social protection in Asia. Studies by the World Bank and other organizations show that there is still a lot of room to improve targeting, conditions (especially concerning the supply of services pertinent to the conditions), administration, and benefit levels. And a majority of countries in Asia still have insufficient social assistance programs and especially lack minimum income and cash transfer schemes. The current financial crisis has shown the great need for such social assistance programs. It is encouraging that so many countries in Asia see the need for such programs and are working to improve the ones they have and extend their coverage.

Conditional and nonconditional means-tested cash transfer programs have proven to be the most viable and feasible systems for developing countries. Support for developing countries should be concentrated on enhancing these tools and cost-effective methods to implement them.

References


B. SOCIAL SAFETY NETS: CAMBODIA’S EXPERIENCES

Ngy Chanphal

BRIEF

The Royal Government of Cambodia has made a firm commitment to strengthen its social protection interventions and reduce the vulnerability of its poor. The government’s budget allocation for social sector interventions has increased in recent years: the overall government budget for social ministries increased by half a percentage point between 2004 and 2009, to 3.1% of gross domestic product (or to about $300 million).

Prior to the war in 1970, Cambodian traditional social safety nets existed in the form of sharing: mutual assistance among and between networks of extended families and neighbors through charity and community self-help activities. The fundamentals of social protection are enshrined in the Cambodian Constitution. Several organic laws have been passed to codify some of the social protection-related tenets of the Constitution. The most relevant laws that have been adopted or are currently under consideration include the 1998 Labor Law, Insurance Law of 2000, Law on Social Security Schemes, National Action Plan to Combat Violence Against Women, and Law on Suppression of Trafficking in Humans and Sexual Exploitation.

Cambodia has implemented many major projects and programs on food security, relief and rehabilitation, and improved livelihoods that were supported by external funding. Various ministries and institutions are involved in the development and implementation of social safety net programs and projects in the country. Nevertheless, there is still a need for an integrated, coordinated, and sustainable social protection system to respond to crisis and effectively reduce poverty and vulnerability.

1. CAMBODIA COUNTRY PROFILE

Cambodia has 181,035 square kilometers of land. In 2008, Cambodia had 13.4 million people and an average annual population growth rate of 1.54%. Ethnically, the population consists of about 90% Khmer, 5% each Chinese and Vietnamese,
and small populations of hill tribes (Chams and Burmese). With about 43% of the population under the age of 15 in 2000, Cambodia has one of the world’s youngest populations. In rural areas, where 80% of the poor are located, the dependency ratio rises to 89.6%, compared with 69.1% in urban areas. Poverty is predominately a rural phenomenon in Cambodia—85% of the population and 90% of the poor are rural residents and most derive their livelihood principally from farming. Agriculture, fisheries, and forestry comprise Cambodia’s most important sector, providing direct employment for Cambodian subsistent farmers. The main agricultural products are rice, rubber, corn, vegetables, cattle, fish, and soybean. Poverty is overwhelmingly concentrated in populations whose livelihoods depend on crops, fisheries, and forestry. They are severely affected by natural conditions due to low levels of water control. A complex mix of factors conspire to limit livelihood opportunities both on- and off-farm. Among the most important factors contributing to poverty are high population growth, inadequate opportunities, low capabilities, insecurity, exclusion, and vulnerability. In 2008, the gross domestic product (GDP) per capita was $759 (in 1995, it was $278), and about 31% of the population was judged to live below the poverty line.

Cambodia was growing robustly, with GDP growth averaging 11% during the 3 years before the global financial crisis.¹ All macroeconomic aggregates were strong. Growth was largely driven by the textiles and clothing industry, tourism, and construction. While significant strides have been made to industrialize the economy, it remains predominately agrarian—30% of GDP comes from agriculture and over 50% of employment is on-farm. About 32% of the population (or 4.3 million people) are currently living below the poverty line.² Given the country’s dependence on export markets and foreign direct investment for economic growth, the global financial crisis could severely impact the economy and have serious implications for the poverty situation.

Despite significant progress in reducing overall poverty levels, large segments of the population remain vulnerable to economic and social shocks that could push them into poverty and result in unequal opportunities for participating in economic growth. These risks have been exacerbated by the recent inflationary pressures and global financial crisis. To ensure the establishment and effective use of a social safety net system, which is an important part of a long-term growth strategy, a range of actions are required at multiple levels, from the central government to sectoral and subnational levels. The Royal Government of Cambodia has made a firm commitment to the further development of the social safety nets in Cambodia.

2. CHALLENGES

Experience in social safety nets is not new to Cambodia, but the terms and understanding might be conceptually different. Cambodia has implemented many major externally-funded projects and programs for reintegration, for rehabilitation, to

¹ Data from the Ministry of Economy and Finance.
improve food security, to respond to emergency situations, and to improve the livelihoods of the poor; yet Cambodia does not have an effective and affordable social safety net in place. Institutionally, we have many ministries and institutions involved in developing and implementing kinds of social safety net programs and projects, ranging in scope from emergency to recovery, rehabilitation, and development. But we are not yet able to develop an integrated system or a sustainable program to respond to crises as they occur. Rather, our efforts are fragmented, uncoordinated, and unsustainable.

In addition to the limited availability of funds, a major constraint on the development of safety net interventions and rapid assistance response in times of crises is the lack of a government body with a clear mandate to coordinate safety net interventions across ministries, and to implement cross-sectoral interventions. Safety net interventions are scattered across several ministries—the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSAVY); Ministry of Labor and Vocational Training (MOLVT); and Ministry of Women’s Affairs are all mandated with managing state social services for the wider population, and helping to protect specific vulnerable groups against risks. In collaboration with the World Food Programme (WFP), the Ministry of Rural Development and Ministry of Water Resources and Meteorology are implementing a food-for-work program that distributes 3,500 tons of rice per year to approximately 20,000 households. Yet, no single government body has the mandate to coordinate safety net interventions across ministries, as well as to implement cross-sectoral interventions. This has significantly impeded the development of a comprehensive social protection and safety net strategy and of large-scale cross-sectoral interventions.

3. Poverty and Vulnerability Profile

Fiscal sustainability and equity reasons mean that further social safety net policy options must be targeted to the poor in Cambodia. Appendix 1 to this paper includes a brief profile of the poor and vulnerable in Cambodia and the impact of the food, fuel, fertilizer, and financial crises on them. The poor in Cambodia can be identified by use of the IDPoor mechanism (Appendix 2 of this paper).

4. Background of Social Protection in Cambodia

Prior to the war in 1970, the traditional Cambodian social safety net comprised sharing; mutual assistance; and assistance from the pagoda, extended families, and neighborhood networks through charity and community self-help activities. The monks and the pagoda played an important role in offering meals and temporary shelter to poor and vulnerable people within the community. Through extended family structures, most vulnerable and poorer relatives often received in-kind assistance. However, before the war, limited research was done in Cambodia, and any information about family and community life that was documented, was destroyed in the war.
The dramatic socioeconomic and political changes of the last 2 decades have had a significant impact on Cambodia’s social fabric. The structure of Cambodian society has changed and its culture has been dislocated. Children and women are the most vulnerable to these upheavals. Families, which provide the first safety net for the survival, protection, and healthy development of children, were fragmented and weakened by death and separation. Communities or villages, once composed of extended family networks established for generations, have been shattered and reformed by forced population movements, displacement, and repatriation (UNICEF 1995). However, tradition still plays a role as an informal social safety net in modern Cambodia, where wealthy families, high ranking officials, business people, and communities privately assist people who are most in need.

The Paris Peace Agreement of 1991 ended 3 decades of conflict, social dislocation, and the destruction of infrastructure and facilities in Cambodia. The first democratic election was organized and a new government was established in 1993. At that time, Cambodia was moving from a phase of war toward peace, from a culture of continued conflict to a culture of compromise, dialogue, and reconciliation. In response to the challenges, the strategy for the National Program for Rehabilitation and Development of Cambodia (NPRDC) was developed, adopted, and implemented. The government’s broad aims were set out in the NPRDC in February 1994, and elaborated in the document on implementing the NPRDC in February 1995, which stated the objective as “striving to achieve a sustainable growth with equity and justice.” The document declared a war on poverty, and the development of rural areas is seen as critical to raising the living standards for the majority (85%) of the Cambodian population. Since 1993, rural development has played, and will continue to play, an important and active role in implementing and achieving the goals and targets set by the government in policy documents such as the NPRDC (RGC 1994), Socio-Economic Development Plans (SEDPI and II), National Poverty Reduction Strategy, etc. (CSD 2002). Work in rural development has contributed toward the reduction of poverty in the rural areas through decentralized and participatory approaches to improve rural access to social services and to create opportunities for rural people in their own development. The vision of “Returning to the Villages” continues to be the theme for rural development activities that seek to alleviate poverty in Cambodia by implementing projects and programs that will improve accessibility to socioeconomic services in rural areas and strengthen and empower grass-roots organizations at the village level in order to achieve sustainable development and self-reliance.

In response to the needs in rural areas, external assistance has been provided through loans and grants to rural development projects and programs. The Asian Development Bank (ADB), United Kingdom’s Department for International Development (DFID), European Union (EU), GTZ, Japan International Cooperation Agency (JICA), KfW, Swedish International Development Cooperation Agency (Sida), World Bank, United Nations (UN) agencies (i.e., the United Nations High Commissioner for Refugees [UNHCR], United Nations Development Programme [UNDP], WFP, United Nations Children’s Fund [UNICEF], World Health Organization

[WHO], International Labour Organization [ILO]), and other development partners have provided financial and technical assistance to improve rural accessibility and increase opportunities for rural people. Rural development activities have included, but not been limited to, rehabilitating rural infrastructure such as roads, markets, water supply, and sanitation; expanding rural credit services and income generating activities; and strengthening the institutional and human resources capacity at the national, provincial, and local levels.

5. LEGAL FRAMEWORK OF SOCIAL PROTECTION IN CAMBODIA

The fundamentals of social protection for Cambodians are enshrined in the Constitution, which contains articles on the rights of citizens and the responsibilities of government related to social protection. Several organic laws have been passed to codify some of the Constitution’s tenets related to social protection. The most relevant laws that have been adopted or are currently under consideration are as follows:

1. **The Labor Law**, passed in October 1998, provides for a standard legal workweek of 48 hours, not to exceed 8 hours per day. It also stipulates time-and-a-half for overtime, and double pay for overtime at night, on Sunday, or on a holiday. The minimum allowable age for a salaried position is 15 years, or 18 years for anyone engaged in work that may be hazardous, unhealthy, or unsafe. The Labor Law embodies most of the ILO conventions on core labor standards, all of which Cambodia has ratified. The application and enforcement of labor standards in Cambodia is discussed in greater detail in section 7, Social Protection Mechanisms.

2. **The Insurance Law**, passed in June 2000, provides a legal framework for better regulation of insurance market activities. To help develop the insurance sector, the government envisages expanding the activities of the state-owned Cambodian National Insurance Company (CAMINCO) to include life insurance, pensions, credit, and natural disaster insurance. However, these insurance schemes will benefit only a small proportion of the population in the initial stages and most likely will not be accessible to the poor, who lack the surplus funds necessary to insure their risks.

3. **The Law on Social Security Schemes for Persons Defined by the Provisions of the Labor Law**, passed in September 2002, entitles workers and employees in the private sector to old age, invalid, and survivors’ benefits as well as workmen’s compensation. The law has been promulgated but not implemented because it requires a subdecree on the National Social Security Fund (NSSF), which will cover employment injury insurance, the pension scheme, and a short-term benefit system. Notably, employment injury insurance will cover the formal sector as well as the self-employed based on voluntary participation. However, as in the case of the Insurance Law, only a very small segment of the population is expected to benefit, given the small size of Cambodia’s formal sector.
The National Action Plan to Combat Violence Against Women has been developed, and is being implemented in accordance with the Law on the Prevention of Domestic Violence and Protection of Victims adopted in 2005. However, violence against women remains high in Cambodian society.

The Law on Suppression of Trafficking in Humans and Sexual Exploitation, adopted in late 2007, is consistent with the UN Palermo Protocol. The draft law provides for heavier punishment if victims are below 15 years of age and increases police power to investigate and arrest suspected traffickers.

6. Review of Social Sector Interventions

Risks caused by natural disasters; economic downturns; or idiosyncratic household reversals, such as crop failures, unemployment, illness, accident, disability, old age, and death, may threaten the future of a household and its members (ADB 2001). Development of social protection interventions may also create new vulnerability and risks through involuntary effects such as less affordable goods and services, temporary job loss, and loss of common support networks and social capital. Generally, the four main types of risk the poor face are related to (1) the individual lifecycle, (2) the economy, (3) the environment, and (4) society and governance. Some risks affect all people equally; others have more intense impacts on the poor. Many risk reduction mechanisms are required to respond to types of risk the poor face, including formal and informal, public and private sector action. Mapping and scoping exercises require that we—the Technical Working Group for Food Security and Nutrition, Interim Working Group, and development partners—receive appropriate assessments of both the formal and informal measures and responses to social protection in Cambodia.

The government’s budget allocation for social sector interventions has increased in recent years: the overall government budget for social ministries4 (education, health, social affairs and veterans, labor and vocational training, and women’s affairs) increased by half a percentage point between 2004 and 2009, to 3.1% of GDP (Figure). This equals KR1.235 billion ($300 million). However, the proportion remains lower than the regional average—it is less than the average public spending in education alone in most East Asian and Pacific countries (their average public spending on education was 4.3% in 2004).5

Each government agency, except the National Electoral Committee, has some expenditure on matters related to social protection. In the new budget

4 The government also classifies four social ministries: information, culture and fine arts, environment, and public worship and religion. However, for this review, a more conventional definition of social sectors is adopted.

5 All data and the description of the NSSF coverage and workings were collected through personal interviews with NSSF representatives.
structure, implemented since 2007, the budget line for social interventions is split across sections of two chapters: 64 and 65. Under Chapter 64 (Personnel), 64.5 is Allowances and Social Transfers, and includes line items for Family Health and Giving Birth, Death, Retirement, Unemployment, Work Accidents and Invalidity, Orphans of Personnel, and others. Chapter 65 (Subsidies and Social Aids) also has line items of particular interest to social protection under 65.7, Social Assistance: Assistance for Hospitalization, Medicaments, Food and Supplies, Natural Disaster, Research Stipends, Local Scholarships and Research, Scholarships and Research Abroad, and others; and under 65.8, Subsidies to Cultural and Social Entities: Communities, Orphan Centers, Travel Scholarships, Red Cross, Sport and Culture, Rehabilitation Centers, and King Affairs (the King’s charity programs). The spending on social protection activities in 2008 (up to November) was over KR488 billion (about $120 million).

7. **Social Protection Mechanisms in the Formal Sector**

The Ministry of Social Affairs, Veterans, and Youth Rehabilitation (MOSAVY) and the Ministry of Labor and Vocational Training (MOLVT) are the two main government providers of social protection schemes. The MOSAVY provides assistance to retired civil servants, veterans, and their dependents, while the MOLVT oversees social protection schemes for private sector workers. The two ministries were created in 2004 from the previous Ministry of Labor, Vocational Training and Youth and the Ministry of Women’s and Veterans’ Affairs.
The bulk of the government’s social protection-related expenditures is administered by the MOSAVY and goes toward civil service pensions and veterans benefits. Beyond these priority areas, budget constraints have inhibited the government from supporting even minimal direct interventions for the poor and vulnerable, and the government relies on development partners and nongovernment organizations (NGOs) to reach these groups. All retired and disabled civil servants and veterans, as well as their widows and orphans, are entitled to pensions and compensation. Despite the relatively large allocations for civil service pensions out of the total social protection budget, the payments are insufficient to meet the basic livelihood needs of beneficiaries. Most of the MOSAVY’s 2003 expenditures went toward pensions for over 22,000 retired civil servants, who received an average of KR70,000 ($17.50) per person per month in pensions, although some received as little as KR27,000 ($7).

The MOLVT runs two main social protection schemes: the NSSF and the National Vocational Training Program. The NSSF, established in 2008, aims to provide employees with (1) employment injury coverage (workmen's compensation), (2) health insurance, and (3) pension coverage. The MOLVT plans to phase in the implementation of these three components—the employment injury scheme started in December 2008, while the health insurance and pension schemes are scheduled to start in 2010 and 2012, respectively. All firms with more than eight employees will be required to enroll in the schemes as they are implemented. As of February 2009, the NSSF had enrolled roughly 400 firms in the employment injury scheme, about 250 of which are garment factories, covering a total of about 300,000 workers. The employer has to make a monthly contribution equivalent to 0.8% of the employee’s salary. The benefit is partly in kind and partly in cash: the employee receives full medical assistance plus 70% of the salary to compensate for forgone income during treatment.

As reflected in the National Policy on Vocational Training for poverty alleviation, the government's objectives in supporting vocational training are to help minimize unemployment and to develop new skills in the population that will meet production process needs in new areas. Toward this end, the MOLVT is mandated with strengthening vocational training centers, establishing five regional vocational centers, and implementing training programs in remote communities. Currently, vocational training is concentrated in the industrial and tourism sectors. Notably, the Department of Vocational Training is drafting national competency standards aimed at improving the quality of vocational training. The standards will apply to government-run centers and to NGO-run centers registered with the government.

However, access to vocational training is expected to become more limited for the poor and vulnerable. As noted, training resources are primarily available in Phnom Penh, and provincial centers have very low physical and human resource capacity, which limits their impact in terms of number of beneficiaries and quality

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6 Personal interviews with NSSF representatives.
of training. Although the government budget for vocational training centers is insufficient, the Department of Vocational Training notes good participation at training centers as individuals are desperate for vocational skills and are therefore willing to pay for training. Training center managers have been encouraged to transform the centers into “public institutions” that can officially charge fees from trainees. A number of state-owned tertiary training institutions have gone through this process and are now generating significant income. While the introduction of fees will help resolve the resource problems faced by vocational training centers, the poor and vulnerable will be crowded out by those who can pay unless the tuition from students who can afford to pay is used to cross-subsidize those who can not.

8. Education

The education sector has improved significantly in the last 5 years, particularly in primary net enrollment gains, the introduction of program-based budgeting, and the development of a sound pro-poor policy framework. The total budget provided by development partners to education in Cambodia during the school year 2006–2007 was in excess of KR$56 million. During the last decade, the government steadily pursued its policy of reallocating public finances away from defense and security in favor of priority sectors. Significant progress has been made in securing increasing and predictable resources for education. The education share is in accordance with the targets agreed between the Ministry of Education, Youth and Sport (MOEYS); Ministry of Economy and Finance; and development partners. The government plans to increase the education budget from 1.60% of GDP to 2.09%. The share ascribed to education in the recurrent budget in 2007 was 14.8% and will be maintained at an 18%–21% level through 2011. The Education Sector Working Group conducted a joint technical appraisal of Cambodia’s Education Sector Support Program 2006–2010, which won endorsement for grant funding by the Education For All-Fast Track Initiative (EFA–FTI). In 2007, the EFA–FTI Strategy Committee approved an EFA–FTI catalytic fund grant totaling $57.4 million. This grant will support scaling up the Education Sector Support Program.

Since 2006, the MOEYS has implemented the Scholarship for the Poor Program. As of October 2008, the program covered 54,983 children across all provinces except Phnom Penh. Eligible children are selected through an ad hoc mechanism: local management committees have students fill in a form collecting information on their living standards. The school compiles the results in a database and sends

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7 The term “public institutions” is a misnomer as it is meant to convey the quasi-private nature of the institution, versus the centers’ current status, which is akin to a state-owned enterprise, which cannot “officially” charge fees.

8 For example, the National Institute of Management has expanded greatly since becoming quasi-private a few years ago, as have the Faculty of Law and Economics and the Royal Agricultural University.
it to the MOEYS, which contracts a private firm to calculate an index based on the information collected. On the basis of that index, the MOEYS awards scholarships to the 50% of students with the highest poverty index. The poorest half of that 50% is labeled “very poor” and the other half “medium poor.” The level of scholarship depends on the level of poverty (medium or very) and on the school level. Very poor children in lower secondary school receive $60 per year, while the medium poor ones receive $45. All children in primary school (but only the very and medium poor in Mondulkiri, Preah Vihear, and Ratanakiri provinces) receive $20 per year. Payments are made in two installments per year.

9. Health

In the health sector, the most notable effort to increase coverage of the poor and provide a form of insurance against health risks is that of the health equity funds (HEFs). These are used to lower financial barriers to healthcare, as they were introduced to reimburse health providers for services to patients who are below the poverty line, thereby protecting poor patients against out-of-pocket payments while still allowing facilities to receive income. Equity funds serve as an important complement to the supply-side subsidies, which are aimed at lowering the cost of healthcare but generally do not reach the poor because of barriers to access such as unofficial demands for payment. As of September 2008, Cambodia had 45 HEFs in place. The HEFs are managed in cooperation with the government, development partners, and local NGOs. The HEFs are financed by a regular government budget of $6 million and receive additional development partner support of $7 million. Coverage of HEFs and identification of the poor for HEFs and scholarships are presented in Appendix 3 of this paper.

The HEFs work closely with the Ministry of Planning’s Identification of Poor Households Program, known as the IDPoor Program (Appendix 2 of this paper). Poor individuals, whether identified through the IDPoor process or through an in situ assessment by medical staff, are covered for all costs of hospitalization, other medical services, and expenses for transport and food during their stay in a medical structure. One drawback is that the HEFs do not protect people who are above the poverty line and at risk of falling into poverty due to healthcare costs. Equity fund pilot tests in other countries address this issue by covering healthcare costs above an annual or episode maximum for the non-poor, an option that could be explored for Cambodia to increase the risk reduction impact of the HEFs.

10. Informal Social Safety Net Mechanisms

Like many countries with a traditional religious orientation, Cambodia has informal social safety net and solidarity mechanisms (section 1). But the informal safety net became strained to the breaking point under the Khmer Rouge regime. “Over two decades of war and conflict have left Cambodia as one of the world’s poorest
countries. A full-blown civil war began in 1970 and ended with a victory by the Khmer Rouge, who killed approximately two million Cambodians between 1975 and 1979. The country continued to experience civil conflict throughout the 1980s, leaving Cambodia impoverished with severe damage to its physical infrastructure, human and social capital, and institutions” (World Bank 2006c, p. 10). However, informal safety net mechanisms did not entirely disappear, and were revived with the resumption of the monarchy and democracy. But, the informal safety net in Cambodia is again facing stress due to the food, fuel, and fertilizer price shocks and the global financial crisis. The informal safety net is also likely to be eroding under increased stress and pressures from urbanization and cultural change. Thus, qualitative research on informal social safety in Cambodia is required.

With the adoption of the Law on Administrative Management of the Capital, Province, Municipality, District, and Khan (subnational level), the government has strongly committed to and embarked on a major reform agenda, focusing specifically on democratic development at the subnational level. On 17 May 2009, 225 new governing and functioning councils were elected at various administrative levels. They will gradually transform the way in which governance and development is planned, managed, and accounted for at the subnational level. In this context, an assessment of the city quarter (sangkat), commune, and district levels’ abilities to implement social safety net programs is important. With generous financing from the DFID poverty trust fund, research will be conducted on the informal safety net in Cambodia and to assess local and district levels’ abilities to formulate, implement, and account for budgets and safety net programs.

11. SAFETY NETS AND PRO-POOR PROGRAMS

**ADB: Emergency Food Assistance Project.** Safety net programs in Cambodia consist mainly of food distribution and food-for-work and labor-intensive public works types of programs. In October 2008, the Ministry of Economy and Finance implemented a $40.08-million food emergency operation to mitigate the effects of the increase in food prices on poor households. The emergency package consisted of a $17.5 million grant and a $17.5 million loan at concessional rates from ADB, and $5.08 million from the government. Of the total, approximately $19 million will be allocated to social protection measures, with the remaining amount allocated to measures aimed at increasing food productivity and government capacity in implementing food security operations. In the first phase, roughly 342,000 beneficiaries in 200 communes received in-kind assistance (35 kilograms of rice rations) in the eight provinces surrounding the Tonle Sap. The Ministry of Economy and Finance’s project management unit is now considering food-for-work assistance to help poor households in food insecure areas cope with the lean season for the next 3 years.

**World Bank: Smallholder Agriculture and Social Protection Support Operation.** A joint World Bank and Australian Agency for International Development (AusAID) mission visited Cambodia on 10–20 February 2009 to prepare a development policy operation in support of smallholder agriculture and social
The objectives were to

1. review and agree on actions to be carried out prior to negotiations of the proposed operation,
2. identify and agree on complementary technical assistance requirements and likely sources of support, and
3. review the draft program document that will be circulated to the World Bank’s senior management and Board of Directors.

The government confirmed to the mission that the impacts of the global financial crisis are being increasingly transmitted to Cambodia through declines in garment orders, tourism arrivals, and construction activity, with significant consequences for employment, thus increasing the need to strengthen (1) agricultural performance as a less vulnerable sector and absorber of labor, and (2) social safety nets for the expected significant rise in unemployment in other sectors. The government is urgently developing and implementing a set of measures that include budget realignment and addressing policy and institutional constraints with a focus on stimulating agriculture, infrastructure, and safety nets linked to employment and skills. To increase the sustainability of these measures, actions related to improved targeting of social assistance, strengthening of the role of farmer associations and water user groups, and improved public expenditure should be advanced in parallel to strengthen the effectiveness and governance of public services in agriculture and social protection. The government’s planned stimulus program addresses constraints on the smallholder supply response in several key areas, including access to inputs, strengthening of community-based farmer associations, and increasing of rice exports.

Agriculture. The government focused the current actions on accelerating access of smallholders to improved production technology, including improved seed, soil quality, and water management, which are most appropriate to allow a rapid supply response that could both assist vulnerable rural households to increase their own food production and incomes and increase local, aggregate food availability. The government passed the Seed Law in April 2008, providing the basis for expanding the supply and quality of improved seed. To reduce the price of seed and fertilizer, the government also suspended import duties and value-added tax on agricultural inputs. In addition, the government is planning to strengthen price monitoring of imported fertilizer and provide working capital financing to fertilizer and seed companies to expand supply.

Community-based farmers’ associations. To strengthen the associations and facilitate technology transfer and marketing activities for smallholders, the government has prioritized legal recognition of farmers’ associations. The government has also recognized the need to strengthen the role of farmer water-user communities to improve the management and maintenance of its expanding irrigation facilities to ensure that farmers benefit from the systems. The government is therefore moving forward with the process of public consultation on its draft Sub-Decree on Farmer Water User Communities, prior to submitting a final draft.
to the Council of Ministers, and has doubled its own budget funding of irrigation operation and maintenance in 2009.

**Increasing rice exports.** The limited capacity and technology in the agro-processing sector, in particular rice milling, is a principle constraint to improving access to credit, inputs, and quality enhancement in the agriculture sector, particularly for smallholders who depend on intermediaries for market access. Given the very limited financing from private banks due to a narrow definition of acceptable collateral, the government has placed high priority on increasing investment in agro-processing through measures to streamline and facilitate new investments and through support to the Rice Miller’s Association for direct working capital and investment financing through the Rural Development Bank. The government and the rural Development Bank have indicated their interest in using experience from the bank’s financing to develop mechanisms to facilitate increased private bank financing in agri-business, particularly rice milling. For strengthening technology transfer, the government recognizes the need to consolidate its experience with research and extension under externally-supported projects into a national system that can be increasingly supported through the government’s own budget and programmatic funding from external sources.

**Safety net interventions.** In response to the early impact of the high price of food, fuel, and fertilizer in late 2008, the government, through the ADB-funded Emergency Food Assistance Project, expanded safety net interventions targeted to poor households by

- signing a 3-year agreement with WFP for the provision of 2,000 tons of rice yearly for programs such as school feeding and food-for-work,
- implementing a one-time rice distribution program in 200 communes,
- releasing 300 tons of subsidized rice in Phnom Penh and Siem Reap, and
- mandating a 2-year labor-intensive public works program in 200 communes.

To improve the effectiveness and transparency of safety net interventions, the government effectively targets beneficiaries for safety net interventions by (1) mandating the adoption of the IDPoor targeting system in appropriate emergency interventions supporting the poor, (2) mandating the extension of the IDPoor targeting system to cover 3,000 additional villages, and (3) initiating consultations on a subdecree mandating the use of the IDPoor targeting system for selected government programs. The government committed to develop a social protection strategy by December 2009.

The largest implementer of safety net programs remains the WFP, which in 2008 distributed 28,133 tons of rice to 886,929 beneficiaries, for a total value of $23.2 million (Table 1). Through its food-for-work program, in 2008 the WFP provided over 3,795 tons of rice to 113,808 vulnerable beneficiaries in food insecure communes from the 12 most food insecure provinces, in exchange for work on public infrastructure projects. The WFP also implements a nutrition program, Support for Mother and Child Health (SMCH), which distributes monthly food
### Table 1. World Food Programme—Food and Beneficiaries, 2008

<table>
<thead>
<tr>
<th>Activity</th>
<th>No. of Beneficiaries</th>
<th>Food Distribution (tons)</th>
<th>Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Female</td>
<td>Rice</td>
</tr>
<tr>
<td><strong>Basic Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Feeding</td>
<td>470,709</td>
<td>25,873</td>
<td>5,861.99</td>
</tr>
<tr>
<td>Take–Home Rations</td>
<td>114,063</td>
<td>57,033</td>
<td>2,492.50</td>
</tr>
<tr>
<td>Vocation Training</td>
<td>1,099</td>
<td>648</td>
<td>14.60</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>585,871</td>
<td>283,554</td>
<td>8,369.09</td>
</tr>
<tr>
<td><strong>Health and Nutrition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>38,547</td>
<td>19,493</td>
<td>4,135.52</td>
</tr>
<tr>
<td>HIV and AIDS</td>
<td>89,870</td>
<td>46,289</td>
<td>4,971.19</td>
</tr>
<tr>
<td>SMCH</td>
<td>57,306</td>
<td>41,609</td>
<td>1,107.81</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>185,723</td>
<td>107,391</td>
<td>10,214.52</td>
</tr>
<tr>
<td><strong>Disaster Risk Reduction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFW</td>
<td>113,808</td>
<td>56,903</td>
<td>3,795.23</td>
</tr>
<tr>
<td>FFT</td>
<td>1,527</td>
<td>1,104</td>
<td>33.75</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>115,335</td>
<td>58,007</td>
<td>3,828.98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>886,929</td>
<td>448,952</td>
<td>22,412.59</td>
</tr>
</tbody>
</table>

AIDs = acquired immune deficiency syndrome, CSB = corn soya blend, FFT = food for training, FFW = food for work, HIV = human immune deficiency virus, SMCH = Support for Mother and Child Health.

Source: Data from the World Food Programme.
rations (rice, vegetable oil, fortified corn-soy blend, and sugar) to pregnant and lactating mothers in poor households in food vulnerable communities. In 2008, the SMCH distributed over 2,776 tons of food. The WFP works in partnership with local NGOs, which handle the food distribution, and with health centers, which provide basic health education during the distribution.

UNICEF is among the most active of development partners in supporting the government’s safety net programs—its country program spans areas of social protection, including education, child rights, and nutrition. Since 2006, UNICEF has invested about $16 million per year in social protection interventions, and plans to invest an additional $13 million yearly in 2009 and 2010 (Table 2). UNICEF’s strategy is to support the government’s activities by providing funds and helping implement its agenda. UNICEF focuses its attention on six priority provinces: Kampong Speu, Kampong Thom, Otdar Meanchey, Prey Veng, Stung Treng, and Svay Rieng.

Table 2. UNICEF Budget for Social Protection, 2006–2010 ($’000)

<table>
<thead>
<tr>
<th>Focus</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Survival</td>
<td>3,624</td>
<td>3,624</td>
<td>3,624</td>
<td>3,624</td>
<td>3,624</td>
<td>18,120</td>
</tr>
<tr>
<td>Seth Koma</td>
<td>3,260</td>
<td>3,260</td>
<td>3,260</td>
<td>3,260</td>
<td>3,260</td>
<td>16,300</td>
</tr>
<tr>
<td>Expanded Basic Education</td>
<td>6,100</td>
<td>6,700</td>
<td>5,450</td>
<td>4,000</td>
<td>3,450</td>
<td>25,700</td>
</tr>
<tr>
<td>Child Protection</td>
<td>3,380</td>
<td>3,230</td>
<td>3,030</td>
<td>3,030</td>
<td>2,930</td>
<td>15,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,364</strong></td>
<td><strong>16,814</strong></td>
<td><strong>15,364</strong></td>
<td><strong>13,914</strong></td>
<td><strong>13,264</strong></td>
<td><strong>75,720</strong></td>
</tr>
</tbody>
</table>


The government also strongly relies on development partners, mainly the WFP and UNICEF, for support to nutritional assistance. The WFP channels its nutrition interventions through the SMCH program and UNICEF supports the government’s National Nutrition Programme through the Child Survival Partnership by providing (1) nutritional assistance to mothers and children in the form of micronutrients, and (2) nutrition education by training mothers on breastfeeding and feeding practices. Despite these efforts and the progress achieved, malnutrition levels in Cambodia remain high, and much remains to be done in this area.

The government has endorsed a project on “labor-based appropriate technologies” to generate employment by improving and maintaining essential rural infrastructure. These technologies are pro-poor and effective weapons to combat poverty as they provide employment to people living in rural areas while helping to develop the country’s rural infrastructure. The project’s overall goals are to demonstrate the potential for increasing the direct poverty reduction impact of the national road network and to mobilize road maintenance funds for the provincial governments. The project will pilot-test sustainable decentralized finance and management of labor-intensive road maintenance.
Construction and maintenance of transport infrastructure in rural areas can also be oriented toward giving maximum benefit to the poorer sections of the rural community. Using labor instead of machines, whenever possible, while still producing high quality works (through labor-based appropriate technology) has proven to be an efficient method of rehabilitating and maintaining roads and small-scale irrigation schemes in Cambodia. A significant number of people are employed in intensive public work programs. Daily payment is not less than $1, although the WFP remunerates the laborers in kind, with food valued at not less than $1. Therefore, during 1996–2003, more than 28 million workdays were generated, or more than $30 million, as rural incomes re-entered the economy by using labor for building rural infrastructure. This is a much-needed injection of resources by creating rural employment, improving accessibility, and promoting opportunities for rural people. In addition, the process enhances the sense of ownership of community assets among people living along the road—the laborers (Table 3).

ADB and the ILO have been the government’s main development partners in the project, Mainstreaming Labor-Based Road Maintenance to the National Roads Network. During 2006–2008, the ILO channeled nearly $4.8 million, roughly half from the government and half from the Japan Fund for Poverty Reduction, to this project (Table 4). During 2007–2008, ADB also provided a grant of over $690,000 from the same fund, to implement the project.

Table 3. Rural Infrastructure Rehabilitation Programs, 1996–2003, by Funding Organization

<table>
<thead>
<tr>
<th></th>
<th>ADB</th>
<th>KfW</th>
<th>WFP</th>
<th>ILO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>283,952</td>
<td>195,458</td>
<td>4,352,493</td>
<td>117,848</td>
<td>4,949,751</td>
</tr>
<tr>
<td>Workdays</td>
<td>4,996,352</td>
<td>5,168,000</td>
<td>14,165,000</td>
<td>3,708,077</td>
<td>28,037,429</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, ILO = International Labour Organization, WFP = World Food Program.
Source: Author.

Table 4. Budget Sources for the Project, Mainstream Labor-Based Road Maintenance to the National Road Network

<table>
<thead>
<tr>
<th>Year</th>
<th>Government Contribution</th>
<th>External Funding (Japan Fund for Poverty Reduction)</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>200,000</td>
<td>704,600</td>
<td>904,600</td>
</tr>
<tr>
<td>2007</td>
<td>1,248,000</td>
<td>790,000</td>
<td>2,038,000</td>
</tr>
<tr>
<td>2008</td>
<td>1,100,000</td>
<td>705,400</td>
<td>1,805,400</td>
</tr>
<tr>
<td>Total</td>
<td>2,548,000</td>
<td>2,200,000</td>
<td>4,748,000</td>
</tr>
</tbody>
</table>

Source: Council for the Development of Cambodia database.
12. **WAYS FORWARD**

These challenges will require not only more effective and dynamic cooperation among the government, its development partners, and the private sector and civil society, but also more effective coordination and collaboration within and across government ministries and the development communities, especially in key areas such as agriculture and rural development. Development programs should be speedily and effectively designed and implemented, and the supporting resources provided by development partners more speedily and effectively disbursed for implementation. This is no easy task, but the need for us all to work together to improve our performance on this issue has never been greater (Hun Sen 2009).

The Working Group on National Food Security has been an effective mechanism for coordinating the urgently needed response actions among ministries, including implementing the ADB support and preparing the proposed policy support operation. However, several issues related to government institutional and fiscal reforms need to be better identified in order to mainstream appropriate food crisis response capacities within government. Accordingly, the public expenditure review will include focused assessments and options for key issues related to agricultural production and marketing and social protection such as (1) funding flows for demand-driven technology transfer and corresponding institutional responsibilities in the context of Cambodia’s ongoing implementation of the new Organic Law, (2) the government's role in supporting the input supply and rice marketing system, and (3) the fiscal and institutional requirements for expanding the social protection system.

The Technical Working Group for Food Security and Nutrition, working with government institutions and development partners, committed to complete the following:

1. mapping and scoping by the end of June 2009—a World Bank-supported activity to pull together all the available information into a core paper for the June National Forum (Table 5);
2. concurrent work on a draft of policy options to be presented at the mid-June Social Security Network National Forum, supported by the World Bank in collaboration with the WFP and other development partners of the Interim Working Group on Social Security Network;
3. a policy option paper to be finalized by September 2009, led by the Council for Agriculture and Rural Development Technical Working Group with support from development partners; and
4. the Social Security Network strategy by December 2009, led by the Council for Agriculture and Rural Development with development partners’ support.
Table 5. Preliminary Mapping and Scoping of Social Safety Nets in Cambodia

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Formal Sector/Contributory Systems</th>
<th>Risk Reduction Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types</td>
<td>Social Risks</td>
<td>General Subsidies</td>
</tr>
<tr>
<td>Life cycle</td>
<td>• Hunger, children’s development</td>
<td>• Social cash cards (MOSAVY)</td>
</tr>
<tr>
<td></td>
<td>• Illness, injury, and disease (e.g., HIV and AIDS)</td>
<td>• NSSF: Workmen’s compensation (MOLVT)</td>
</tr>
<tr>
<td></td>
<td>• Death</td>
<td>• NSSF: Health insurance (MOLVT)</td>
</tr>
<tr>
<td></td>
<td>• Disability</td>
<td>• Orphans’ and widows’ allowances (MOSAVY)</td>
</tr>
<tr>
<td></td>
<td>• Old age</td>
<td>• Invalids’ pensions (MOSAVY)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Civil servants’ and veterans’ retirement pensions (MOSAVY)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Old people’s associations (MOSAVY)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• NSSF: Employer-based pension schemes (planned MOLVT)</td>
</tr>
</tbody>
</table>

continued on next page
<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Formal Sector/ Contributory Systems</th>
<th>Risk Reduction Measures</th>
<th>Informal</th>
<th>Safety Nets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types</td>
<td>Social Risks</td>
<td></td>
<td>General Subsidies</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>End of source of livelihood (i.e., crop failure, cattle disease)</td>
<td>Subsidizing rice in Phnom Penh and Siem Reap by releasing 300 tons of rice (government)</td>
<td>• Improving Food Safety and its Management in Cambodia, Lao PDR, and Viet Nam (FAO)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>Eliminating suspension of rice exports (government)</td>
<td>Off-farm income generation with the National Program for Household Food Security and Poverty Reduction (FAO)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low income/pro-poor programs</td>
<td>Suspending duties and VAT to reduce price of agricultural inputs (government)</td>
<td>Labor-intensive public works programs (ILO LBAT program, infrastructure programs, WFP FFW program)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial/economic crisis and/or transition</td>
<td>Expanding, subsidizing distribution of seed and fertilizer to smallholder farmers and assessment of performance (government)</td>
<td>Economic and vocational training (WFP)</td>
<td></td>
</tr>
</tbody>
</table>

continued on next page
### Table 5. continuation

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Formal Sector/Contributory Systems</th>
<th>Risk Reduction Measures</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types</td>
<td>Social Risks</td>
<td></td>
<td>General Subsidies</td>
</tr>
<tr>
<td>Environmental</td>
<td>Drought</td>
<td>National Action to Combat</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Flood, rains</td>
<td>Violence Against Women</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Climate change</td>
<td>The Law on Suppression</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>of Trafficking in Humans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>and Sexual Exploitation</td>
<td></td>
</tr>
<tr>
<td>Social/Governance</td>
<td>Exclusion, loss of social status/capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extortion, corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Crime, domestic violence</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank; AIDS = acquired immune deficiency syndrome; BTC = Belgian Technical Cooperation; CAMINCO = Cambodian National Insurance Company; EC = European Commission; EU = European Union; FAO = Food and Agriculture Organization; FFW = food for work; HIV = human immunodeficiency virus; ILO = International Labour Organization; Lao PDR = Lao People’s Democratic Republic; LBAT = labor-based appropriate technologies; MEF = Ministry of Economics and Finance; MOEYS = Ministry of Education, Youth, and Sports; MOH = Ministry of Health; MOLTV = Ministry of Labor and Vocational Training; MOSAVY = Ministry of Social Affairs, Veterans and Youth Rehabilitation; NSSF = National Social Security Fund; UK = United Kingdom; UNICEF = United Nations Children’s Fund; USAID = United States Agency for International Development; VAT = value-added tax; WFP = World Food Programme.

Source: Author.
APPENDIX 1. THE POOR AND VULNERABLE IN CAMBODIA AND THE IMPACT OF THE CRISSES

PROFILE

Poverty and vulnerability in Cambodia have been well-studied in recent years, with a poverty assessment in 2006 (World Bank 2006a, based on 2004 data), a poverty update in 2009 (World Bank 2009b, based on 2007 data), and a risk and vulnerability assessment in 2006 (World Bank 2006b). Poverty continued to decrease in Cambodia in all three areas (Phnom Penh, other urban, and rural) during 2004–2007. The poverty headcount index for Cambodia as a whole relative to the overall poverty line decreased from 34.8% in 2004 (in villages included in the 2007 Cambodia Socio-Economic Survey sampling frame) to 30.1% in 2007. Food poverty declined from 19.7% to 18.0%—food poverty refers to people who consume less than the food-only portion of the overall poverty line.

The estimated decreases in poverty during 2004–2007 reflect substantial and statistically significant growth in real per capita household consumption (the welfare measure used in this and in previous poverty profiles). However, poverty would have been reduced further had the growth in real per capita income and consumption not been so much higher in the richest quintile and in urban areas (especially Phnom Penh) than in less rich quintiles and rural areas. Despite a slight decrease in income inequality within Phnom Penh, the overall Gini coefficient is estimated to have increased from 0.39 to 0.43. Despite relatively strong economic growth in recent years and significant reductions in overall poverty, poverty continues to be widespread, particularly in rural areas. In addition, a large proportion of the population is vulnerable to shocks that can push them into extreme poverty. Formal and informal safety nets, which could help the poor and vulnerable manage such risks as well as encourage a degree of productive risk-taking, remain weak.

With the majority of the population engaged in subsistence agriculture, food insecurity is a dominant feature of poverty and vulnerability in Cambodia. In the 2001 participatory poverty assessment, respondents cited “being hungry” as their primary concern. Although overall food and rice availability has improved in recent years, subsistence farmers, people who hold no or little productive land, the urban poor, and other vulnerable groups face chronic food insecurity. An estimated one in five rural inhabitants is unable to secure enough food to meet the nutritional norm of 2,100 calories per day. As a consequence, malnutrition is widespread. According to the 2005 Cambodian Demographic Health Survey, 43% of children 0–5 are chronically malnourished (stunted), 28% are underweight, and 8% are acutely malnourished (wasted). Poor dietary diversity, with 76% of calories provided by rice and other cereals, results in severe micronutrient deficiencies among the most vulnerable.
The World Food Programme noted that Cambodia is among the 36 countries with the highest burden of child undernutrition and one of the 33 “alarming or extremely alarming” countries in terms of hunger and undernutrition, with one of the highest child mortality rates in the Asia and Pacific region, very poor nutritional status of women of child-bearing age, and very high child and maternal mortality rates.

Pressure on agricultural land is increasing due to population growth, land concentration, low and variable productivity, and unclear land ownership. All land was collectivized under the Khmer Rouge in the late 1970s. During the 1980s, a weak form of collectivization was retained, as land was distributed locally with decollectivization toward the end of the decade. Formalizing land titles has, however, taken much longer. The lack of clarity over titles combined with the clearance and de facto conversion of what is officially forest land for agricultural uses (by both small-scale subsistence-oriented household farms and large-scale commercial or speculative operations) has resulted in very complicated land tenure and use patterns. The 2006 poverty assessment identified the lack of clear property rights as a critical binding constraint on agricultural investment, productivity, and growth. As many as 80% of rural households that owned land in 2004 did not have land titles. Systematic land titling has made significant progress during the last few years, but much of the country remains to be covered by this program and resolving the title status of contested lands on the forest frontier will be extremely challenging.

Lack of diversification of household economies exacerbates the vulnerability of rural Cambodians. Most rural households rely heavily on subsistence agriculture for their livelihood, with rice accounting for 90% of total cultivated area and 80% of agricultural labor input. Because of Cambodia’s unique hydrological regime and very low coverage by water control infrastructure, agricultural production (and thus household food security) depends heavily on the weather and can fluctuate significantly from year to year. Unusual floods and droughts severely affected large parts of the countryside for 3 years early in this century, resulting in zero or negative rates of agricultural growth. Rice yields remain among the lowest in the region due to limited and poor use of improved seed, fertilizer, tillage, and water management. Because productive off-farm opportunities are limited, rural households lack alternatives that would allow them to maintain stable incomes or cope in times of poor harvest.

Overall, poverty in Cambodia is concentrated in rural areas, but there are pockets of extreme poverty even in Phnom Penh, with a poverty rate below 1% (World Bank 2009b). Poverty in Cambodia is overwhelmingly a reflection of the presence of many young children per household. The poverty rate for children aged 0–5 was 37.7%, but that of people 65 and over was 25%. There are too few child- and teen-headed households to generate a statistically significant measurement of their poverty level, but anecdotal evidence (World Bank 2006b) and NGOs suggest that such households are terribly poor and constitute part of the extreme poor. Other extremely poor groups are homeless people and garbage scavengers.

Disabled people comprise another highly vulnerable group. Extremely disabled people comprise 1%–2% of the population (World Bank 2006b), but if disability is
defined as people with functional limitations that preclude them from full participation in economic and social life, the share may be 10%–12% of the population (Mont 2007). Households with disabled members, considering the extra costs of disability, are poorer than households without disabled members (Braithwaite and Mont 2008).

Poverty is clearly linked to the number of dependents. Nearly a third of the population live in households with 7 or more members, and these households have a poverty rate 50% higher than the average of 42%. Less than 4% of the population live in single- or two-person households, and their poverty rate is less than 8%.

In addition to drawing an overall profile of the poor, the government needs to be able to identify which individual or household is poor, in order to target assistance to them. In Cambodia until recently, poverty-oriented development planning and service provision had not focused enough attention on targeting assistance to poor people. Where household targeting was implemented, each institution had developed and applied its own procedures and criteria for identifying beneficiaries. Thus, results are not comparable and are generally also not shared among organizations and institutions. To solve this problem, Cambodia recently developed the IDPoor system, which needs to be rolled out across the country and revised so that the database includes school name and code and school and student identification numbers.

**IMPACT OF THE FOOD, FUEL, FERTILIZER, AND FINANCIAL CRISSES ON THE VULNERABLE GROUPS**

In 2008, Cambodia was badly affected by soaring food prices. The domestic price of rice and fertilizer doubled during the year, while meat and fish prices increased 30%–60%. The rice price increase accentuated the vulnerability of food deficit households, including the urban poor. In addition, input price increases threatened immediate future food production as farmers reduced fertilizer use, thereby reducing yields that are among the lowest in Asia even in the best years. Gasoline price rises increased the cost of transport, processing, and water pumping for irrigation. Consequently, poverty and hunger increased, as did migration to urban areas and movement of people across the borders (Thailand and Viet Nam). School attendance declined as children joined the workforce to help families, and some stopped attending classes because the school feeding program was discontinued. Some families are selling land and other assets to buy food and necessities. Production of home-based crafts declined because raw material prices escalated.

A household is a net food consumer if its food production values are lower than its food consumption values. Overall, 82.7% of Cambodia’s households are net food consumers and 66.9% are net cereal consumers (Vu and Glewwe 2008). Thus,

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9 However, Ministry of Commerce figures show that food prices dropped nearly 5% in the first quarter of 2009 (Hor Hab, Phnom Penh Post, 02/04/09). The latest figures show an overall downward trend in the price of the 36 foods surveyed, with 20 decreasing, 14 increasing, and 2 unchanged.
an increase in the prices of food would have negative impacts on over 82% of Cambodian households and an increase in rice prices would negatively impact two thirds of households. Even in rural areas, an increase in the prices of food leads to lower welfare among 80% of rural households and an increase in cereal prices leads to lower welfare among 61%. However, the impacts of food price increases differ across groups. In Phnom Penh and other urban areas, the impacts are more severe than in rural areas.

Findings of the Cambodia Development Resource Institute are similar (Sophal 2008). Poor and net food buying households are the worst affected, and they generally reside in rural areas. About 21% of rural households are landless. The urban poor are also affected. The institute found that 12% of households, or 1.7 million individuals, were food insecure and most affected by food price increases. Half of such households reported cutting back on food as their coping mechanism, and school dropouts increased from 13% in January 2008 to 22% in June 2008. The institute projected that the number of food-insecure persons could increase to 2.9 million in the lean season.

The impact of the food, fuel, and financial crises will likely be worst on the poorest and most vulnerable group—children. The Cambodia Anthropometric Survey 2008 found that the percentage of children classified as acutely malnourished (wasted) rose from 8.4% in 2005 to 8.9% in 2008, and the percentage of underweight children rose from 28.2% to 28.8%. The urban extreme poor who survive on scavenging scrap metal from the Stung Meanchey garbage dump are impacted by the fall in metal prices because of the financial crisis. These grim statistics may worsen if safety nets can not be put in place to protect children from the impact of the crises. Development partners are mobilizing for emergency relief, but the absence of safety net programs that can be rapidly scaled up make it all the more imperative for Cambodia to build a safety net for the medium term.
Appendix 2. The Identification of the Poor Program

Government and development partners are developing interventions to better target assistance to the poor—the most important one being the Identification of Poor Households (IDPoor) Program. The IDPoor program of the Ministry of Planning (MOP) is supported by GTZ, the Australian Agency for International Development (AusAID), and other donors. IDPoor issues equity cards to poor households identified through objective criteria based on assets and community participation. The identification procedure is consultative and participatory, in that village representatives interview villagers using a standard national questionnaire, and the MOP coordinates and supervises the process. In 2009, the IDPoor program covered 5 provinces partly or completely and approximately 2,970 villages. Most areas covered by the IDPoor system are areas in which health equity funds (HEFs) operate and equity cardholders are entitled to receive free medical assistance at public health centers.

In addition to the 11 provinces partly or fully covered during 2007 and 2009 by the MOP, HEF operators and their partners used the same or similar procedures to identify poor households in other districts. In 2007 and 2008, University Research Co., with funding from the United States Agency for International Development (USAID), implemented IDPoor procedures in five operational districts in three provinces—Banteay Meanchey, Battambang, and Pursat. In the same period, the nongovernment organization Reproductive Health Association of Cambodia implemented the same procedures in five operational districts in Kompong Chhnang, Kompong Cham, and Sihanoukville. Other operators carried out pre-identification procedures in additional areas across the country; however, their methodologies differ among them and from the official MOP procedures. Hence, data on their coverage is not provided, as it is not comparable to official data.

Some districts are covered by other programs as well. The Table shows the joint coverage of IDPoor, HEF, and the scholarships program awarded by the Ministry of Education as part of the Education Sector Support Program. According to the MOP, efforts are made to select areas in which there are sufficient programs that could use IDPoor to justify the effort and cost of implementation, and to maximize the benefits of the identification for local communities.

IDPoor could become a national targeting system to improve effectiveness, objectivity, and transparency of assistance to poor households in rural areas. The IDPoor system was developed for (and is currently mostly used by) HEFs to identify households to receive free healthcare services. IDPoor has also been used to target emergency food assistance, in particular by the Emergency Food Assistance Project financed by the Asian Development Bank. In October and November 2008, the project provided about 68,000 households around the Tonle Sap (20% of poor...
### Coverage of Pre-Identification of the Poor, Health Equity Funds, and Scholarships

<table>
<thead>
<tr>
<th>Province</th>
<th>Pre-Identified as Poor</th>
<th>HEF</th>
<th>Scholarships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banteay Meanchey</td>
<td>78,483</td>
<td>839,036</td>
<td>845</td>
</tr>
<tr>
<td>Battambang</td>
<td>64,203</td>
<td>737,172</td>
<td>1,089</td>
</tr>
<tr>
<td>Kampong Cham</td>
<td>142,983 (MOP)</td>
<td>1,497,709</td>
<td>4,221</td>
</tr>
<tr>
<td></td>
<td>161,430 (RHAC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kampong Chhnang</td>
<td>N/A</td>
<td>551,472</td>
<td>569</td>
</tr>
<tr>
<td>Kampong Speu</td>
<td>0</td>
<td>357</td>
<td></td>
</tr>
<tr>
<td>Kampong Thom</td>
<td>304,289</td>
<td>1,089</td>
<td>1,536</td>
</tr>
<tr>
<td>Kampot</td>
<td>144,064</td>
<td>310</td>
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</tr>
<tr>
<td>Kandal</td>
<td>1,031</td>
<td>1,031</td>
<td></td>
</tr>
<tr>
<td>Koh Kong</td>
<td>215,674</td>
<td>286</td>
<td></td>
</tr>
<tr>
<td>Kratie</td>
<td>97,195</td>
<td>658</td>
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</tr>
<tr>
<td>Mondolkiri</td>
<td>46,210</td>
<td>54</td>
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</tr>
<tr>
<td>Odar Meanchey</td>
<td>44,504</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Phnom Penh</td>
<td>1,441,692</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Preah Vihear</td>
<td>164,764</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Prey Veng</td>
<td>303,018</td>
<td>2,742</td>
<td></td>
</tr>
<tr>
<td>Pursat</td>
<td>86,653</td>
<td>562</td>
<td></td>
</tr>
<tr>
<td>Rattanakiri</td>
<td>131,835</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Siem Reap</td>
<td>175,704</td>
<td>3,320</td>
<td></td>
</tr>
<tr>
<td>Sihanoukville</td>
<td>80,914</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Stung Treng</td>
<td>112,684</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Svay Rieng</td>
<td>553,763</td>
<td>1,043</td>
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</tr>
<tr>
<td>Takeo</td>
<td>571,995</td>
<td>956</td>
<td></td>
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<tr>
<td>Kep</td>
<td>142</td>
<td></td>
<td></td>
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<tr>
<td>Pailin</td>
<td>290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Otdar Meanchey</td>
<td>1,192</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total National</strong></td>
<td><strong>1,006,593</strong></td>
<td><strong>9,688,804</strong></td>
<td><strong>21,459</strong></td>
</tr>
</tbody>
</table>

HEF = health equity fund, MOP = Ministry of Planning, RHAC = Reproductive Health Association of Cambodia.

Note: Numbers in italics in the “Pre-Identified as IDPoor” column refer to provinces in which IDPoor is implemented by the Ministry of Planning. In the remaining provinces, IDPoor is implemented mostly by HEF operators.

Sources: IDPoor data are from the Ministry of Planning and University Research Co.; data on HEFs are from University Research Co.; data on scholarships are from the World Bank.
families in 200 communes) 35 kilograms of rice each. Informal uses of IDPoor data by local authorities and organizations have also been documented. IDPoor will become a national targeting system and will be used to improve the effectiveness, objectivity, and transparency of assistance to poor households in education, health, social protection, and emergency operations. During 2010 and 2011, IDPoor will be conducted by the MOP in 23 of the 24 provinces and municipalities. Recognizing the importance of introducing objective and transparent criteria for selecting recipients of safety net assistance, the government has drafted a subdecree that, when promulgated, will officially mandate the use of IDPoor in appropriate targeted assistance programs.
## Appendix 3. Health Equity Funds and Education Identification

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Operational Districts</th>
<th>Total Population Screened</th>
<th>Total Recipients Before ID Poor</th>
<th>Total Identified After ID Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By Development Partner</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BTC</td>
<td>8</td>
<td>1,706,884</td>
<td>351,959</td>
<td>120,468</td>
</tr>
<tr>
<td>CIDA</td>
<td>1</td>
<td>142,565</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HSSP-ADB</td>
<td>10</td>
<td>1,450,673</td>
<td>43,829</td>
<td>379,690</td>
</tr>
<tr>
<td>HSSP-UNFPA</td>
<td>5</td>
<td>984,617</td>
<td>51,725</td>
<td>213,170</td>
</tr>
<tr>
<td>HSSP-WB</td>
<td>2</td>
<td>469,053</td>
<td>0</td>
<td>57,667</td>
</tr>
<tr>
<td>HSSP-WB-AusAID</td>
<td>1</td>
<td>144,064</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HSSP-WB-USAID</td>
<td>10</td>
<td>2,245,475</td>
<td>338,362</td>
<td>381,573</td>
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<tr>
<td>UNICEF</td>
<td>3</td>
<td>553,763</td>
<td>121,306</td>
<td>0</td>
</tr>
<tr>
<td>SRC</td>
<td>1</td>
<td>206,150</td>
<td>0</td>
<td>72,153</td>
</tr>
<tr>
<td>USAID</td>
<td>5</td>
<td>1,672,876</td>
<td>151,733</td>
<td>0</td>
</tr>
<tr>
<td>VSO</td>
<td>1</td>
<td>112,684</td>
<td>0</td>
<td>39,439</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
<td><strong>9,688,804</strong></td>
<td><strong>1,058,914</strong></td>
<td><strong>1,264,160</strong></td>
</tr>
</tbody>
</table>

| **By Implementer**        |                                 |                           |                                 |                               |
| AFH                       | 1                               | 304,289                   | 0                               | 0                             |
| BTC                       | 8                               | 1,706,884                 | 351,959                         | 120,468                       |
| CAAFW                     | 1                               | 142,565                   | 0                               | 0                             |
| GTZ                       | 1                               | 144,064                   | 0                               | 0                             |
| RHAC                      | 5                               | 984,617                   | 51,725                          | 213,170                       |
| SRC                       | 1                               | 206,150                   | 0                               | 72,153                        |
| UNICEF                    | 3                               | 553,763                   | 121,306                         | 0                             |
| URC-CHS                   | 26                              | 5,533,788                 | 533,924                         | 818,930                       |
| VSO                       | 1                               | 112,684                   | 0                               | 39,439                        |
| **Total**                 | **47**                          | **9,688,804**             | **1,058,914**                   | **1,264,160**                 |


Source: University Research Co.
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C. Community-Based Collective Cash Transfers—SEWA’s Experience in Implementing Social Assistance

Jyotibala Macwan

**Brief**

The Self-Employed Women’s Association (SEWA) is an organization of poor, self-employed women workers who have been actively working for their full employment and self-reliance since 1972. In 2002, SEWA implemented Jeevika—a livelihood security program intended to build the capacities of communities to work for their own development through collective community cash transfers. SEWA facilitated the formation of the village development committees (VDCs), which worked in close coordination with the councils of elders/leaders (panchayats). The formation and selection of members of the VDCs involved a democratic process ensuring representation from each community, caste, and economic class. The program was implemented in 400 villages covering 40,000 households. Communities, through their VDCs, prepared and implemented 5-year microplans and managed the grant funds. Project experience showed that the community highly benefited from the collective cash transfer mechanism used to finance projects at the local level. It helped empower the community members to plan and manage their own development and to make effective use of scarce resources.

**1. Introduction**

The Self-Employed Women’s Association (SEWA) is an organization of poor, self-employed women workers that has been active towards their full employment and self-reliance since 1972. Through various movements and campaigns, SEWA has also helped local communities in capacity building and developing their social and financial security. Today, SEWA has a membership of 964,599 women and is the largest national-level union of poor self-employed women. Their work is spread across 7 states in India and 14 districts of Gujarat.
An important aspect of SEWA's approach involves empowering local households and communities to identify and address their own development opportunities. This paper shares lessons from SEWA's recent experiences using community cash transfers as a tool in facilitating this type of participatory community development. The experiment was part of a 400-village and 40,000-household livelihood security program in partnership with the state and central governments, the International Fund for Agricultural Development (IFAD), and the World Food Programme (WFP).

In the experimental program, SEWA facilitated the formation of democratic village development committees (VDCs) that included the spectrum of castes and classes. The VDCs then identified local opportunities for investments in livelihood development, planned activities to help the community meet these opportunities, and implemented the plans. Funds of up to Rs2.5 million were provided for the VDCs to execute the planned activities.

With access to cash input, the communities were able to strengthen the current trades, revive some traditional trades, and set up several enterprises within the villages. This resulted in additional employment opportunities for the poor in the villages and supported the local economy as a whole. The participatory approach of community cash transfer planning and execution vested considerable trust in the local committees and allowed considerable scope for local individuals to cooperate in identifying and fulfilling local livelihood needs. The program is an example of what can be achieved when local ideas and priorities can be supported with additional resources.

2. SEWA'S APPROACH

SEWA is both an organization and a movement. The SEWA movement is a confluence of three movements: the labor movement, the cooperative movement, and the women's movement. But it is also a movement of self-employed workers: their own home-grown movement where women are leaders and their tremendous economic and social contributions are recognized. The SEWA movement is committed to twin goals:

(1) full employment at the household level, and
(2) self-reliance for its members.

Full employment refers to employment that not only provides job security and adequate income and food, but it also provides workers with social security such as basic healthcare, child care, insurance, and shelter for themselves and their families. Self-reliance refers to both individual and collective strength, at the economic, social, political, and intellectual levels. Achieving these two goals will not only increase the bargaining power of women workers in the informal economy,
but will also ensure that these women have control over the decision-making processes across all dimensions of their lives.

Based on this philosophy, SEWA has developed an approach that consists of the following four elements:

1. **organizing women** for collective strength, as individual poor women do not have a voice;
2. **building new skills and capacities** so that women can become owners and managers and not just producers and laborers;
3. **encouraging capital formation** at the household, group, and community levels with the income earned; and
4. **increasing social security** to enhance women’s well-being and productivity and reduce the impacts of illness or sudden crises on fragile household economies.

SEWA implements this strategy through the joint action of unions and cooperatives, two democratic forms of organization that can be owned, controlled, and run by the workers themselves. Through the union, SEWA members fight for their rights and against the various injustices that they face in their lives. They also use the union to build a mass movement of workers that links local and international issues that affect the everyday concerns of women workers in the informal economy. SEWA cooperatives are used to further all of SEWA’s developmental activities. They are run by individual management committees and provide services that address the needs of SEWA members.

Two-thirds of SEWA’s members come from the rural areas. SEWA’s strategy in these areas is to organize women into a union and create alternative employment for the women combined with social security programs and capacity building, which is need-based and demand-driven. To achieve this strategy, SEWA has taken up various development as well as social security activities with focus on activities related to creation of alternate employment generation, healthcare, childcare, education, and capacity building.

SEWA considers freedom from poverty as a “second freedom.” SEWA believes that poverty is the worst kind of violence—a condition that deprives the affected of resources, abilities, and choices necessary to enjoy certain basic human rights. In its fight against poverty, SEWA has had to campaign for its members’ rights relentlessly.

For over 3 decades, SEWA has been working with its members to help them improve their livelihoods through various initiatives in technical training, microfinance, market linkages, and natural resource management, across a number of trades. Capacity building is at the center of its policy. SEWA’s approach of bringing about a “second freedom” for its female members directly links to financial self-sustainability and true empowerment.
3. Community-Based Collective Cash Transfer

SEWA works in an integrated manner and helps the members enhance their livelihood as well as social security. The first step toward this is building the capacity of the members to orient them to the planning, implementation, and monitoring of the work.

Beginning in 2002, SEWA implemented Jeevika—a livelihood security program—with the support of the state government, central government, International Fund for Agricultural Development (IFAD), and World Food Programme (WFP). Under this program, the thrust was to build the capacities of the community members to work toward their own development through collective community cash transfers. SEWA facilitated formation of the VDCs, which work in close coordination with the village councils of elders and leaders (*panchayats*). The formation of VDCs involved a democratic process and the representation from each community, caste, and economic class was ensured. All community members actively participated in the selection of the members of the VDC. Thereafter, the president and secretary of the VDC were selected by the members. This program was implemented in 400 villages covering 40,000 households.

SEWA made a considerable investment in training the community in the process. The entire process of planning took 3–4 months, starting with orientation and training and then facilitating the actual process. SEWA provided capacity building for the community members to actively participate in Jeevika’s planning process. The poorest of the poor members, who lived on a day-to-day survival basis, were challenged to think of long-term goals and build their vision. They learned to dream and work toward fulfilling their dreams and they actively contributed in developing the comprehensive village plan.

The VDC members were then provided intensive training by SEWA on participatory planning and monitoring. They were given orientation and their awareness was raised to build the plan for the development of their own village. Through the participative planning process, involving participatory rural assessment tools, the VDCs prepared 5-year microplans for their own villages. These microplans were phased annually and budget estimates worked out. As in the planning process, all the community members were involved, providing an opportunity for all to put forth their needs and demands. The poorest of the poor and the vulnerable could state their needs and influence the trajectory of their village’s development. The other community members were also made aware of the needs and demands of the poor. As everyone—young and old, men and women, rich and poor, landowners as well as landless—participated in the planning process along with the representatives of all the trades, the microplan prepared was very exhaustive. There was a strong sense of ownership among the villagers. The microplanning process helped the community realize the inherent strength of their community and the many assets—in visioning, planning, and leadership—at their disposal.
Once the demands and needs of the villagers were brought out and plans and budgets were ready, the financial need was first linked with the existing government schemes. The gap was later bridged by project funds. This way, duplication in implementation was avoided and proper convergence with the government could take place. The members were given training on planning and budgeting and cash flow management. The gap amount was transferred by SEWA to the village directly in a separate account that was opened and managed by the VDC members themselves.

A one-time transfer of a maximum of Rs2.5 million was made to the VDC. The next tranche was released only after 75% of the earlier transferred amount was spent and expenses submitted and accounted for. The plans were then consolidated at the block and the district levels. The funds flowed from the district level to the block level and finally to the village level. Their ability to control and use the money to implement their plans gave them a sense of ownership and pride. This also made them vigilant toward fund management and prioritizing the development work.

4. ACHIEVEMENTS

SEWA’s experience shows that the community benefited highly from the collective cash transfer mechanism used to finance the project at the local level. It helped empower the community members to plan and manage their own development and to make effective use of scarce resources. It also provided members with a sense of ownership and pride. As they owned the plan, they strove for successful implementation.

4.1. SENSE OF OWNERSHIP

As the entire planning process was inclusive and done in a participatory manner, the community—especially the VDC—took a personal interest in the outcome. The planning, implementation, monitoring, accounting for, and handling of the money was done by the committee members themselves. They also felt more accountable for the success of implementation and strictly monitored the process. Holistic development was made possible as all were involved in the planning process.

4.2. INVOLVEMENT OF THE POOREST OF THE POOR

The project was unique in that the poorest of the poor actively participated in the planning process. SEWA provided them with a series of trainings and this helped them start forming their own long-term vision. The poor members who had survived on a day-to-day basis could now make plans and visualize their long-term development opportunities. They were also able to participate in development work, not only for themselves, but also for their community and the village as a whole.
4.3. Optimum Use of Scarce Resources Facilitated Convergence

The community involvement in the planning process ensured prioritization by focusing on the development of the poorest of the poor, the vulnerable, women, and children. The VDC work with the panchayats facilitated convergence of various public schemes and optimum use of current programs and resources. Once the entire village plan and budget was ready, the committee dovetailed the existing demands with the resources provided by the prevalent government schemes. The gap was later bridged through mobilizing additional funds. The funds flowed from the district level to the block level and finally to the village level; the capacities of the members at all three levels were strengthened.

In addition, the VDCs were able to identify and assess the available resources and asset base in the village. They were able to gauge how these resource and assets could be best used for community and village development.

4.4. Strengthened Local Market Economies

As representatives of all professional trades participated in the planning exercises, many of the needs in each area of trade were addressed. The detailed agriculture planning led to forming seed banks, grain banks, and tool and equipment libraries so that the village has access to quality and timely agriculture input. Committee members obtained licenses for procuring seeds at subsidized rates. Similarly, detailed planning exercises by artisan workers led to several improvements in local economies. They resulted in demand for skill-related training, establishment of common facility centers to enable all artisans from a village to work together and ensure cleanliness and quality, setting up of village enterprises to supply needed raw materials, and formation of market linkages. Artisans and salt workers were provided with the revolving funds to support their investment in their production cycle.

With access to cash input, the communities were able to strengthen their current trades, revive some traditional trades, and set up several enterprises within the villages. This resulted in additional employment opportunities for the poor in the village and supported the local economy as a whole.

4.5. Food Security

During the planning exercise, every demand (small and big) of the community was discussed. Ensuring the food security of all the members was a major concern for all. To address this need, a grain bank was set up. During the harvesting season, the grain banks purchase the grains as per the requirement of the village; as a result, the village can access quality grains at affordable prices. Members also demanded that food grains should be given to them along with cash as payment for work. Hence, SEWA attempted to link food distribution with their traditional support system of nutrition, child care, attendance, education, total livelihood, participation, and performance improvement.
5. Chal len ges Faced

In the course of the project, SEWA faced several challenges. Many were overcome.

Social dynamics. One major challenge related to overcoming village-level social dynamics. This involved sensitizing people toward the needs of all community members in village development. It took a series of orientations for some community members to feel accepted in joining the project planning process. SEWA also held meetings with the rich and upper strata community members to sensitize them to the importance of involving the poor in the planning process. The bottom-up planning process was explained to them and later some of them helped the poor participate and share their views in the meetings. Building this foundation of acceptance and perspective required more than 6 months but was essential to an effective project.

Time commitment. The use of participatory planning is very time consuming. SEWA invested many months in training village members and subsequently VDC and panchayat members. SEWA organizers ensured that the participation from all castes, economic strata, genders, and age groups was active. Once the plans were developed, separate trade-wise implementation and monitoring committees were also formed. Each committee member was provided extensive training in implementing, monitoring, and record keeping.

6. Results

SEWA’s investment in collective community cash transfer was a unique effort that gave discretion in social assistance prioritization and spending to some of the poorest in local communities. The results of the community cash transfer approach included the following:

(1) The poorest members of the village society were exposed to planning processes of local development projects and contributed to the same.
(2) The interests and needs of the poorest were heard by the village leaders as part of project planning.
(3) The participatory planning approach allowed the funds to address gaps between needs that households could fulfill on their own and needs currently covered by public programs.
(4) Members of some of the poorest households were supported in developing a vision for longer term development and created some innovative survival strategies.
(5) Community members gained the experience of envisioning, planning, and implementing the projects by themselves.
(6) All economic levels benefited from the support and each household was able to maintain at least one form of livelihood and income.
(7) Household migration was reduced by almost 96%.
Eradicating poverty continues to be among the Philippines’ greatest challenges. The country’s poverty incidence increased during 2003–2006, and the number of poor families rose from 4.0 million to 4.7 million. Poverty is especially pronounced among fisher folk, farmers, and children. Over 38% of the population is age 18 or younger, and over 16% of Filipino children were economically active in 2001.

To remedy the poverty problem, the Philippines needs to have better integrated poverty programs, enact legislation to facilitate synergy among government interventions, and allocate more resources to social welfare programs. Current programs include the Food for School Program, which provides fortified rice rations to over 400,000 children; Tindahan Natin, providing low-price basic food items to about 5.6 million families; emergency assistance in times of natural and man-made crisis; and the conditional cash transfer Pantawid Pamilyang Pilipino Program (4Ps), which provides cash transfers to about 700,000 of the country’s poorest families on conditions pertaining to use of education and health services.

Lessons learned from the first three programs included the needs for better targeting, more effective monitoring, and improved budget and cost effectiveness. These lessons were incorporated into the design of the 4Ps, and the reform program of the Department of Social Welfare and Development. Progress on the reform agenda includes adoption of the social protection framework and issuance of presidential orders regarding the clustering of social welfare reforms. The 4Ps embodies the reform agenda and emphasizes strengthening the targeting system, active partnership with beneficiaries and other stakeholders, empowerment of beneficiaries (especially women, who receive the transfers), resource management, and monitoring and evaluation.

1. **Introduction**

Eradicating poverty continues to be one of the country’s biggest challenges. The latest poverty statistics reflect that the country’s poverty incidence rate among
families increased from 24.4% in 2003 to 26.9% in 2006 while the poverty incidence among the population also rose during the same period, from 30.0% to 32.9%. During the same period, the magnitude of poor families rose from 4.0 million to 4.7 million while the magnitude of poor population increased from 23.8 million to 27.6 million people. The official poverty statistics for the basic sectors also indicate a rise in poverty incidence among fisher folk, farmers, and children (Table 1) comprising the poorest groups. Also, as Table 2 indicates, children, women, and the urban poor accounted for the largest number of poor (NSCB 2008 and 2009).

### Table 1. Poverty Incidence in Three Groups

<table>
<thead>
<tr>
<th>Sector</th>
<th>2003</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisher folk</td>
<td>43.6</td>
<td>49.9</td>
</tr>
<tr>
<td>Farmers</td>
<td>42.4</td>
<td>44.0</td>
</tr>
<tr>
<td>Children</td>
<td>38.8</td>
<td>40.8</td>
</tr>
</tbody>
</table>

Source: NSCB (2009).

### Table 2. Magnitude of Poverty

<table>
<thead>
<tr>
<th>Sector</th>
<th>2003</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td>13.4</td>
<td>14.4</td>
</tr>
<tr>
<td>Women</td>
<td>11.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Urban Poor</td>
<td>6.4</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Source: NSCB (2009).

The World Bank reported that the Gini coefficient for income inequality in the Philippines in 2007 was 0.44, which is higher than in Thailand (0.42) and Indonesia (0.34) but lower than in Malaysia (0.49).

Moreover, large sectoral and regional disparities have been noted in terms of the distribution of economic gains, which is heavily skewed in favor of urban areas (World Bank and DSWD 2009). Poverty has pushed millions of Filipino workers to leave their families in pursuit of substandard, but better paying, jobs overseas. Given that more than 38% Filipinos, or around 34.6 million of 88.5 million, are below 18 years old, rising poverty incidence rates also mean that more children have become vulnerable to poverty. The disheartening reality is that 16.2% of the total Filipino child population was economically active in 2001 alone, and vulnerable to commercial sexual exploitation (DSWD n.d.). Based on case studies conducted by the United Nations Children’s Fund (UNICEF) in 2001, among the reasons that children were enticed into prostitution was the desire to augment family income (DOJ 2006, pp. 13–6).
The poverty trap is exacerbated by major social risks and vulnerabilities. According to Aldaba’s Risk and Vulnerabilities Assessment, the eight major social risks are (1) unemployment and underemployment, (2) large family size, (3) armed conflict, (4) lack of shelter and housing, (5) lack of access to safe water and sanitation, (6) hunger and malnutrition, (7) illness and health, and (8) natural hazards/disasters (Aldaba 2008). Table 3 shows vulnerabilities to poverty in four major risk categories.

### Table 3. Types of Risks and Vulnerabilities

<table>
<thead>
<tr>
<th>Risks</th>
<th>Vulnerabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Life-Cycle</td>
<td>Hunger and malnutrition, injury, illness, disability, old age, death</td>
</tr>
<tr>
<td>Economic</td>
<td>Unemployment, underemployment, low and irregular incomes, economic crises</td>
</tr>
<tr>
<td>Environmental</td>
<td>Natural calamities, typhoons, drought, floods, earthquakes, volcanic eruption, fire, man-made disasters</td>
</tr>
<tr>
<td>Social and Governance</td>
<td>Armed conflicts, crime, political instability, social exclusion, large family size and lack of family care, housing insecurity, land tenure, landlessness, lack of willpower in decision making</td>
</tr>
</tbody>
</table>

Source: Aldaba (2008)

Aldaba’s review of policies, programs, implementing structures, capacities, and resources showed three major weaknesses that need to be addressed: (1) the fragmented approach of social welfare and development (SWD) programs promoted by various government agencies; (2) lack of legislation that will facilitate synergy among government interventions, and of responsive policies; and (3) the need to allocate for SWD programs more resources that can be used for capability training of local government units (LGUs) in delivering social services.

Cognizant of the need to create new antipoverty programs, to synergize current poverty policies and programs to effectively address major social risks, and to use limited resources more efficiently, the government has adopted social protection as its core strategy. The National Economic and Development Authority Social Development Committee issued Resolution No. 1 Series of 2007, defining social protection:

Social protection constitutes policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people’s capacity to manage risks.
The Philippine definition of social protection has four components, as presented in the social protection framework (Figure): labor market programs, social insurance, social welfare, and social safety nets. With these four components, social protection deals with both the absolute deprivation and vulnerability of the poorest.

**Labor market programs** are interventions aimed at increasing employment opportunities and protecting the rights and welfare of workers. This includes trade policies and skills development and training. Also, labor protection comprises compliance with labor standards such as minimum wages or health and safety in the workplace.

**Social insurance** seeks to mitigate income risks by pooling resources and spreading risks across time and classes. These are intended for beneficiaries to pay a premium over a period of time to cover or protect them from loss of income and unemployment as a result of illness, injury, disability, retrenchment, harvest failure, maternity, old age, and the like. It also includes micro- and area-based schemes to address vulnerability at the community level, such as micro-insurance, agricultural insurance, and societal support funds.

**Figure 1. Social Protection Framework**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Risks</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of poverty; reduction of vulnerabilities</td>
<td>Unemployment; underemployment; loss of income</td>
<td>Social Insurance</td>
</tr>
<tr>
<td>Protecting the poor &amp; the vulnerable from risks</td>
<td>Illnesses and health; disability; food insecurity, hunger and malnutrition; high population growth; poor quality education; community displacement</td>
<td>Labor Market Programs</td>
</tr>
<tr>
<td>Mitigating pressures on households</td>
<td>Disasters (man-made and natural)</td>
<td>Social Safety Nets</td>
</tr>
</tbody>
</table>

**Social Insurance**
- Health insurance
- Social insurance
- Crop insurance

**Social Welfare**
- Basic social services i.e. health & nutrition, education, social welfare, socialized housing
- Conditional cash and in-kind transfer
- Capacity building programs
- Program support (targeting, early warning system)

**Labor Market Programs**
- Employment generation
- Skills development and training
- Labor and trade policies
- Agricultural support

**Social Safety Nets**
- Emergency assistance
- Price subsidies
- Food subsidies
- Emergency employment
- Retraining and emergency loans

Social welfare pertains to preventive and developmental interventions that seek to support the minimum basic requirements of the poor, particularly the poorest of the poor, and reduce risks associated with unemployment, resettlement, marginalization, illness, disability, old age, and loss of family care. Social welfare and assistance programs usually comprise direct assistance in the form of cash or in-kind transfers to the poorest and marginalized groups, as well as social services including family and community support, alternative care, and referral services.

Social safety nets, on the other hand, are stop-gap mechanisms or urgent responses that address effects of economic shocks, disasters, and calamities on specific vulnerable groups. These are measures that target affected groups with the specific objective of providing relief and transition. Measures include emergency assistance, price subsidies, food programs, employment programs, retraining programs, and emergency loans.

2. Social Assistance in the Philippines

2.1. Definition of Social Assistance

According to the Asian Development Bank, social assistance and welfare services provide protection to society’s most vulnerable groups. Examples of these are individuals with no other means of support, such as single parent households, victims of natural disasters or civil conflict, handicapped people, and the destitute poor (ADB n.d.).

2.2. Social Assistance Models

The Food for School Program is part of the government’s hunger mitigation program and is implemented in the following high priority areas identified by the National Nutrition Council as having high hunger and poverty incidence statistics:1 (1) “hot-spots” in the National Capital Region identified by the Department of Interior and Local Government, (2) all municipalities and cities of the 10 most food-poor provinces, (3) all 5th and 6th class municipalities of the next 44 most food-poor provinces, (4) all 4th class municipalities in such provinces that have no 5th and 6th class municipalities, and (5) municipalities with high levels of poverty based on the 2003 Small Area Estimates. Beneficiaries of the program are families of pupils enrolled in public elementary schools, preschools, and daycare centers supervised by the Department of Education in the identified priority areas.

The Food for School Program aims to address hunger among families through a food subsidy per student by providing a daily ration of 1 kilogram of iron-fortified

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1 Priority 1 = the 10 most food-poor provinces, priority 2 = the next 20 most food-poor provinces, and priority 3 = the next 24 most food-poor provinces.
rice per actual attendance (NNC 2007). For the 1st quarter of 2009, the program served 404,572 children from 11,733 daycare centers in 433 municipalities and cities with over 15,926 tons of rice distributed, amounting to P318.52 million, or about $6.64 million (DSWD Program Management Bureau 2009).

The Tindahan Natin (literally, “Our Store”) project aims to ensure that poor families have access to low-priced basic food items, particularly rice and noodles; ensure the availability and supply of rice in communities; and create livelihood and job opportunities for communities. This is also part of the government’s hunger mitigation program. Target beneficiaries are (1) the marginalized and poor, as direct beneficiaries of the project; and (2) the Tindahan Natin operators, as livelihood participants for additional income.

To ensure that only poor households have access to Tindahan Natin outlets, family access cards are given to families that belong to the food threshold group. The aim is to cushion the impact of the rising cost of rice on these families by allowing them to buy the rice subsidized by the National Food Authority. Family-beneficiaries are targeted through the General Intake Sheet administered by the LGUs and validated by the Department of Social Welfare and Development (DSWD). For 2008, the DSWD issued 274,825 cards to qualified beneficiaries in Metro Manila. Outside Metro Manila, the Tindahan Natin outlets refer to the Rice Allocation Ledger, which lists all eligible beneficiaries.

Areas of implementation include Metro Manila and the 54 food-poor provinces identified by the National Nutrition Council to have high hunger and poverty incidence statistics (DSWD 2006). As of June 2009, 16,063 Tindahan Natins were serving 5.6 million families.2

Emergency assistance is undertaken to restore basic services in communities after a disaster. This includes provision of medicine as well as food and other items; transport; hospitalization; core shelter assistance; livelihood; emergency shelter assistance; food for work; cash for work; financial assistance; capacity building; and direct services to children such as supplemental feeding, psychosocial interventions (i.e., play therapy), daycare services, supervised neighborhood play for areas without daycare centers, and education assistance (DSWD 2008c, pp. 32–34).

In 2008 alone, 1.730 million families from 12,573 barangays3 nationwide were given P246.8 million ($5.14 million) worth of assistance for disaster relief and rehabilitation operations. For core shelter, P269.5 million ($5.61 million) worth of assistance was extended to 3,892 beneficiaries. For livelihood assistance, 30,775 families were given P160.4 million ($3.34 million) worth of assistance. For Cash for Work, 5,357 families were given P10.7 million ($0.22 million) worth of assistance (DSWD 2008c, pp. 32–34).

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2 Each store can serve 250 families.
3 The barangay is the Philippines’ lowest government administrative level, below the municipality.
(1) **Food and other items** the first response to disaster victims is the provision of food and other items good for 3 days. However, the provision may be extended if the stay in the evacuation centers is longer than 3 days.

At the height of disaster operations, the DSWD releases family access cards to LGUs as a tool to facilitate the delivery of relief goods and services. The cards are different from those used in the Tindahan Natin outlets, and are given to identified disaster victims so they can use services provided during emergency operations.

(2) **Cash and food for work** are short-term, temporary interventions.

**Cash for Work** provides temporary employment to distressed/displaced individuals by participating in or undertaking preparedness, mitigation, relief, rehabilitation, or risk reduction projects and activities in their communities. In exchange for work rendered, program recipients are provided with cash for food and other basic necessities (DSWD 2008a).

Generally, the daily rate for Cash for Work is 75% of the prevailing daily wage rate set by the National Wages and Productivity Commission. Qualifying individuals generally work for not more than 10 days under the program. This includes livelihood and productivity support projects; reconstruction and rehabilitation projects and activities; disaster preparedness, mitigation activities, and environment-related projects such as dredging of canals; and hunger mitigation and food security projects. However, the duration of work may be extended to a maximum of 3 months depending on the assessment of the local SWD office (DSWD 2008a).

**Food for Work** follows the same principle as Cash for Work, but the provision is given in food items.

(3) **Shelter assistance** is meant to help family victims of disaster whose houses are totally or partly destroyed by natural or man-made disasters. Eligibility is based on the assessment and recommendation of city or municipal SWD officers and validated by the DSWD field offices. The DSWD provides financial assistance for the purchase of construction materials, and beneficiaries’ counterpart is the labor for constructing their houses.

(4) **Assistance to individuals in crisis situations** refers to the provision of interventions to help distressed individuals and families cope with crisis caused by disability, serious illness, loss of income, separation, death, and other forms of crisis. It aims to provide immediate and appropriate interventions to help individuals and families cope with social, psychological, and physical problems arising from crisis situations and establish and maintain a workable interunit coordination and referral system with government offices, nongovernment organizations (NGOs), law enforcement, and other private organizations toward effective and efficient service delivery.
(DSWD 2001). The DSWD operates 17 crisis intervention units nationwide. These units provide clients in crisis situations with integrated services such as immediate rescue and protection; augmented assistance during disasters; direct financial and material assistance; and referrals for medical, legal, psychosocial, temporary shelter, and other services such as provision of food packs, hot meals, assistive devices, and medicines (DSWD 2008b). In 2008 alone, P136.6 million ($2.85 million) was disbursed to serve 91,045 clients in crisis (DSWD 2008c, p. 26).

Initially, the DSWD provides cash to beneficiaries upon their submission of documentary requirements based on the assistance requested. The documents include valid identification (ID)—i.e., postal ID, driver’s license, Social Security System ID, or barangay certificate; clinical abstract/medical certificate from a licensed physician for requests for medical assistance; funeral contract and registered death certificate for burial assistance; enrollment assessment form for education assistance; and a referral letter from a legislator if funding is chargeable against the Priority Development Assistance Fund managed by the DSWD. The amount of cash assistance given also varies depending on need. Table 4 shows the amount of monetary assistance per need.

### Table 4. Assistance to Individuals in Crisis Situations

<table>
<thead>
<tr>
<th>Type of Assistance</th>
<th>Financial Assistance Services Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burial Assistance</td>
<td>• Cash not exceeding P3,000 ($62.50) given to the client</td>
</tr>
<tr>
<td></td>
<td>• Financial assistance exceeding P3,000 but not more than P5,000 ($104.17) issued through a check payable to the funeral parlor</td>
</tr>
<tr>
<td>Transportation Assistance</td>
<td>• Cash not exceeding P3,000 ($62.50) to the client</td>
</tr>
<tr>
<td></td>
<td>• Financial assistance exceeding P3,000 but not more than P5,000 ($104.17) issued through a check payable to the transport company</td>
</tr>
<tr>
<td>Medical Assistance</td>
<td>• Cash not exceeding P3,000 ($62.50) extended to the client</td>
</tr>
<tr>
<td></td>
<td>• Medical assistance requiring treatment or hospitalization is charged to endowment funds transferred to accredited partner hospitals</td>
</tr>
<tr>
<td>Education Assistance</td>
<td>• Tuition is charged to the Priority Development Assistance Fund of sponsoring legislators and released by the Department of Budget Management to the Department of Social Welfare and Development</td>
</tr>
<tr>
<td>Other Emergency Needs</td>
<td>• Cash not exceeding P2,000 ($41.67) to clients for emergency cases, e.g., buying milk for babies, impending eviction from houses, etc.</td>
</tr>
</tbody>
</table>

2.3. SERVICE DELIVERY MODELS

Faith-based organizations and NGOs. NGOs and faith-based organizations are also providing services to the disadvantaged and vulnerable sectors of society. The DSWD, as part of its regulatory function, is responsible for registering, licensing, and accrediting SWD agencies. In 2008 alone, 519 SWD and social welfare agencies were registered, 189 social welfare agencies were licensed, 79 social welfare agencies were accredited, and 32 NGOs were endorsed to have duty-free entry of their donated goods (DSWD 2008c, pp. 15–16).

Aldaba (2008) showed that NGOs and faith-based organizations have succeeded in providing support to health services, microinsurance, employment generation, agricultural/livestock insurance, banking services to the poor, and promotion of good governance.

Partnership and cost sharing. Another model that is becoming more prevalent and has proven efficient and effective is joint undertaking between and among service providers, i.e., LGUs, national government agencies, and/or NGOs. For example, in establishing youth homes, the LGUs provide the land and the cost of actual service delivery, the DSWD provides funds for construction and for staff training, while other support services are provided by NGOs.

2.4. ISSUES AND CONCERNS

While these social assistance models have succeeded in helping the poor, issues regarding leakage of benefits to the non-poor, exclusion of the truly poor, and cost-effectiveness of programs have been raised. The studies of Reyes (2008) and Manasan and Cuenca (2007) indicate that the following key issues regarding implementation of social assistance programs need to be addressed.

Better targeting and effective monitoring of social assistance programs. Aside from gaps in addressing major social risks, another common weakness of various poverty reduction programs is the lack of a proper targeting system. Although targeting cannot be accomplished through a one-size-fits-all system, Reyes (2008) noted that undercoverage and leakage rates can be reduced to acceptable levels if a proper targeting system is used.

Regarding the Tindahan Natin outlets, for example, Reyes (2008) revealed the following:

- Actual criteria used in selecting locations were neither documented nor well known to all the stakeholders.
- LGUs and, at some point, the National Food Authority, exercised discretion in the choice of the actual location of the outlets.
- Practical considerations, such as the inaccessibility of some desired outlets in poor areas by National Food Authority delivery trucks, affected the selection of depressed areas.
This had far-reaching effects in terms of who ultimately benefited from the limited cheaper priced goods, especially rice, offered by the Tindahan Natin outlets. Because the Tindahan Natin outlets were far from where the poorest households were and because anyone can buy from the outlets, the intended beneficiaries of the program—the food insecure—were often excluded from participating in it.

On the other hand, the Food for School Program targeted areas. The distribution points are daycare centers. Reyes (2008), however, observed that

- all children in the daycare centers, malnourished or not, were beneficiaries; and
- income of the parents was not considered.

While center-based interventions (e.g., distribution of food through daycare centers) are easier to administer, they have been found to incur significant leakages and exclusion. This is because malnourished children who are not attending daycare do not benefit from the program, while non-poor and well-nourished children are beneficiaries.

Further, the Manasan and Cuenca (2007) study revealed that the leakage of the Food for School Program is 59% for the DSWD and 62% for the Department of Education components. Essentially, the share of the poor in the total transfers is only 41% for the DSWD component and 38% for the Department of Education component.

**Improved budget and cost effectiveness.** While the adverse impact of social risks on society is far-reaching, the resources to fund implementation of much-needed social protection programs are limited. Limited resources underscores the need for better poverty targeting; better resource mobilization and coordination among government agencies, LGUs, NGOs, and other stakeholders; and enhanced capacities of LGUs to deliver social protection programs.

The Manasan and Cuenca (2007) findings on government spending for social assistance or SWD services are as follows (Table 5):

- Basic social services spending accounted for an average of 14.42% of total expenditure and was decreasing during 1999–2005.
- The share of SWD services in total national government expenditures on basic social services is relatively small (0.3% in 1999–2006 on average).
- The share of SWD services is notably stable compared to that of education or health and nutrition when measured relative to the total national government spending and national government spending as percentage of gross domestic product, and when expressed in real per capita terms.

If the proportion of budget allocations reflects the government’s priorities, the evident decrease in government spending for SWD programs, as shown by the
Manasan and Cuenca study, is indeed alarming. It reflects the need for government to reallocate budgets for SWD and strengthen partnerships with LGUs and NGOs to augment SWD budgets.

In relation to proper utilization of the SWD budget, it is also important to note when the various modes of social assistance (e.g., cash versus noncash and conditional versus nonconditional) will be applied.

(1) **Cash versus noncash assistance.** Before 2001, the DSWD issued checks payable to clients for the Assistance to Individuals in Crisis Situations. However, most indigent clients could not cash the checks due to lack of valid IDs recognized by banks. Thus, the DSWD changed its strategy to providing noncash assistance. Examples are tie-ups with drugstores and hospitals through a memorandum of agreement for provision of medicines and hospital assistance. For medicines, clients are given a guarantee letter to present to the partner drugstore. In turn, the drugstore bills the DSWD. For hospitalization, through a guarantee letter to a partner hospital, the service is charged to the endowment funds granted by the DSWD.

As indicated in Table 4, direct cash assistance with a ceiling of P3,000 ($62.50) is still granted for transport, death, and emergency assistance. If the amount requested exceeds P3,000 ($62.50), the DSWD issues the checks directly to the service providers (i.e., transport companies and funeral parlors) to ensure that the money is used for its intended purpose. Referrals to other agencies or organizations, government and NGO

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**Table 5. Government Spending on Social Assistance**

<table>
<thead>
<tr>
<th>Item</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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</thead>
<tbody>
<tr>
<td>Total DSWD Spending (P million)</td>
<td>1,796</td>
<td>2,170</td>
<td>1,759</td>
<td>1,980</td>
<td>2,556</td>
<td>2,784</td>
<td>3,250</td>
<td>3,315</td>
</tr>
<tr>
<td>% of Total National Government Expenditure</td>
<td>0.31</td>
<td>0.32</td>
<td>0.25</td>
<td>0.27</td>
<td>0.31</td>
<td>0.32</td>
<td>0.34</td>
<td>0.32</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.06</td>
<td>0.06</td>
<td>0.05</td>
<td>0.05</td>
<td>0.06</td>
<td>0.06</td>
<td>0.06</td>
<td>0.05</td>
</tr>
<tr>
<td>Total DSWD Spending Based on GAA Allocation (million)</td>
<td>1,635</td>
<td>1,644</td>
<td>1,454</td>
<td>1,805</td>
<td>1,959</td>
<td>2,150</td>
<td>2,239</td>
<td>2,092</td>
</tr>
<tr>
<td>Nominal Per Capita (P)</td>
<td>24</td>
<td>28</td>
<td>22</td>
<td>25</td>
<td>31</td>
<td>33</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Real Per Capita (P)</td>
<td>25</td>
<td>28</td>
<td>21</td>
<td>22</td>
<td>27</td>
<td>27</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Nominal Per Poor Person (P)</td>
<td>74</td>
<td>86</td>
<td>70</td>
<td>79</td>
<td>103</td>
<td>107</td>
<td>118</td>
<td>114</td>
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<tr>
<td>Real Per Poor Person (P)</td>
<td>79</td>
<td>86</td>
<td>66</td>
<td>72</td>
<td>90</td>
<td>87</td>
<td>91</td>
<td>83</td>
</tr>
</tbody>
</table>


facilities for temporary shelter, or other assistance or services is provided as well.

(2) **Conditional versus nonconditional assistance.** Disaster rehabilitation and emergency relief efforts, in general, do not have set conditions for victims of disaster who are listed and have a family access card. However, programs such as the cash or food for work do set a condition—work for 10 days.

**Inadequate coverage and ineffectiveness.** While partnerships with NGOs and other stakeholders have succeeded in making social services accessible to the poor, Aldaba (2008) observed a tendency for NGOs to flock to selected advocacies (e.g., children’s causes) while leaving other areas (e.g., disabled and elderly people) wanting. Aldaba emphasized the need for government to provide direction to the NGOs and stakeholders by encouraging them to undertake causes that need their support the most.

**Others.** In addition to the findings already discussed, a study conducted by the Development Academy of the Philippines entitled *Review and Strengthening of the National Social Protection and Welfare Program* and commissioned by the National Social Welfare Cluster (DAP 2009) identified the most fundamental problems of the government’s social protection and welfare programs as follows: (1) social protection has a narrow base of beneficiaries; (2) poor and informal sectors have limited access to, bargaining power with, and influence on local officials and service providers; and (3) programs are numerous but have limited reach, are uncoordinated, are inadequately funded, and are short-lived. Thus, for example, the prevalence of malnutrition remains high not for lack of programs but due to inadequate coverage and lack of effectiveness.

These lessons learned in implementing key social assistance programs have been instrumental in formulating the Pantawid Pamilyang Pilipino Program (4Ps).

### 3. THE GOVERNMENT’S RESPONSE TO IMPROVE SOCIAL ASSISTANCE DELIVERY

#### 3.1. THE SOCIAL WELFARE AND DEVELOPMENT REFORM PROGRAM

The DSWD has taken the initiative to reform its vision, mission, and goals to become a leader in the SWD sector. One of the key steps that the government has taken to address major lapses in its social protection policies is to embark on the Social Welfare and Development Reform Program. The program aims to improve the outcome of SWD services and improve governance of service delivery, making it faster, better, and smarter through effective policies and programs, improved capacity to play a leadership role, and clear and effective communications.
The four DWSD reform areas are aligned with its current major final outputs, and are intended to improve DSWD’s effectiveness in delivering social welfare programs and to put into place the building blocks for the development of a more coherent social protection system. The reform areas are as follows (World Bank and DSWD 2009):

1. **Leading in social protection.** This focuses on developing and implementing a social protection framework and strengthening DSWD’s capacity to play a leadership role in social protection. This involves developing an objective and transparent targeting system that will aid the government in crafting and implementing social protection for the poor.

2. **Providing faster and better service delivery of social protection programs.** This involves improving and integrating DSWD’s different models of service delivery and improving coordination with local governments, stakeholders, and partners in planning, budgeting, and implementing programs. It also involves putting into place a household-based model for a conditional cash transfer (CCT) program, the 4Ps, which will serve as a laboratory through which DSWD will operationalize the rest of the reform agenda and cascade the implementation of its reform agenda to the LGUs.

3. **Financial reforms to sustain the reform process.** This involves securing more predictable funding for core DSWD functions and more strategic budget allocation, including augmenting the resources of LGUs and other partners.

4. **Improving systems for service delivery.** This will focus on improving cross-cutting and systemic changes, such as monitoring and evaluation systems and management information systems; maximizing the use of information and communications technology; and enhancing organizational capacity and technical know-how on issues and innovations related to social protection.

The DSWD’s reform agenda policy milestones include (1) the adoption of the Social Protection Framework (Figure) by the National Economic and Development Authority Social Development Council, and (2) the issuance of President Arroyo’s Administrative Orders 232 and 232-A regarding the clustering of social welfare reforms into the National Social Welfare Program. The program is chaired by the head of the Social Security System (SSS), with the DSWD exercising coordination and secretariat functions.

### 3.2. The CCT Model—Why CCT? What Issues Does it Address?

The 4Ps system embodies the DSWD’s reform agenda and is the fruit of all the lessons that the government has learned in the course of providing social assistance to the poor. This is why its program structure emphasizes the strengthening of the targeting system; partnership with stakeholders; resource management; and monitoring and evaluation to include a compliance verification system, a grievance mechanism as a form of feedback from beneficiaries, and impact evaluation.
The 4Ps is a social assistance and social development program that aims to break the intergenerational cycle of poverty by providing families with means to develop their human capital. This program was adapted from the CCT social assistance programs in Latin American and African countries. In principle, the CCT’s main strategy is to link cash to behavior by providing money to poor families contingent upon certain verifiable actions, generally minimum investments in children’s human capital (Briere and Rawlings 2009). The conditionalities that beneficiaries have to comply with to continue their enrollment in the 4Ps are as follows:

- pregnant women must have pre- and post-natal care, and be attended by a skilled/trained health professional during childbirth;
- parents or guardians must attend responsible parenthood sessions, mother’s classes, and parent effectiveness seminars;
- children 0–5 years old must receive regular preventive health checkups and vaccines;
- children 3–5 years old must attend daycare at least 85% of the time;
- children 6–14 years old must enroll in elementary or high school and attend at least 85% of the time; and
- children 0–14 years old must take deworming pills every 5 months.

All household beneficiaries sign an oath of commitment that binds them to fulfill the conditionalities set by the 4Ps. Poor households with children 0–14 years old and/or pregnant women are eligible for health transfer currently set at P500.00 ($10.42) per household per month. The education transfer is P3,000 ($6.25) per month, for 10 months per year (P3,000 or $62.50 per year) for up to a maximum of three children per family. As of January 2009, the 4Ps had provided cash grants to the 341,374 poorest households from the poorest 27 provinces, 12 cities, and 148 municipalities in the country (DSWD 2009a). A total of 700,000 households are expected to benefit from this program by the end of 2009.

Support systems have been developed to ensure proper implementation of the 4Ps. The proxy means test targeting model was used to identify program beneficiaries. This model became the basis for creating a national household targeting system for poverty reduction, which aims to reduce the leakage rate from pro-poor programs (DSWD 2009b). The compliance verification system is a six-step monitoring system that will assess the compliance of beneficiaries with conditionalities. Impact evaluation measures the current and projected outcomes of the 4Ps as a basis to enhance and replicate the program design. Last, the grievance redress system consists of a monitoring system and a set of guidelines for handling complaints. The DSWD, in coordination with advisory councils composed of the Department of Education, Department of Health, Department of Interior and Local Government, and National Anti-Poverty Commission, at the national, regional, and municipal levels will ensure the proper implementation of the 4Ps. Stronger partnerships with LGUs, in particular, will help augment resources for SWD services related to implementing the 4Ps.
4. Conclusions

Of paramount importance to success in implementing any social welfare program is targeting to clearly identify eligible beneficiaries through an objective and transparent system. Moreover, a monitoring and evaluation system should be in place with the following components: a compliance verification system, a grievance redress mechanism, and impact evaluation. Active participation of program beneficiaries is also essential and the setting of conditionalities ensures this whereby rising from poverty is not the sole responsibility of the state but entails also a firm willingness of the poor to better their lives.

The design of the 4Ps program takes into consideration a gender perspective by creating opportunities for women (mothers) to actively participate by managing the cash transfer. This also raises the level of confidence and social inclusion of the recipients as they deal with financial institutions, from which they were previously marginalized for lack of opportunity. Furthermore, parents’ and/or guardians’ attendance at seminars is creating more empowered and more responsible individuals in coping with family and community responsibilities.

The 4Ps also illustrates that social assistance models, just like the field of social development itself, are constantly growing. The models evolve based on lessons learned during program implementation. CCTs are more cost-effective than simply providing financial assistance. More importantly, the 4Ps empowers the poor to demand services from their local governments not as a privilege but as an entitlement or right to access basic services, thus changing the paradigm in delivery of social services from a needs-based to a rights-based approach. In the same manner, we can also perceive the implementation of the National Social Welfare Program and the Social Welfare Development and Reform Program as proof of the government’s relentless effort to adapt its strategies in order to better address the problem of poverty.

References

Country Experience, Benefits, and Challenges of Conditional Cash Transfers


PART III

COUNTRY EXPERIENCE, BENEFITS, AND CHALLENGES OF CONDITIONAL CASH TRANSFERS
A. CONDITIONAL CASH TRANSFERS REDUCING PRESENT AND FUTURE POVERTY*

Emmanuel Skoufias

BRIEF

Many countries now have conditional cash transfer (CCT) programs. In some countries, they cover millions of households, give transfers that account for as much as 20% of consumption of the median recipient household, and are assigned about 0.5% of gross domestic product. In other countries, they are more narrowly targeted, e.g., at the socially excluded, to fill gaps between other social assistance programs, or to increase school enrollment among girls.

CCTs have generally led to substantial reductions in consumption poverty—in particular, when transfers are large. In Nicaragua, the Red de Protección Social, a pilot program, reduced the poverty gap among beneficiaries by 18%. In Mexico, Progresa (now Oportunidades), a program with national coverage, reduced the poverty gap in rural areas by 19%. CCTs have resulted in substantial increases in the use of education and health services, especially among poor households. However, for the increases in service utilization to translate into improvements in final outcomes, complementary actions are needed, such as improving the coverage and quality of the supply of services and changing household behaviors that prevent the accumulation of human capital. CCTs can be an important component of a social protection system, but they need to be complemented with other safety net programs. They are also a better instrument for structural than transient poverty.

The main messages from Fiszbein, Schady, et al. (2009) are

1. making transfers that are conditioned on household behavior can make sense under some circumstances;
2. CCTs have generally led to substantial reductions in consumption poverty;
3. CCTs have resulted in substantial increases in the utilization of education and health services;

* Based on Fiszbein, Schady, et al. (2009).
(4) despite the increase in service utilization, the CCTs had only mixed success in terms of final outcomes in education and health;
(5) to increase the service utilization to translate into improvements in final outcomes, complementary actions are needed;
(6) there are trade-offs;
(7) CCTs can be an important component of a social protection system, but they need to be complemented with other safety net programs; and
(8) CCTs have had important institutional legacies in administrative structures, evaluation, and learning.

1. **Motivation**

Many countries around the world now have conditional cash transfer (CCT) programs in place. In some countries, including Brazil, Colombia, Ecuador, and Mexico, they cover millions of households, give transfers that account for as much as 20% of consumption of the median recipient household, and are assigned about 0.5% of gross domestic product. In other countries, such as Chile, they are more narrowly targeted at the "socially excluded," and are meant to fill in the cracks between other social assistance programs. In yet other countries, such as Bangladesh, they are primarily designed to increase school enrollment among girls.

Programs vary, but all share some basic characteristics:

1. They transfer cash.
2. They ask that households comply with a series of conditions—generally, school enrollment and attendance, often also attendance at health centers for young children.
3. They are targeted to the poor.

The "twin objective" promise of CCT programs is to reduce current consumption poverty and promote accumulation of human capital.

2. **Policy Research Report**

The report on which this presentation is based investigated three areas:

1. Under what circumstances do CCTs make sense?
2. What is the evidence that they have had impacts on consumption poverty and on human capital outcomes? (The report draws heavily on a large number of credible impact evaluations—more are available for this class of program than for probably any other intervention in the developing world.)
3. What are the policy implications: how should CCTs be structured; what complementary actions are needed, and how are CCTs incorporated in the context of social protection policies?
3. **CONCEPTUAL FRAMEWORK**

Message 1 from the evaluations is that making transfers that are conditioned on household behavior can make sense under some circumstances. The economic justifications are, basically, when households persistently maintain misguided beliefs, there is incomplete altruism, and there are externalities involved. For governments, the political economy justifications are important: there is greater support for a program that appears to ask beneficiaries to do “something to help themselves.” Providing unconditional cash transfers creates some resentment, which may work against the sustainability of the program.

4. **CCT IMPACTS ON CONSUMPTION POVERTY**

The second message is that, based on all the evidence that we were able to compile, **CCTS have generally led to substantial reductions in consumption poverty** (Figure 1). And that’s especially the case when the transfers are large. For example in Nicaragua, the CCT program reduced the poverty gap among beneficiaries by 18%. In Mexico, the Progresa program reduced the poverty gap in rural areas by 19%.

![Figure 1. Impact of CCTs on the Distribution of Consumption—Nicaragua and Honduras, 2002](image)

The key question is: Why have CCTs reduced consumption poverty so much? Some of the reasons are

1. they are well targeted;
2. they have made transfers of (in some cases) substantial magnitude;
3. they have not reduced adult labor market participation;

CCT = conditional cash transfer, CDF = cumulative distributive function.
(4) they have not generally crowded out other transfers, and have not had substantial (local) general equilibrium effects; and

(5) transfers (which are generally made to women) have also changed the composition of consumption, to more expenditure on food and on higher quality sources of calories.

Figure 2 shows, for a number of CCTs, the problem of the correspondences. On the horizontal axis, is the per capita consumption prior to the transfer. This is actually difficult to calculate because, in most cases, data start after the program, so you simply subtract the transfer from the value of consumption to get the proportions of households on the receiving end on the vertical axis. In the

![Figure 2. Coverage of CCT Programs, by Decile, Various Years](image)

BDH = Bono de Desarrollo Humano, BF = Bolsa Familia, FSSAP = Female Secondary School Assistance Program, JFPR = Japan Fund for Poverty Reduction, PATH = Program of Advancement through Health and Education, PRAF = Programa de Asignación Familiar, RPS = Red de Protección Social, SRMP = Social Risk Mitigation Project, SUF = Subsidio Unitario Familiar.

Note: For Brazil and Chile, the deciles are based on per capita income minus transfer per capita. For the remaining countries, the measure of welfare used is per capita expenditure net of the transfer per capita.

Figure, most of the lines are very high at the bottom of the distribution and they decrease toward the top of the distribution. That says that these programs have very good targeting—more of the transfers go to the poorest households and less to the richest households. The only exception is Bangladesh, in the year 2000. The slightly upward-sloping line suggests that the secondary education program in Bangladesh was benefiting the middle to upper classes more than the poorest classes in that year.

Figure 3 shows that the share of expenditure on food actually increases as a result of the program. So participation in the program creates a structural change in the behavior of households.

Figure 3. Impact of CCTs on Food Shares, Ecuador and Nicaragua

<table>
<thead>
<tr>
<th>Ecuador, 2005</th>
<th>Nicaragua, 2006</th>
</tr>
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<tbody>
<tr>
<td>log, per capita expenditures</td>
<td>log, per capita expenditures</td>
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<tr>
<td>share of food expenditures</td>
<td>share of food expenditures</td>
</tr>
<tr>
<td>Treatment</td>
<td>Control</td>
</tr>
<tr>
<td>0.35</td>
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<td>0.75</td>
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5. CCT IMPACTS ON HEALTH AND EDUCATION OUTCOMES

The third key message is that CCTs have resulted in substantial increases in the utilization of education and health services, especially among poor households. There are many examples. In education, in Mexico, Oportunidades decreased drop out between the 6th and 7th grades by 9 percentage points; in Pakistan, the Punjab education program increased the school enrollment of 10–14 year-old girls by 11 percentage points; and in Cambodia, two pilot programs reduced the dropout between 6th and 7th grades by 20–30 percentage points. And in health, similar results—in Colombia, Familias en Acción increased the proportion of children who had growth monitoring by 20–30 percentage points; and in Honduras, the Family Allowance Program (PRAF) increased the proportion of children who had at least one preventive health visit by 20 percentage points. With regard to health
and education outcomes, because the impacts are concentrated among the poorest households, the CCT programs have reduced the inequality of opportunities. As a result of the good targeting, a lot of the resources have been allocated to the poorest segment of the population and in particular to the extremely poor (Figure 4).

Figure 4. Change in School Enrollment and Babies Weighed Due to CCTs

The fourth message that can be extracted from the report is that, despite the increase in service utilization, the CCTs had only mixed success in terms of final outcomes in education and health. The programs seem to be doing a good job of bringing children to school or to the health center, but so far there is not much evidence that the learning and the health of children are actually improving. For example, some programs have improved child nutrition and increased school enrollment and years of completed schooling, but they have not been accompanied by increases in learning outcomes. Evaluations, especially from Cambodia, Ecuador, and Mexico, suggest that the higher enrollment levels among CCT beneficiaries have not been accompanied by improved learning outcomes—even after carefully accounting for selection problems. There is a whole battery of tests to see whether this result is driven because of various biases or not. The programs certainly manage to bring people to school or to the health center, but on learning outcomes, the evidence is not there. So that’s an issue to keep in mind.

The fifth message is that to translate the increased service utilization into improvements in final outcomes requires complementary actions. Some of these actions include the coverage and quality of the supply of services; for example, in Mexico, primary schools need to be rehabilitated, secondary schools constructed, performance bonuses provided for teachers, and teacher incentives improved so that learning can actually start showing impact. A related aspect is that efforts have to be devoted to changing household behavior that prevents the accumulation of human capital. While some programs require that children are sent to school, other programs include information sessions in the communities, to make families more aware of the value of education, good health, washing hands, and preparing healthy food. More work is needed on how to change household behaviors that prevent the accumulation of human capital. Examples include programs to improve parenting and early stimulation (as in

CCT = conditional cash transfer.
Source: Maluccio and Flores (2005).
the pláticas of Oportunidades or social worker support of Chile Solidario) and to extend coverage of preschool programs.

6. Policy Implications

The sixth message is that there are trade-offs. CCT programs are trying to kill two birds with one stone. In practice there are trade-offs between the two objectives, and governments need to be aware of this as they embark on implementing CCTs. Larger transfers lead to bigger impacts on consumption poverty but there may be diminishing marginal returns in terms of achieving human capital goals. So a large cash transfer size can decrease poverty measured in consumption, but bigger consumption is not necessarily going to increase learning—you may have diminishing returns due to factors that need to be remedied, such as overcrowded classrooms. And there are trade-offs between the maximum impact and different measures of human capital. For example, in the Progresa in Mexico, the impact of the transfers increasing enrollment was significant only in the transition grades from primary school to secondary school, but the change in enrollment and completion rates for grades below six was not significant. So governments need to prioritize the main objective to achieve, how to do it, and what are the associated trade-offs.

Another interesting component is that, while CCTs do not seem to have a significant impact on attendance or enrollment in low grades of elementary school, this may be because attendance rates are normally high. However, in elementary school, the impacts on learning and cognitive outcomes are significant for the youngest children (Table). So again, that’s a point of trade-offs; these programs will not necessarily increase enrollment, but they may have some positive impacts on cognitive outcomes. It’s a matter of prioritizing and making decisions early on.

7. CCTs as a Component of Social Protection

The seventh message is that CCTs can be an important component of a social protection system, but they need to be complemented with other safety net programs. CCTs cannot be the right instrument for all the poor households, e.g., for households without children or for the elderly households. CCTs are a better instrument for structural poverty than for transient poverty, which also means that they are not necessarily a very good instrument for dealing with crisis. They can help the people who are currently in the program but cannot help the people who are outside of the program and may be negatively affected by a crisis. CCTs complement programs such as workfare, unemployment insurance, and social pensions.

8. Evaluation and Learning

The last message is that CCTs have had important institutional legacies. CCT programs have led the way in the design of well-run and well-administered
structures for beneficiaries, payments, and transparency. And CCTs have been groundbreaking in terms of the importance they have placed on impact evaluation. Many of the CCT programs have done impact evaluations and were able to learn and amend some of their design features as a result. The aspect of learning through, e.g., small pilot tests, is a very important element that has been institutionalized with CCTs.

### REFERENCES


An essential part of a country’s social protection system consists of social safety net programs, often referred to as social assistance or social welfare programs. Safety net programs can play four roles in development policy: they

- redistribute income to the poorest and most vulnerable, with an immediate impact on poverty and inequality;
- can enable households to make better investments in their future;
- help households manage risk; and
- allow governments to make choices that support efficiency and growth.

A salient characteristic of conditional cash transfer (CCT) programs is their focus on the evaluation of results. In fact, CCTs are contributing significantly to the development of a culture of evaluation in the field of social protection. As a consequence, data are now available for the rigorous assessment of the results of CCTs.

That CCTs can play important roles in improving the welfare of the poor and vulnerable is strongly supported by evidence. Impact evaluation studies have shown CCTs to be effective at reducing poverty, improving equity, promoting access to basic human development services, and improving the consumption of the poor.

However, evidence on the impact of CCTs on health status outcomes and student learning is either mixed or lacking; not all types of poor vulnerable people may be reached by CCTs, and CCTs may not be an effective countercyclical instrument. Thus, CCTs should be viewed as components of a social protection system and often need complementary measures that could enrich the impact of CCTs.
1. THE CONTEXT

Increasingly, countries across the world have become interested in conditional cash transfers (CCTs) as an antipoverty and social protection instrument. The popularity of CCTs has surged as countries seek to address the effects of the current economic crisis. But even before the current crisis began, CCTs had steadily been rising in popularity as a consequence of increased recognition of social protection's role in development and the success of CCTs in Brazil, Colombia, Mexico, and other developing countries.

This paper provides an overview of the concept, logic, design, and impact of CCTs. First, the context of CCTs is discussed from the big picture lens of development and safety net systems. Second, the focus narrows to the microeconomics of CCTs to define their potential roles and the arguments for and against CCTs. Third, CCT programs' design features are presented. Fourth, the results of CCTs are discussed, drawing from available empirical evidence. Finally, lessons learned and future directions for innovation and experimentation are summarized.

In general, CCTs are grants given directly to eligible families or individuals meeting specific conditions to achieve certain objectives. This paper looks at CCTs from a human capital perspective and as an instrument for helping the poor and vulnerable population. Hence, the paper follows Fiszbein, Schady, et al. (2009), who define CCTs as cash payments to targeted eligible households conditional on household investment in human capital. This definition reflects recent trends in CCT design whereby benefits are conditioned on minimum levels of use of health and education services, generally by (or for the benefit of) the children of the household. In principle, however, CCTs need not be conditioned on human capital investment behavior.

For years after World War II, the economic literature had narrowly limited development theory to issues of investment in physical capital. Later, human capital and institutions were recognized as critical elements of sustainable development. This broadening, however, did not include social protection as a legitimate development concern that deserves high priority. Today, social protection is accepted as a high-priority development issue that needs to be systematically addressed to reduce poverty and the vulnerability of people to economic shocks and natural disasters.

An essential part of a country's social protection system consists of social safety net programs, defined as noncontributory transfer programs targeted in some manner to the poor or those vulnerable to poverty and shocks. Grosh et al. (2008, p. 463) noted that these programs are often referred to as social assistance or social welfare programs. They are "generally designed to help individuals or households cope with chronic poverty or transient declines in income that would otherwise cause them to sink into poverty or worse poverty. As such, they help alleviate poverty and reduce non-poor households' vulnerability to becoming poor."

The rise of social protection as a priority development issue can be attributed to the recognition that safety nets are part of a broader poverty reduction
strategy—interacting with and working alongside social insurance, health, education, and financial services; the provision of utilities and roads; and other policies aimed at reducing poverty and managing risk. On this point, Grosh et al. (2008, p. 1) pointed out that safety net programs can play four roles in development policy:

- **Safety nets redistribute income to the poorest and most vulnerable, with an immediate impact on poverty and inequality.** Most societies hold strong convictions that adequate provision for the poor is required, though they may differ in how this should be achieved.

- **Safety nets can enable households to make better investments in their future.** In this role, safety nets basically act to remedy credit market failures, allowing households to take up investment opportunities that they would otherwise miss—both in the human capital of their children and in the livelihoods of the earners.

- **Safety nets help households manage risk.** At a minimum, safety net programs help households facing hard times avoid irreversible losses, allowing them to maintain the household and business assets on which their livelihoods are based and to adequately nourish and school their children. At best, they can provide an insurance element that lets households make choices about livelihoods that yield higher earnings. Safety nets thus both protect households and promote their independence.

- **Safety nets allow governments to make choices that support efficiency and growth.** An adequate permanent social assistance system can fulfill whatever redistributive goals the society has, freeing other sectors from the role and letting them concentrate on efficient provision of services. Thus, for example, energy sectors can price for efficiency, and trade policy can focus on growth rather than job protection. Short-term safety net programs can compensate people who may be negatively affected by needed reforms, who may oppose and stall these reforms. Though useful, safety nets are not a panacea, and there are real concerns over whether they are affordable and administratively feasible or desirable in light of the various negative incentives they might create. In most settings where there is political will to do so, such concerns can be managed through a number of prudent design and implementation features.

Arguably, CCTs can play the above-mentioned roles in development. The discussion below lays out CCTs’ potential role in and contribution to poverty reduction and welfare improvements seen from the perspective of microeconomic theory.

### 2. The Microeconomics of Conditional Cash Transfers

In analyzing how cash transfers can work conceptually to enhance welfare, Fiszbein, Schady, et al. (2009, p. 46) use standard economic theory to frame their analysis with the following observation:
Governments have scarce resources and CCTs—whether they increase service use or not—compete for funds with other worthwhile projects, such as buying school equipment or upgrading rural roads. Why is giving people money to keep their children in (possibly very bad schools) a good use of public funds? Wouldn’t it be better to buy more books and supplies or to improve teacher training so as to raise the quality of the education provided in those schools?

Even if there are good arguments for spending part of the government’s budget on direct cash transfers to households, does it really make sense to attach conditions to the cash? After all, if attending those schools (or walking 5 miles to the local clinic to have the baby weighed) contributed more to expected future well-being than an alternative use of child’s time, wouldn’t households already be sending their children there? A condition is a constraint on behavior. What good can come of adding a constraint to the household’s optimization problem? Why not just make the transfer unconditionally?

### 2.1. Arguments For and Against Cash Transfers

Awareness of the arguments for and against cash transfers and a look at the empirical evidence may enable a more informed debate on CCTs. Fiszbein, Schady, et al. (2009) articulated those arguments, which can be summarized as follows.

Two main arguments have prevented wider application of cash transfers in the past as a social assistance tool. The first is the claim that cash transfers to a vast poor majority have a lower rate of return than investment in public capital (e.g., infrastructure) and are harder to target and deliver. The second argument is that cash transfers provide wrong incentives. For example, there is concern that they reduce the incentives for households to work hard and to invest in education and training for future gainful employment. These arguments apply to both cash and in-kind social assistance, a fact often ignored by some who oppose CCTs but advocate more in-kind social assistance.

In regard to the arguments in favor of cash transfers, the following reasons have usually been put forward. Paraphrasing Fiszbein, Schady, et al. (2009), they argue that:

- First, public expenditures in infrastructure and public services—of the kind cited above—often fail to reach the very poor. If cash transfers can be targeted and delivered to the poor more effectively than other forms of public expenditure, they may contribute to poverty reduction in ways that public investment does not.
- Second, markets seldom work perfectly in practice, and sometimes they fail in ways that prevent poor people from being as productive as they might otherwise be. If the root causes of some of these failures are too costly to correct, simple redistribution of current resources may be able to reduce the efficiency costs. The classic example is that of credit-constrained families (in an economy with imperfect capital markets) that cannot make
profitable investments in their children’s education or in some other business project. A direct transfer of cash to poor families could enable them to undertake investments with higher returns than what they would have made otherwise. Similarly, insurance markets are beyond the reach of poor families. When incomes are volatile, reflecting a risky economic environment, cash transfer payments to these families could smooth (some of) the fluctuations, raising household welfare. Once again, if fixing the insurance markets is too costly or complicated, volatility can provide an additional argument for targeted cash transfer programs.

- Finally, cash transfers might be suitable instruments for compensating families who suffer from inherited disadvantage that many considered to be ethically unacceptable. Examples of such inherited disadvantage are race, gender, family background, and similar variables over which individuals do not have control.

In view of the arguments for and against cash transfers, Fiszbein, Schady, et al. (2009) correctly conclude that it cannot be categorically stated that every country in the world should have a cash transfer program in place to help reduce poverty. Nevertheless, they contend that a case can often be made that some efficient redistribution of the kind just described can be achieved. The point is that, when looking at CCTs for a particular country, it is critical to discern whether policymakers have weighed the arguments for and against cash-based redistribution, and have reached a considered decision that there is some room for cash transfers in their policy arsenal against poverty.

2.2. Attaching Conditions to Cash Transfers

Even in the absence of redistributive goals, CCTs may still be justified as a means to improve incentives for households to invest in human capital. Policymakers need to get a good sense of whether putting a condition on cash assistance is a sensible thing to do on both theoretical and empirical grounds.

Conditioning cash transfer on some desired behavior generates in principle both income and price effects. Hence, the expectation, about which there is little evidence at present, is that CCTs will have greater impact than unconditional cash transfers, since the latter rely only on the income effect. But what is the case for attaching conditions to cash transfers from the perspective of welfare optimization?

Economists have long argued, using standard economic theory, that in general increasing household income through cash grants is a better approach than providing in-kind assistance. The choice set for households is in general greater with cash grants than in-kind assistance. Cash allows beneficiaries the freedom to spend the money as they see fit, given their varying individual circumstances and preferences. Despite the fact that this analytical finding has become a “default” position for most economists, it has largely been either ignored or dismissed by policy and opinion makers in both developed and developing countries. Until recently, cash transfers have been regarded simply as an antidevelopment dole-out that
encourages dependency and “welfarism.” Furthermore, critics have argued that beneficiaries cannot be trusted to use the cash assistance wisely, asserting that the money would be wasted on alcohol, tobacco, and other nonessentials.

On the other hand, Fiszbein, Schady, et al. (2008) advance three main conceptual arguments in support of conditioning cash transfers. First, households do not always behave as fully informed and rational agents the way standard economic theory predicts. This may be due to a number of factors such as (1) persistent and imperfect private information about the nature of investments and their rates of return; (2) shortsightedness and the tendency of some people to suffer from procrastination that makes households’ day-to-day behavior inconsistent with their own long-term attitude toward the future; and (3) incomplete altruism whereby parental decisions are not fully consistent with what the child would have chosen, if fully mature. These factors can cause a family to choose a level of investment in human capital that is lower than its “true” private optimal level. If pervasive, these distortions in private decision-making could open fruitful intervention by government, which might know better what is privately good for poor people than the poor themselves know.

The second argument relates to how government policy decisions are made. Government decisions are usually the result of political, moral, and economic calculations. In many countries, policymakers are wary of giving cash transfers to the poor for reasons mentioned above. By conditioning cash transfer on “good behavior” and promoting the idea of co-responsibility, as in Mexico, a CCT program might become politically viable. The third argument is that even if the level of investments in human capital by the poor is privately optimal, it may not be socially optimal due to the presence of market failures (externalities).

3. Design Features and Practices

There are features and practices that have commonly characterized the CCT programs. In general, they are not unique to CCTs; in fact, some are features of other social assistance programs as well.

(1) Defining the target population and establishing the targeting system. In general, CCTs have clearly defined target population groups, which have been narrowly limited to households with income below a poverty line. Unlike many other social assistance programs, the criteria and process of defining and identifying the target population are clear and transparent. CCTs differ in their targeting methodology. Some use geographic targeting; some use household targeting mostly through proxy means tests; and the rest use a combination of both. All targeting methods are subject to inclusion and exclusion errors—some more than others depending on the nature of the intervention and the target population. CCTs use explicit administrative targeting systems, as self-targeting does not work for CCTs. The explicit adoption of a clear and
transparent target system is important for the program to appear fair and credible.

(2) **Defining the cash transfer conditions.** The practice has been to select conditions that are measurable, enforceable, and inexpensive to administer. More importantly, they should be causally linked to desired outcomes. The recent trend has been to condition the transfer on education and health service utilization indicators. In education, the most common conditions relate to primary and secondary school attendance. Some programs limit this condition to attendance in public schools; others give households freedom of choice between public and private schools, as in Familias en Acción in Colombia. With respect to health service utilization, most CCTs require regular visits to health facilities for basic care such as growth monitoring, immunization, and participation in health education discussions.

(3) **Determining the benefit system.** Important aspects of the benefit system can significantly influence outcomes and the sustainability of CCT programs. These aspects include the structure and level of payments, the payee, and the payment mechanism. On the structure of payments, the amount of cash transfer to eligible households of some CCTs depends on the number of children of a certain age range (usually school age and age 0–5). In this case, some programs (as in Colombia) put a cap on the number of children to avoid unintended fertility effects. Gender, age, and grade levels have also been used to differentiate benefit levels. Girls have been given a larger grant amount to address serious gender bias issues. Recognizing that the marginal cost of education rises with grade level, several programs give a larger amount for higher grade levels. Other CCTs pay a flat rate per eligible household.

In terms of frequency of payment, many programs pay every 2 months or less often. This minimizes transaction costs for both the program and the beneficiaries. The payee is the parent rather than the student generally. The few exceptions are mostly in secondary education scholarship programs. In Latin America and the Caribbean there has been a preference for mothers to be the payee. The argument has been that mothers are more responsive to children’s needs and interests than are fathers.

CCTs have used a variety of payment systems ranging from bank transfers and ATM machines to post offices, armored trucks, lottery sales points, and others. The general principle, though, has been to give the money directly to the payee through a payment mechanism that is secure and with as few intermediaries as possible to avoid leakage arising from transaction costs, delays, corruption, and theft.

More complex benefit systems have been proposed. They were rejected, however, to keep the benefit system simple and easy to administer. The guiding principle has been to keep the benefit system simple, transparent, and accountable.
Payment levels. One of the most important aspects of the benefit system is the level of benefit. It is difficult to summarize and compare payment levels across CCTs. Fiszbein, Schady, et al. (2009) show that, relative to pre-transfer consumption among poor beneficiaries, CCT payments account for roughly 10% of the recipients’ consumption in Brazil, Ecuador, and Jamaica. In contrast, Mexico’s Oportunidades provides 33.4% and the Female Secondary School Assistance Program (2000) of Bangladesh a measly 0.8%. Not surprisingly, consumption effects depend on the benefit level. The impact of benefit level, however, on outcomes is not clear. Impact studies are lacking on this issue; but, there appears to be no apparent simple correlation between outcomes and payment levels across CCTs. Experimentation on this issue is needed.

Another pattern worth noting regarding benefit payments is the distribution. Estimates by Fiszbein, Schady, et al. (2009) indicate that CCT benefits are concentrated among the poorest segments of the population. This implies that, except for Bangladesh, the benefit incidence of CCT programs is sharply progressive. For example, Mexico’s Oportunidades delivers 45% of CCT benefits to the poorest decile. In Chile and Jamaica, roughly 35%–40% of CCT benefits go to the poorest deciles. These findings are consistent with popular opinion about the success of CCTs in reaching the poor and concentrating benefits among them.

Compliance verification, enforcement, and sanctions. Compliance with the conditions of the cash transfers is generally high. In Brazil, El Salvador, and Mexico, compliance rates tended to be 90% or better. In Nicaragua, compliance has risen to 85%. There are several reasons for this. First, most parents find the conditions reasonable and complying with them benefits their children. The information, education, and communication activities of CCTs have further reinforced parents’ perception of the value of complying with CCT conditions. Second, systems for compliance verification, sanctions, and other enforcement mechanisms have been established and function reasonably well.

The frequency of verifying compliance varies, depending on the nature of the conditions, the transaction costs, and the country’s capacity constraints. Verification ranges from monthly (Turkey) to every 4 months (Honduras) or even once a year (Chile, Subsidio Unitario Familial). Most programs have full monitoring with light or full penalties for noncompliance. Penalties include suspension and termination of grants. Examples of programs with full penalties are Familias en Acción in Colombia, Oportunidades of Mexico, and the social risk Mitigation Project in Turkey. Light penalties characterize CCT programs in Brazil (Bolsa Escola), Chile (Chile Solidario), and Pakistan (Child Support Program).

Program monitoring and evaluation. Unlike many development programs, CCTs have established cutting-edge technical systems, especially in monitoring and evaluation. Unusually, CCTs have been led by proactive
program managers that recognized the value of regular monitoring and rigorous impact evaluation. An example of the innovative technical systems is Familias en Acción’s regular spot checks based on representative samples. This system has been found to be a useful tool for timely correction of program deficiencies, as have citizens’ oversight systems and community-based meetings for improved accountability. Furthermore, many CCTs have adopted impact evaluation as part of standard practice. The availability of credible impact analyses has been a key factor in the sustainability and expansion of CCT programs of Colombia, Mexico, and other countries.

4. Evidence of Program Results

As mentioned, one of the salient characteristics of CCT programs is their focus on the evaluation of results. In fact, CCTs are contributing significantly to the development of a culture of evaluation in the field of social protection.

As a consequence of the attention paid to program evaluation, data are now available for the rigorous assessment of the results of CCTs. There are many evaluation studies of CCTs; the best to date is the work of Fiszbein, Schady, et al. (2009). Pulling together a wide range of analyses of CCTs around the world, their book gives a comprehensive, evidence-based, and systematic account of CCT programs. This section highlights some of their findings.

4.1. Impact on Consumption, Income, and Work

Their analyses focus on the impact of seven CCTs on per capita consumption or income. These programs, which were chosen because data had been collected as part of their evaluation and robust estimation methods could be applied, include Bolsa Alimentação in Brazil, the Cambodia Education Sector Support Project scholarship program, Familias en Acción in Colombia, Bono de Desarrollo Humano in Ecuador, Programa de Asignación Familiar in Honduras, Oportunidades in Mexico, and Red de Protección Social in Nicaragua.

First, as might be expected, the preprogram median daily per capita consumption was low in all programs, confirming that the interventions are well targeted.

Second, the CCTs had effectively increased immediate per capita consumption or income, which is an important determinant of poverty alleviation in the short run. The impact on per capita consumption for the median household ranges from 7.0% in Brazil and Honduras to 29.3% in Nicaragua. In terms of poverty measures (headcount index, poverty gap, and squared poverty gap), the CCTs also showed a significant positive effect. For example in Colombia, Familias en Acción reduced the poverty gap by almost 7.0 percentage points. In Nicaragua, Red de Protección Social decreased the poverty gap by 9–13 points and the poverty headcount index by 5–7 points.
Third, the CCTs had significant welfare effects on households and individuals directly affected by the interventions at a given stage of each program's implementation. But, as the evaluation samples were derived from pilot areas and early stages of implementation, the estimated impact may not be representative of the effect of CCTs after their coverage was expanded to the national level.

Consequently, Fiszbein, Schady, et al. (2009) investigated the impact of relatively large-scale CCTs, using nationally representative household surveys in Brazil, Ecuador, Jamaica, and Mexico. Based on their expanded analyses, they concluded that CCTs generally helped to reduce national poverty.

The caveat in their conclusion is that they had not been able to deal with possible behavioral changes that could attenuate those impacts, such as the possible reduction in household labor supply. Nevertheless, this exercise helps them to approximate the impact of large-scale CCTs on measures of poverty at the national level.

Fourth, CCTs had impacted the beneficiary households’ aggregate consumption not only in terms of level but also composition. The households spent a greater percentage of their consumption expenditure on food, much of which was directed toward better quality food. For example, in Colombia, beneficiary households bought more eggs, milk, and meat products.

Fifth, in regard to work, child labor had been reduced significantly as a consequence of CCTs. This finding conforms to theoretical expectation. In general, increased nonlabor income is known to reduce child labor. In addition, conditioning cash transfers on school attendance essentially increases the price of child labor relative to school attendance and adult work. This decreases the incentive to use child labor.

In regard to adult work, the empirical evidence indicates no significant negative impact of CCTs on adult work at least in the short run, as shown by studies of the Cambodia Education Sector Support Program in Cambodia, Bono de Desarrollo Humano in Ecuador, and Oportunidades in Mexico. Only in Nicaragua is there some evidence that CCTs had a significant impact on adult labor. But even in this case, the effect is modest and limited only to adult men. It is interesting that the Red de Protección Social of Nicaragua had the most generous benefit among the various CCTs studied by Fiszbein, Schady, et al. (2009). If confirmed, the finding would suggest that CCT programs should be careful about too generous cash transfers.

What explains why the estimated effects of CCTs on adult labor have been small or insignificant? One explanation is that, given the beneficiaries’ low pretransfer income, the income elasticity of demand for leisure of poor households may be low. Moreover, more adult labor may be substituting for child labor as the latter becomes more expensive relative to the former. The conclusion is that, at least in the short run, changes in household work behavior are modest and do not offset income gains from cash transfers.
An examination of other concerns yields similar results. The findings of studies on CCTs “crowding out” of remittances and other private transfers are mixed. But even when the “crowding out effects” are significant statistically, they appear small. Finally, there is no evidence that the general equilibrium effects on wages and prices were sufficiently large to offset the direct impact of CCT income on consumption. On the contrary, there is some evidence that real incomes of ineligible families living in program areas have been positively affected by CCTs. One possible mechanism for this spillover is the multiplier effects of increased consumption and investment spending from cash transfers.

The foregoing discussion focused on the short-run impact of CCTs on consumption. The question is: Do CCTs have long-term impacts on consumption, abstracting from their effects brought about through human capital accumulation? Will those impacts remain after beneficiary households stop receiving CCTs?

Fiszbein, Schady, et al. (2009) argue that CCT programs can generate long-term impacts through three mechanisms. First, beneficiary households save part of the cash transfer received and invest it in productive assets. Second, the CCT program provides a steady stream of income that enables beneficiaries to gain access to credit and overcome liquidity constraints. Third, the income stream could allow beneficiary households to smooth consumption during times of economic shocks.

There is little evidence on this issue, but that currently available suggests interesting possibilities. For example, the study of Gertler, Martinez, and Rubio-Codina (2006) indicates that beneficiary households of Oportunidades in Mexico save a good fraction of the transfers and invest in microenterprises and agriculture (animals and land). The rate of return to these investments appears to be substantial. In this regard, Fiszbein, Schady, et al. (2009, p. 123) advanced the following explanations: “It seems that the CCT helped alleviate two market failures. First, the increased income allowed households to overcome credit constraints. Second, the stable stream of income may have made households willing to undertake more risky (and more profitable) investments.”

4.2. Impact on Human Capital Accumulation

As discussed, the CCT programs under consideration condition cash transfers on school attendance and regular use of selected basic health services. This section presents evidence on the impact of CCTs on relevant education and health indicators. As before, the discussion here takes advantage of the analysis of Fiszbein, Schady, et al. (2009).

Education. As it is common for CCT programs to condition cash transfers on school attendance, it is natural to ask about the impact of CCT on school enrollment and education completion. Fiszbein, Schady, et al. (2009) show that virtually every program with a credible impact evaluation has had a significantly positive impact on school enrollment, although not for all age groups.
The size of the impact varies across CCT programs and demographic/education groups. For example, the impact of the Cambodia Education Sector Support Project on enrollment is about 21.4% higher for comparable children in grades 7–9. The impact of Familias en Acción in Colombia, on the other hand, appears to be about 5.6% only for ages 14–17. It also appears that the impact on girls is higher than the average, as illustrated by the impact of Cambodia's CCT on girls' enrollment, which is estimated at 31.3%. The program impact depends also on the preprogram enrollment rate: the impact is smaller in areas where enrollment coverage was high prior to the program. This is consistent with the observation that the CCT effect on enrollment is generally lower in primary than in secondary education. Another possible explanation is the generosity of the cash transfer. Surprisingly, there is no consistent pattern in this regard.

Studies about the impact of CCTs on learning outcomes are lacking. But the couple of studies reviewed by Fiszbein, Schady, et al. (2009) showed, methodological issues aside, no significant difference in the learning achievement of beneficiary and nonbeneficiary students. If true, then, it can be argued that CCT students are learning as much as other children in school. The criticism that CCT beneficiaries should be learning more because more money is being spent on them is questionable. First, improving learning outcomes of children in school is not an objective of the CCTs being evaluated. Second, it can be argued that the extra resources CCT beneficiaries are getting are being spent to pay for the cost of getting children to school (e.g., expenses for transportation, uniforms, educational materials, snacks, and foregone earnings). In addition, a valid cost-benefit accounting should factor in the benefits that recipient households derive from using the grants to purchase food and other commodities. Having said this, there is a need to experiment with innovative interventions that would enrich and complement the impact of CCTs on education outcomes. Experimentation with these interventions should be accorded high priority, given the well-documented ineffectiveness of many schools in developing countries.

**Health indicators.** Another popular condition of CCT programs relates to the utilization of preventive health services, in particular health center visits by mothers and young children. As expected, studies show that the impact of CCTs on health center visits is significantly positive in general. Their impact on specific health indicators, however, is mixed. While the effect of CCTs on growth monitoring is apparent, no effect is shown on other outcome indicators, such as immunization rates (Fiszbein, Schady, et al. 2009).

With improved food consumption in terms of both quantity and quality as well as better access to nutrition information and monitoring, one would expect CCTs to have a positive impact on child nutritional status. However, the results on child growth as measured by height present a mixed picture. Some CCT programs, such as Colombia's Familias en Acción, have a notable impact on children's growth; others, such as Ecuador's Bono Desarrollo Humano, apparently do not have a statistically significant effect. A similar picture emerges for hemoglobin status.
Clearly, given the widespread problem of malnutrition in developing countries, this is an important area for innovation and policy experimentation.

Finally, on child cognitive development, Fiszbein, Schady, et al. (2009) found a study showing a significant effect of CCTs on the average cognitive outcomes in Ecuador and Nicaragua. On specific cognitive indicators, however, the picture is mixed. This important issue needs more research.

5. Conclusion: Lessons Learned and Future Directions

Theoretically, CCTs can play important roles in improving the welfare of the poor and vulnerable. The evidence strongly supports this hypothesis. Various impact evaluation studies have shown that CCTs can be and have been an effective instrument for reducing poverty, improving equity, and promoting access to basic human development services. At least in the short run, they have been shown to have significantly improved the consumption of the poor, in particular in the quantity and quality of food intake. In the long run, the prospects of the poor are better due to CCTs’ positive impact on children’s enrollment in school and utilization of basic health services.

Moreover, data suggest that some of the positive income or consumption effects of CCT programs can be maintained even after they no longer received transfer payments. As shown by Oportunidades in Mexico and documented by Gertler, Martinez, and Rubio-Codina (2006), beneficiary households tend to save and invest a significant proportion of the cash benefits in high-yielding productive assets.

Many CCT programs started out small or modest in coverage, often as pilot tests. Subsequently, they became large and national in scope. Some CCT programs, as in Colombia and Mexico, have experienced and survived changes in government thanks to the effectiveness of the program; the credibility of the evaluation studies to support it; and the empowerment of the beneficiary population, particularly the mothers.

To reiterate, CCTs can be effective, scalable, and sustainable. And their impact can be maintained after the beneficiaries stop receiving the cash transfers. Additionally, interviews with CCT beneficiaries clearly indicate increased hope and pride in their ability to bring their children to health centers for basic care and send them to school well dressed and well fed.

In contrast, the evidence does not support critics’ concerns about CCTs. As discussed, they have argued that households could not be relied upon to use their cash grants wisely. Critics fear that the additional income will be used on tobacco, alcohol, entertainment, and other consumption items of low social priority. They have also argued that CCTs generate offsetting behavioral changes that would attenuate the impact of CCT programs, such as reduced household effort and
increased welfare dependency. The consequences, in turn, it has been argued, would undermine the self-respect of the beneficiaries.

For countries that are interested in trying out CCTs, it is important to seriously deliberate on key issues. These include policy, design, and implementation questions on (1) the appropriateness of applying a CCT program in their particular situation; (2) targeting the right population and establishing clear and transparent eligibility criteria (entry and exit rules); (3) selecting the appropriate conditions; (4) the size and structure of the benefits; (5) the payment system; (6) compliance verification, enforcement, and sanctions; and (7) program monitoring and evaluation.

**Appropriateness of CCT.** An important lesson is that, despite their achievements and popularity, CCTs should not be regarded as a magic bullet that can be applied in all countries and used to replace all existing social protection programs. As with other programs, policymakers must ask whether, in a particular situation, the application of CCTs is appropriate. To resolve this question, Fiszbein, Schady, et al. proposed a decision tree schema (Figure) that could be helpful in systematically thinking through the appropriateness of a CCT program.

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**Decision Tree Approach to Identifying CCT Programs as the Right Policy Instrument**

- **Conditional Cash Transfer**
  - **Redistribute or not?**
    - **Factors to Consider**
      - Poverty and inequality levels
      - Availability of resources
      - Efficiency costs and benefits of redistribution
  - **Underinvestment in human capital?**
    - **Factors to Consider**
      - Misinformation (e.g., differences between expected and realized rates of return)
      - Agency problems (e.g., large gender differences in human capital)
      - Externalities (e.g., high incidence of crime in poor neighborhoods)
  - **Political economy “antipoor”?**
    - **Factors to Consider**
      - Existence of cash transfers targeting the poor
      - Transparency in eligibility criteria for social assistance
      - Views on distributive justice

- **Consider trade-offs**
  - **Unconditional Cash Transfer**

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Entry and exit rules. The importance of rules for entry and exit cannot be overemphasized. CCT programs are often gradually phased in over several years due to their complexity, novelty, low implementation capacity, and tight financial constraints. A CCT program needs to have a sensible strategy and method for phasing the intended beneficiaries into the program. In Colombia, for example, entry of municipalities into the Familias en Acción was determined by supply-side readiness criteria. This approach had the virtue of creating community pressures on responsible authorities to fix relevant weaknesses in the delivery of education and health services. Interested countries should also have an exit strategy and clear rules for terminating benefits to minimize manipulation, abuse, and unintended incentive effects on work.

Targeting. Despite the success and rising popularity of CCTs, they should not be regarded as a panacea. First, the evidence of the impact of CCTs on health status outcomes and student learning is either mixed or lacking. Second, there are poor and vulnerable people (e.g., those without children and senior citizens) for whom conditions based on children’s human capital does not make sense. Third, the effectiveness of CCTs as a countercyclical instrument is in doubt—the argument being that it takes at least 18 months to mount a functioning CCT program. This criticism is valid. CCT programs, however, can be set up and maintained so that they can be immediately expanded at the start of an economic downturn and scaled down with recovery. Whether this is efficient when compared to other interventions, such as unconditional cash transfers, is another matter for debate.

Complementary measures. The above discussion points to the need to view CCTs as components of a social protection system and the desirability of introducing complementary measures that could enrich the impact of CCTs. To address these issues requires more innovation and experimentation, particularly on supply-side improvements, conditions based on outcomes, and linkage of the size of transfer to outcomes. Combining CCTs with unconditional cash transfers to broaden the reach of cash transfers should also be explored because some poor and vulnerable population groups do not fall within the remit of CCTs based on children’s education and health.

Addressing the issue of supply constraint is important for many developing countries where the delivery of health and education services is often dysfunctional. In many areas, schools and health centers are not available; many students are not learning at all; and health providers are often absent from work. As supply constraints undermine the effectiveness of CCTs, it is important to understand their impact on program outcomes and to develop coordinated, complementary, and evidence-based interventions.

The general point of looking at CCTs in relation to other components of a country’s social protection system is to ensure that safety net gaps are addressed, wasteful overlaps are ironed out or avoided, and synergies are exploited through better coordination and harmonization of rules. The various social protection programs must reinforce rather than undermine each other. On this issue, the concepts of
“complementarity” and “substitution” are key ideas. As mentioned, a CCT program can complement or substitute for other interventions, depending on their nature and objectives. To harmonize social safety net programs, an evidence-based analytical framework and an integrated data base must be established to maximize the social protection system’s capacity to cover and protect the poor and vulnerable population.

REFERENCES

Conditional Cash Transfers in Latin America: Problems and Opportunities*

Julia Johannsen, Luis Tejerina, and Amanda Glassman

**Brief**

Conditional cash transfer (CCT) programs began in the mid 1990s in Latin America, with Bolsa Escola in 1995 in Brazil, Chile Solidario in 1996, and Progresa in 1997 in Mexico. Today, CCT programs exist in most countries throughout the region (exceptions include Nicaragua, Venezuela, and some Caribbean countries). The largest programs in terms of absolute beneficiary numbers are those in Argentina, Brazil, and Mexico, which together benefit more than 16 million poor families.

The design of CCT programs is based on the dual policy strategy of achieving an immediate consumption effect while ensuring an investment effect related to the creation or conservation of human capital. Conceptually, CCT programs address market failures that are considered among the causes of low investment in human capital on behalf of the poor. Transfer schemes designed under this concept directly intervene on the demand side and aim at changing social accountability relationships between beneficiaries, service providers, and governments.

CCT programs are not expected to reduce chronic poverty immediately. Their direct task can only be to prepare the ground for this development, and their ultimate impact strongly depends on how consequently and precisely the program design, identification of the beneficiary population, and alignment with necessary complementary policies respond to these overall objectives in a given country context. Yet CCT programs hold promise for addressing the intergenerational transmission of chronic poverty by explicitly targeting certain population groups.

CCT programs play an important role in Latin America and elsewhere in applying new social policy theories and program administration practices. In practice, many processes and instruments associated with CCT programs (including impact

* Presented by Julia Johannsen.
evaluations, targeting by proxy means test, and poverty maps) are, in fact, not intrinsic parts of or initially motivated by these programs. However, the widespread use of these tools and the development of the associated technical capacity was in many cases a consequence of the implementation of a CCT program. CCT programs have the advantage that they represent large-scale and highly visible interventions. In many countries, the CCT is the flagship program of the administration in the social area (e.g., Brazil, El Salvador, Guatemala, and Mexico). High visibility of a program creates a demand for transparency in the processes which, in turn, generates the need for objective instruments to improve the effectiveness of the programs.

1. INTRODUCTION

Conditional cash transfer (CCT) programs began in the mid 1990s in Latin America, with Bolsa Escola in 1995 in Brazil, Chile Solidario in 1996, and Progresa in 1997 in Mexico. Today, CCT programs exist in most countries throughout the region. Exceptions include Nicaragua, Venezuela, and some Caribbean countries. Appendix 1 of this paper lists the programs and their implementation years. The largest programs in terms of beneficiary numbers are those in Argentina, Brazil, and Mexico, which together benefit more than 16 million poor families (Bouillon and Tejerina 2007).

Based on the experience gained by the Inter-American Development Bank with CCT programs over the last decade in Latin America, this paper reviews some challenges and achievements of CCT programs in the region from an operational point of view. In addition, the paper summarizes recent areas of attention in CCT design and implementation, including urban expansions and response to crises, as well as the possible future development of CCT programs.

The second section explores the conceptual principals and some main achievements of CCT programs. It discusses the dual policy strategy pursued with conditional transfers, the intended target population, and the achieved impacts and relevance of the programs in terms of coverage and size. The section ends with the positive externalities of CCT programs in public policy administration beyond their immediate objectives.

The third section is dedicated to diverse persisting challenges in CCT program design and operation. These include the design adaptations to urban areas and a conceptual discussion about the capacity to respond to crisis situations such as the food price increases in 2008 and the current global economic crisis. The section then discusses challenges for designing targeting, exit strategies, and an outlook on potential future developments of CCT programs. The forth section briefly concludes.
2. **Basic Principles and Achievements of CCT Programs**

2.1. **The Dual Policy Strategy of Consumption Smoothing and Long-Term Human Capital Investment**

Many targeted antipoverty and emergency relief programs aim at both an immediate consumption effect and an investment effect related to the creation or conservation of human capital (or physical infrastructure). They achieve a varying balance between these two objectives. If the objective is to break the intergenerational poverty cycle through investment in the next generation’s health and education, this dual policy strategy (whether achieved by a single or several closely coordinated programs) is considered a key factor for success (Levy 2006). Indeed, the poor value transfers that are postponed into the future in the form of investment components considerably less than direct and immediate consumption smoothing, if they are asked to make a choice (Maloney 2001). In other words, on theoretical grounds, there is a critical level of direct transfers for current consumption that a household in extreme poverty needs to satisfy before being able to change its spending and other behaviors related to future social investment in terms of use of preventive healthcare, nutrition, and education. The design of CCT programs is based on this dual policy strategy.

Conceptually, CCT programs address market failures that are considered among the causes of low investment in human capital on behalf of the poor. Transfer schemes designed under this concept directly intervene on the demand side and aim at changing social accountability relationships between beneficiaries, service providers, and governments. By addressing demand-side barriers (such as constraints in the access to credit and insurance as well as high discount rates of investment in human capital), they combine short-term transfers for income support with incentives for long-run investments in human capital by conditioning the payments on changes in behavior that favor more adequate food consumption, higher school attendance, and use of preventive healthcare services. However, while CCT programs do not directly attempt to intervene on the supply side, they indirectly address market failures such as disincentives for coordination and information asymmetries because they not only produce detailed information on gaps in the supply of health and education services but also often create effective political pressure given

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1 Maloney (2001) estimates the poor’s discount rate of investment components to be as high as 30%, which implies high utility costs for the poor if program resources are spent on investment in human or physical capital rather than in immediate consumption.
that their program impacts depend heavily on complementary supply-side reforms.\footnote{The discussion so far ignores the question of whether and which supply- or demand-side barriers are more important determinants of the observed inequities in health and education (sections 2.3 and 3.5), and which policy options are more cost-effective at reducing the barriers. For now, it is assumed that both demand- and supply-side barriers are important and that CCT programs mostly intervene in the former while potentially having some indirect effects on the latter.}

Figure 1 exemplifies how the potential effect of CCT programs can be conceptualized in the context of assumed market failures on the demand and supply side.

**Figure 1. Potential Effects of CCT Programs on Assumed Market Failures in Demand and Supply**

- Inequities in health and education
- Potential market failures on demand side
- Constraints in access to credit, insurance and productive assets
- High discount rates of investment in future human capital
- Positive externalities of human capital accumulation for society

- Potential market failures on supply side
- Principal-agent problems between line ministries and within the supply chain
- Political pressure and information on supply gaps
- Incomplete and asymmetric information on coverage and quality gaps in supply

CCT = conditional cash transfer.


**Chronic poverty reduction can only be an indirect and long-term goal of CCT programs.** Human capital accumulation is thought to contribute to interrupting the intergenerational transmission of chronic poverty because, as a consequence of program participation, beneficiary children are expected to be healthier and better educated than without the program. As a result, this future generation is intended to be better prepared to access the labor market at higher productivity rates and raise healthier and better educated children themselves. Based on this rationale, CCT programs cannot be expected to reduce chronic poverty immediately. Their direct task can only be to prepare the ground for this development and their
ultimate impact strongly depends on how consequentially and precisely the program design, identification of the beneficiary population, and alignment with necessary complementary policies respond to these overall objectives in a given country context.

2.2. TARGET POPULATION

Consistent with their objective of strengthening human capital, CCT programs target specific subgroups within populations in structural poverty. Following the conceptual rationale just laid out, CCT programs are key instruments for alleviating extreme and chronic, not transitory poverty. They hold promise for addressing the intergenerational transmission of chronic poverty by explicitly targeting certain population groups. Consequently, in most countries in the region, CCT programs target households in extreme poverty. However, within this target population, project design has led to a subset of extremely poor households eligible for the program based on their demographic profile. For example, the CCT programs in Colombia, El Salvador, and Peru select beneficiaries only among households with children below a certain age limit. For other (usually the older) programs, all households are eligible for the benefit.

Another factor that has limited the outreach of programs to the poorest households is that implementation has been limited to the poorest municipalities within a country based on poverty mapping. For this reason, some programs (especially the most recent, as in El Salvador and Paraguay) have excluded households through geographical targeting that may be in extreme poverty but not in the preselected areas.

2.3. RELEVANCE AND IMPACTS IN LATIN AMERICAN AND THE CARIBBEAN

The potential program impact on proximate outcomes depends on the relevance in terms of coverage among the poor and relative magnitude and structure of the transfer in each country, among other factors including program design and supply-side conditions. Table 1 reports coverage figures for some of the region’s programs.

Clearly, programs that cover only a small fraction of a country’s poor population (such as most programs in Central America, see Figure 2) can only have a limited impact versus programs that cover the entire extremely poor population, as in Brazil and Mexico.

Following the dual policy strategy of an immediate consumption and an investment effect, the actual relevance of the transfer relative to household expenditure or consumption levels varies. Comparisons across countries and years show an immediate consumption effect of the monetary transfer between approximately

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3 Complete coverage of the extremely poor is understood as a theoretically perfect outreach ignoring inevitable targeting errors.
Evaluation results show that CCTs can be effective tools for reducing poverty through demand-side incentives for an increasing accumulation of human capital. CCT programs are among the most evaluated social programs in the world. Impact evaluations have demonstrated CCTs’ results in improved child nutrition and household food spending; greater use of (preventive and general) healthcare; reduced child labor; and increased school attendance and enrollment, especially in rural areas (Appendix 2 of this paper).

However, demand-side versus supply-side effects in the context of CCT implementations are not sufficiently analyzed. Given the limited analytical evidence on the actual causes of inequities in health and education as well as the endogenous relationship between income poverty and health or education outcomes (influencing each other in both directions), there are actually...

Table 1. Coverage and Poverty Outreach of Some CCT Programs in Latin America

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Beneficiaries (households)</th>
<th>Beneficiaries (individuals)</th>
<th>Poverty (%)</th>
<th>Beneficiaries /Poor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comunidades Solidarias</td>
<td>80,000</td>
<td>380,800</td>
<td>47.5</td>
<td>12</td>
</tr>
<tr>
<td>Plan Familias</td>
<td>454,000</td>
<td>2,161,040</td>
<td>21.0</td>
<td>27</td>
</tr>
<tr>
<td>Superemonos</td>
<td>58,000</td>
<td>276,080</td>
<td>19.0</td>
<td>34</td>
</tr>
<tr>
<td>Chile Solidario</td>
<td>221,000</td>
<td>1,051,960</td>
<td>13.7</td>
<td>47</td>
</tr>
<tr>
<td>Juntos</td>
<td>420,000</td>
<td>1,999,200</td>
<td>44.5</td>
<td>17</td>
</tr>
<tr>
<td>Tekopora</td>
<td>100,000</td>
<td>476,000</td>
<td>60.5</td>
<td>13</td>
</tr>
<tr>
<td>Red de Oportunidades Social</td>
<td>55,000</td>
<td>261,800</td>
<td>30.8</td>
<td>27</td>
</tr>
<tr>
<td>Red de Protección Social</td>
<td>170,000</td>
<td>809,200</td>
<td>71.5</td>
<td>17</td>
</tr>
<tr>
<td>Familias en Acción</td>
<td>1,700,000</td>
<td>8,092,000</td>
<td>46.6</td>
<td>39</td>
</tr>
<tr>
<td>Familias con Oportunidades</td>
<td>400,000</td>
<td>1,904,000</td>
<td>44.5</td>
<td>46</td>
</tr>
<tr>
<td>Oportunidades</td>
<td>5,000,000</td>
<td>23,800,000</td>
<td>31.7</td>
<td>72</td>
</tr>
<tr>
<td>Bolsa Familia</td>
<td>11,000,000</td>
<td>52,360,000</td>
<td>33.3</td>
<td>84</td>
</tr>
<tr>
<td>Bono de Desarrollo Humano</td>
<td>1,200,000</td>
<td>5,712,000</td>
<td>43.0</td>
<td>101</td>
</tr>
</tbody>
</table>

Notes: Among the programs not included in the table are Guatemala’s Mi Familia Progresa and Jamaica’s PATH. Beneficiary numbers only indicate estimations as of the end of 2008 (for Paraguay, they refer to the projected target population in 2009); the calculation of individual beneficiary numbers is based on an average household size of 4.76.

For comparison, poverty figures refer to poverty rates from ECLAC (2008) and do not necessarily correspond with the country’s own poverty rates nor the programs’ defined target populations.

Source: Authors’ elaboration based on program documents and poverty rates from ECLAC (2008).
Figure 2. Estimated CCT Coverage and Poverty Rates in Central America and Jamaica, about 2008

Note: Poverty levels do not reflect the actual poverty definition the programs used to identify their potential target population but are meant to reflect the relative size of programs according to a comparable poverty measure.

Source: Authors’ elaboration based on program documentation and ECLAC (2008).

Table 2. Ratio of Transferred Amount to Household Expenditure of Some CCT Programs in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Ratio of Transfer to Household Expenditures</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Bolsa Familia</td>
<td>8%</td>
<td>b</td>
</tr>
<tr>
<td>Colombia</td>
<td>Familas en Acción</td>
<td>30%</td>
<td>a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17% (2002)</td>
<td>b</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13% (2006)</td>
<td>b</td>
</tr>
<tr>
<td>Honduras</td>
<td>Programa de Asignación Familia (PRAF)</td>
<td>10%</td>
<td>a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11% (2002)</td>
<td>b</td>
</tr>
<tr>
<td>Jamaica</td>
<td>Programme for Advancement through Health and Education (PATH)</td>
<td>20%</td>
<td>a</td>
</tr>
<tr>
<td>Mexico</td>
<td>Oportunidades</td>
<td>25%</td>
<td>a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% (1999)</td>
<td>b</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Red de Protección Social</td>
<td>30% (2002)</td>
<td>b</td>
</tr>
</tbody>
</table>

Sources: a = Handa and Davis (2006), b = Fiszbein et al. (2009).
doubts that demand-side barriers are the only or even the most important cause for the observed low rates of social services use by the poor (Handa and Davis 2006). Only a tiny minority of the rich evidence of impact evaluations rigorously distinguishes between demand-side effects through the conditioned transfer payment and the potential effect of complementary supply-side reforms in terms of extended coverage and/or quality that CCT programs indirectly seek to foster and that ideally are implemented in parallel with or prior to the demand-side incentives (section 2.1).

In cases where supply-side interventions (including those that are usually independent of any CCT program, such as health insurance schemes) took place in the investigated program regions, a “contamination” of demand-side evaluation results is probable. While a wide range of supply-side interventions have proven to be successful in reducing inequities in health and education outcomes on their own, so have the demand-side incentives of CCT programs. One example of impact evaluations that aim at separating the potential transfer impacts from those of complementary supply-side reforms (by strictly separated treatment groups for supply, demand, and a combination of both) is the attempt of the intermediate evaluation of the Honduran Programa de Asignación Familia (PRAF) (IFPRI 2003). Given the nearly nonexistent implementation of the health supply incentives (and only partial implementation in education), however, the evaluation was only able to demonstrate the isolated impacts of the demand-side transfers.

Based on the foregoing considerations, it can be concluded that both demand- and supply side-barriers are important causes of the inequities observed in health and education, and that CCT programs have proven to successfully intervene on the former while potentially having some indirect effects on stimulating complementary interventions on the supply side (section 2.1). However, it is worrying to observe the lack of careful ex ante diagnostics to identify the actual importance and nature of the demand-versus supply-side barriers to human capital in a specific country context prior to the design of concrete policy interventions, including CCT programs.

Careful and comparative cost-effectiveness studies of CCT programs are lacking. One relevant criterion for the just-mentioned ex ante analysis of barriers to human capital and adequate policy responses refers to the cost-effectiveness of

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4 Including interventions such as the scale-up of health technologies, strengthening of health systems, and use of health education and policy change that have been shown to achieve impressive reductions in disease and disability, even in the poorest countries (Levine 2007).

6 Demand-side transfers refer to the utilization of health services, in general, as well as of preventive care (such as growth controls and vaccinations), in addition to education impacts in terms of school inscription, attendance, and reduction in drop outs (IFPRI 2003).
interventions. There is, however, only limited evidence on the comparison of the actual cost-effectiveness and cost-benefit ratios of the intended outcome between different types of demand- and supply-side interventions as well as within the CCT family across programs. This fact further limits the possibilities of taking evidence-based decisions between policy alternatives for human capital accumulation in health and education.

2.4. **Positive Externalities of CCT Programs in Public Policy Administration**

CCT programs play an important role in applying new social policy theories and program administration practices. In practice, many processes and instruments associated with CCT programs (including impact evaluations, targeting by proxy means test, and poverty maps) are, in fact, not intrinsic parts of or initially motivated by these programs. However, the widespread use of these tools and the development of the associated technical capacity was in many cases a consequence of the implementation of a CCT program. CCT programs have the advantage that they represent large-scale and highly visible interventions. In many countries, the CCT is the flagship program of the administration in the social area (Brazil, El Salvador, Guatemala, and Mexico). In addition, by providing benefits in cash to poor families—a sometimes controversial change from social programs that are predominantly based on in-kind delivery—the emphasis on the need for evaluation and accountability is increased. High visibility of a program creates a demand for transparency in the processes which, in turn, generates the need for objective instruments to improve the effectiveness of the programs.

CCT programs can have positive externalities in terms of administrative reforms within and across sectors. CCT programs often act as the main channel through which strategic reforms as well as transparency and accountability standards are stimulated (Levy 2006). CCT programs require strong leadership and political commitment in order to manage the complex alignment of executors across levels of public administration and civil society and the necessary coordination with the principal line ministries responsible for supplying complementary social services. Apart from technical and operational factors, important political aspects determine the long-term success or failure of CCT programs and any other complex antipoverty intervention (Figure 3).

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6 One relatively well-studied aspect of cost-effectiveness refers to the share of operating costs spent on program administration. Administrative costs of Latin American CCT programs amount to 8.2% on average, ranging from 4.1% in Ecuador in 2005 to 13% in Jamaica in 2004/05 (Grosh et al. 2008). As a rule of thumb, well-executed CCT programs show administrative costs of 8%–15% (ibid), indicating neither an underdeveloped administration nor inefficient cost inflation due to leakages, losses, or design failures. However, the year a particular program started must be considered, as the share spent on setting up targeting, registration, payment processes, and monitoring systems might vary considerably across time within a program, with higher investment and processing costs during the first 3 years (Adato and Hoddinott 2007).
The political success factors experienced by CCT programs in Latin America include credibility, financial transparency, a close relationship with congress, and their not being used for election purposes and campaigns. If the government or certain interest groups (such as service deliverers, intermediaries, or local distributors) use a program for political or economic purposes (e.g., as occurred in the school feeding program Vaso de Leche in Peru) the intended poverty reduction impact, the financial efficiency, and the necessary political sustainability of the program over time are likely to erode. Although much can still be improved in this regard, CCT programs represent the best practice among a large variety of development and social programs, and led to stimulus effects for administrative reforms in many countries.

CCT programs catalyze impact evaluations in social policy. While the practice of impact evaluation is not new to the social sectors and examples can be found as far back as the 1970s, the impact evaluation of Oportunidades in Mexico (called Progresa at the time) can be considered the principal detonator of an expanded use of impact evaluations in Latin America. Figure 4 shows a timeline of impact evaluations by the publication date of the evaluation document.

The figure shows at least a clear relationship (if not causality) between the appearance of the Oportunidades evaluation and the growing number of impact evaluations implemented in social programs in the region. This process has been accompanied by many countries’ generation of local capacity for impact evaluation, as well as the practice of evaluating social programs outside the CCT realm. In many countries (including Colombia, Ecuador, and Mexico), the groups that were involved in the initial evaluations continue to be involved in the evaluation of social policy in general.

CCT programs have been key catalysts for the use of targeting instruments in social policy. In terms of targeting, CCTs have been instrumental in creating
targeting tools that have been used by other programs. While in some countries, including Chile and Colombia, institutionalized targeting systems existed prior to the appearance of a CCT program, in many countries (Ecuador, El Salvador, and Paraguay, for example), the targeting mechanism created mainly for the CCT program is now being used by other programs, as shown in Table 3. In other countries, (such as the Dominican Republic, Jamaica, and Mexico), the CCT or another social program (such as Peru’s health program for the poor, Seguro Integral de Salud [SIS]) were the first in the sector to introduce objective targeting techniques such as proxy means testing to select individual households as beneficiaries, although the targeting instrument has not yet been widely adopted by other programs. Table 3 summarizes some of the described cases about other social programs’ use of CCT targeting mechanisms.

CCT programs have helped rationalize fragmented social policy. This has been another way in which CCT programs have provided positive externalities and increased efficiency in Latin America and the Caribbean. CCT programs in many cases were created with the explicit purpose of merging existing programs—generally duplicative in-kind programs of verified low effectiveness—and reducing the operational complications involved. This was the case in Brazil, Ecuador (Bono Solidario), Jamaica, Mexico (the tortilla subsidy), and others.7

7 In Brazil, the current program Bolsa Família was created to replace former CCT programs that tackled specific problems such as child employment (the Programme for the Eradication of Child Labour—PETI), food insecurity (Bolsa Alimentação), and low school attendance (Bolsa Escola).
3. Persisting Challenges

3.1. CCT Programs in Urban Areas

Demand for social protection and CCT programs in urban areas is growing. Latin America is experiencing an increasing urbanization of poverty—shares of the total poor living in urban areas have increased from 50% in 1961 to 78% in 2007 (World Bank 2009). This implies that, although poverty rates in rural areas tend to be higher in relative terms, absolute numbers of the urban population living in poverty are high and growing. The increasing effort in Latin America to expand CCT programs to urban areas is further motivated by the specific vulnerability of the urban poor to the recent economic shocks (section 3.2). Most programs in Latin America still mainly operate in rural areas (except for Argentina’s Plan Familias). Only Colombia and Mexico have expanded their originally rural CCT programs into cities.

Urban CCT programs require a different design. The summary of impact evaluations of CCT programs in Appendix 2 of this paper includes the urban areas of Colombia and Mexico. The achievements in nearly all of the desired sector outcomes are considerably lower in the programs that have been expanded to urban areas based on the same operational design as the rural program. Given this experience, countries that are currently considering implementing CCT programs or program components in urban areas (Honduras, El Salvador, and Colombia’s and Mexico’s next phase) aim at developing a specifically urban program design. The required design adjustments include targeting tools and mechanisms, the amount of the transfers, and the type of conditionalities and logistical arrangements (such as opening hours of service providers) that help families fulfill their co-responsibility. Table 4 summarizes the urban expansion plans and limited related experience made by CCT programs in the region.
## Table 4. Urban Expansion of CCT Programs in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of Urban Expansion</th>
<th>Type of Design Adaptation</th>
<th>Lessons Learned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>2007</td>
<td>Adapted urban design from the beginning based on pilot experiences, including (1) modified amounts and differentiated structure of payments (increasing scholarships for secondary education) varying by city to take into account higher opportunity costs in urban areas; (2) payment via banks and debit cards instead of cash (including financial literacy activities); and (3) use of adjusted geographic targeting to identify poorest neighborhoods, including geographic aggregations by household targeting tool and additional adaptation of rankings by local authorities.</td>
<td>Lower program impacts in previously covered small urban areas (municipal capitals) led to designing pilot tests and evaluations accompanying the expansion to large cities.</td>
</tr>
<tr>
<td>El Salvador</td>
<td>planned</td>
<td>2004–2009: same (rural) design</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>planned</td>
<td>2009: pilot test of urban innovations including (1) modified structure of scholarships to take into account higher opportunity costs in urban areas; (2) modified nutrition strategy to take into account presence of both micronutrient deficiencies and obesity; (3) modified health package and attention strategy taking into account higher opportunity costs of seeking care and differing epidemiological profile in urban areas;</td>
<td>Experimental evaluations launched for education and health innovations implemented since 2009.</td>
</tr>
<tr>
<td>Mexico</td>
<td>2004</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Specific targeting instruments and procedures are needed for urban areas.
Evidence from Mexico indicates a need for specific instruments and procedures, including purely urban household targeting tools. Urban income poverty is very dynamic. Results from a panel study in urban areas of Mexico indicate that only 7% of people defined as extremely poor in 2002 were still extremely poor in 2007, and that there is a great deal of movement into and out of extreme poverty (Rascon and Rubalcava 2008). This dynamism has implications for the use of a monetary proxy means test to measure structural or chronic poverty at the household level in urban areas.

If geographic targeting is to be used, a much more complicated exercise should be expected compared to what is needed in rural areas. As urban poverty may be scattered in small concentrations around cities and may even be right next to high-income neighborhoods, urban poverty maps require much more geographic disaggregation to identify small areas of concentrated poverty. In addition, the identified “poverty pockets” do not usually correspond to an administrative division of geographic units in cities, which may require a redefinition of geographic urban areas to achieve an effective and operationally feasible targeting result. The case of Mexico further shows that the definition of urban clusters, in which beneficiaries are enrolled at registration booths based on demand in order to avoid a census-type beneficiary identification, may not have the expected effect. Close to half of the potential beneficiaries did not know about the program and/or did not approach the registration point to apply.

The structure and amount of the transfers provided by an urban program need to be adjusted. In urban areas, the opportunity cost in terms of labor market income and direct costs of schooling are likely to be high (compared with rural areas). To effectively function as compensation for school attendance, the amount
and structure over time of a transfer designed to act as an incentive to stay in school and avoid early labor market participation should correspond to the age-related opportunity costs of urban school children. Recent simulations show that the amount needed to fully compensate for the labor market income of 16-year-olds would mean quadrupling the amounts currently paid at this age in Mexico, for example (Azevedo, Bouillon, and Yáñez-Pagans 2009). While providing valuable input for theoretic program design, simulation exercises do not tell the whole story as observed in practice.

Specific social dynamics in poor urban neighborhoods require additional attention, particularly to youth at risk. An important percentage of school-age children and adolescents do not attend school or work. Their drop-out from school thus cannot be explained by the need to enter the labor market to complement household income. In Mexico, as many as 51% of the total urban 12–18 year-olds (poor and non-poor) do not attend school or work. Among the poor, school attendance is about 7 percentage points higher for Oportunidades beneficiaries than for nonbeneficiaries, suggesting a positive program impact on school enrollment (Azevedo, Bouillon, and Yáñez-Pagans 2009). In El Salvador, as many as 13.6% of adolescents 11–17 years old in poor families comprise a similar nonworking, nonstudying urban youth population (Tejerina and Johannsen 2009). Reasons for not attending school include that the child does not like school, does not learn, or that school is too far away (de Janvry and Sadoulet 2006). In urban areas, however, the phenomenon is most likely also related to situations where children are prone to crime, neglect, or other risky behaviors (including drug addiction). The figures suggest that neither the school system nor the labor market is able to accommodate these children.

Under these conditions, while urban program design should consider a higher and age-differentiated transfer amount in favor of secondary education when compared to rural areas, the limited experience of urban CCT programs also indicates that an urban intervention should be integrated and combined with supply-side reforms to enhance service quality, as well as complementary social interventions and subsequent labor market policies for the urban youth.

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8 The results of simulating changes to Mexico’s Oportunidades in urban areas indicate that eliminating or reducing school subsidies for primary education and increasing the transfer for older students is a cost-effective way to raise overall school enrollment in urban areas. Increasing school attendance of 16-year-olds to 80% or more, however, would indeed require quadrupling scholarships.

9 Based on the National Household Income and Expenditure Survey (Encuesta Nacional de Ingresos y Gastos de los Hogares) data from 2006.

10 Anecdotal evidence from El Salvador and Mexico relates the phenomenon of neglect to high emigration rates and the social consequences of children left behind by their emigrating parents and raised by other family members.
3.2. CCT Programs’ Capacity to Respond in Crisis Situations

Since 2008, Latin America’s CCT programs have faced repeated and severe crisis challenges. Challenges have included the food price increase in early 2008 and the regionwide economic and social consequences of the global financial crisis since late 2008. Inter-American Development Bank simulations for the Andean region (Bolivia, Colombia, Ecuador, and Peru) during the 2008 food price increase concluded that the increase in extreme poverty in the four countries was higher than the estimated increase in terms of total poverty. In other words, a considerable proportion of households that were already poor prior to the food price increase probably entered the ranks of the extremely poor. These households outnumber the initially non-poor households that became (transitorily) poor after the food price increase (Cuesta and Jaramillo 2009). The simulations indicate that Bolivia has been particularly affected; it does not have a CCT program targeted to the extremely poor.11

CCT programs are principally considered to be able to mitigate the impact of aggregate shocks on the structurally poor. In Mexico, for example, the Oportunidades program protected poor rural families from further impoverishment in the aftermath of the Tequila crisis 1994/95 (Tejerina 2009). Conceptually, via the compensatory support to household incomes, the government “purchases” the complementary effort of the households that is needed for an effective investment in human capital and other productive assets.

In response to crisis, CCT programs are able to use their program instruments to protect the poor. Table 5 summarizes the main instruments available to CCT programs that might be modified in the face of a sustained economic crisis.

The instrument to be adjusted and the scope of its adjustment depend on the specific country context. The context will include existing antipoverty programs, status of an existing CCT program, and microeconomic effects of crisis. A first priority could be to extend programs to the precrisis structural poor, which would be desirable independent of the nature and scope of the economic downturn. A second priority might be to increase the amount paid (and payment frequency, if not already twice monthly). Programs with lower basic benefits have larger scope for increasing transfers, while in other settings, scaling up benefits might have undesirable effects on other policy objectives such as the number of beneficiary households entering the labor market.12 No matter which program instrument is used, it is critical to consider costs, timing, and reversibility of actions taken, as CCT programs are increasingly treated as entitlements. In addition, the weighting of these considerations may vary considerably according to the duration

11 The government of Bolivia is designing and preparing the CCT program Bono Juana Azurduy, to be implemented during 2009.

12 For a further discussion of specific adjustments in different contexts of crisis duration and CCT status, see Johannsen, Glassman, and Tejerina (2009).
Table 5. CCT Instruments to Protect the Poor During Economic Downturns

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Options</th>
<th>Issues to Consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coverage</td>
<td>• Expand coverage of already eligible and identified households (compare poverty and coverage figures in Table 1)</td>
<td>• Where undercoverage exists and eligible beneficiaries are already identified, resources can be reallocated from other uses to expand coverage • Undercoverage is generated by factors beyond budget limitations, including absence of banking facilities, suitable supply conditions, etc.</td>
</tr>
<tr>
<td>2. Amount of cash transfer</td>
<td>• Maintain transfer amount in real terms to prevent inflation-related erosion in purchasing power • Increase or decrease (temporarily) to compensate for estimated reductions in other sources of household income or to respond to severe budget constraints in a persisting crisis</td>
<td>• Difficult to revise transfer amounts downward (good communication strategy needed)</td>
</tr>
<tr>
<td>3. Frequency of transfers</td>
<td>• Increase the frequency of payments (if not already at least twice monthly)</td>
<td>• Implies more frequent verification of compliance with conditions and a greater number of transactions, resulting in higher administrative costs • Cost-effectiveness of such a modification should be estimated ex ante and monitored</td>
</tr>
<tr>
<td>4. Definition of eligible beneficiary population</td>
<td>• Consider the expansion of the eligibility criteria for beneficiaries, resulting in new beneficiary populations either due to wider eligibility criteria in terms of household characteristics or because of a recertification in already covered regions (including those identified as extreme poor prior to the crisis)</td>
<td>• Eligibility for a new, temporary subsidy may include families without children • In practice, it is difficult to distinguish between a “new” and “old” extreme poor household when using proxy means tests to select beneficiaries • Consider (multidimensional) targeting strategies based on program objectives rather than income proxy means tests</td>
</tr>
</tbody>
</table>

continued on next page
of a crisis. The only countries that have adjusted their CCT program in response to an economic crisis are Jamaica and Mexico. Mexico’s Oportunidades increased its transfer amount by M$120 (about $10) per household in 2008 to compensate its beneficiaries for losses in purchasing power during the economic downturn due to the global financial crisis since 2008. In response to the food price inflation in 2008, Jamaica approved an increase in the individual cash subsidies from J$530 to J$650\(^{13}\) and an expansion of the total number of Program for Advancement through Health and Education (PATH) beneficiaries from 245,000 to 360,000 beginning in June 2008.

If earlier recessions indicate the future impact of the current downturn in Latin America, urban populations will be more affected than rural populations.\(^{14}\) CCT programs are more likely to be in place in rural areas, which would generally call for an expansion of these programs to the previously uncovered, extremely poor in urban areas. Where the implementation of a new urban CCT program might be recommendable and feasible under an ongoing crisis context, the program would have to be adapted to the very different barriers to human capital accumulation in urban settings, as described in section 3.1, and additional complementary policy options for the recently affected “new” poor might have to be considered.

The specific targeting strategies and instruments have implications for the ability of a CCT program to mitigate the effects of crisis on certain groups of poor people. Most programs target a subset of extreme poor households that are defined as eligible for the program based on their demographic profile. In general,

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\(^{13}\) Even at its increased value, the subsidy is still modest compared with other CCT programs, at about $9 per month for each beneficiary (representing about 10% of the per capita expenditures in poor beneficiary households) and an average monthly household grant of $27.

\(^{14}\) Poverty simulations for the Andean region during the 2008 food price increase concluded that impacts were considerably higher on urban than on rural poverty in some but not all cases, particularly Bolivia (Cuesta and Jaramillo 2009).
a program with more restricted eligibility criteria may not reach households most affected by a recession but will in any case protect the highly vulnerable. In addition, CCT programs face specific targeting challenges to identify the “new” or transitorily poor under crisis situations. Even regularly updated proxy means tests (PMTs) will have difficulties identifying nonchronic, transitorily poor who have recently fallen below the poverty threshold. This is because PMTs rely on nonmonetary indicators to predict expenditures. The best predictor variables often include indicator categories such as education and, especially, housing characteristics or selected household assets, which imply certain minimum time lags until changes in a household’s endowment become measurable. Regularly updated PMTs are, therefore, considered to be good targeting tools for extreme, chronic monetary poverty (section 3.3), but not for identifying quickly changing, less severe poverty levels around the poverty line. PMTs will, therefore, not usually identify the “new” poor, who may still live in a decent house but now lack monetary income to put food on the table, buy medicine, or pay school fees. This limitation is particularly relevant for policy responses to crisis. Therefore, under a relatively short-term scenario of response to economic downturns, other policy and targeting instruments, such as (mostly urban) temporary on-the-job training, might be better solutions and necessary alternatives to effectively reach out to people who have recently and probably transitorily become poor.

3.3. Design of Targeting Instruments

Household targeting instruments used in CCT programs are most importantly distinguished by their conceptual and methodological differences. These lead to a distinction between monetary PMT, on the one hand, and composite indexes for alternative, relative poverty concepts and multidimensional deprivation, on the other hand.

- **Proxy means tests.** PMTs provide an operationally feasible alternative to the exact measurement of household income or expenditures by long questionnaires based on the expenditure modules of national household surveys. PMTs either estimate household expenditures or the probability of being poor according to expenditure (or income) criteria by a limited number of proxy indicators, each with its weight, which are ideally selected so they are easy to ask, respond to, and verify. PMTs require simple and significantly shorter questionnaires while still achieving acceptable levels of accuracy, provided they are well designed and periodically updated. They are a common targeting tool implemented by CCT programs in Latin America (e.g., Argentina, Chile, and El Salvador 15), and at different levels of technical design and using different estimation and classification techniques.

- **Asset and wealth indexes.** These are an alternative to PMT monetary prediction tools. Most CCT programs use composite asset and wealth indexes based on relative poverty concepts. Examples can be found in most CCT programs as well as other development policies (such as microfinance

15 Chile’s social protection index, existing since 2007, includes a PMT within its index of vulnerability to monetary poverty.
initiatives), including the current household targeting system (Sistema de Focalización de Hogares—SISFOH) in Peru, the beneficiary identification system (Sistema de Identificación de Potenciales Beneficiarios—SISBEN) in Colombia, and the beneficiary identification and selection system (Sistema de Identificación y Selección de Beneficiarios—SELBEN) in Ecuador.\textsuperscript{16} Most of them are based on either principal component or factor analysis.

- **Multidimensional indexes.** A further step away from monetary poverty and toward integral deprivation concepts is made by the recent advances in the development of truly multidimensional indexes that attempt to measure and predict poverty from a development concept that considers the monetary income dimension only as means to another, higher end and as part of a multidimensional holistic framework, such as the capability approach first presented by Amartya Sen. Partly because of the difficulties identifying country-specific and agreed criteria for the definitions of multidimensional poverty (and related reference criteria for the evaluation of targeting performance), multidimensional indexes are not yet being implemented by CCT programs. An exception is Mexico, where the National Council for Evaluation of Social Development Policy (CONEVAL) defined a first multidimensional poverty model and is currently pilot testing a related targeting instrument.

**Conceptual and methodological inconsistencies persist in many targeting instruments.** Appendix 3 of this paper provides an overview of targeting methodologies at the household level used in selected CCT programs in Latin America. It shows not only the diversity of underlying concepts and approaches across countries and programs but also the methodological inconsistency within specific instruments in some cases. These inconsistencies occur because intended multidimensional poverty concepts lead to the choice of relative poverty indexes based on methods such as the principal component analysis, but are evaluated against monetary reference criteria and accuracy measures, such as inclusion and exclusion errors, with respect to the national (monetary) poverty line. Examples include Colombia, Ecuador, Mexico, Paraguay, and Peru. A more consistent and transparent way of targeting and evaluating a CCT’s success would be to

- directly predict expenditure poverty by regression techniques on the basis of true PMTs and compare the resulting poverty classification of households against the poverty line (for a detailed methodological pathway, see Johannsen [2009]); or
- apply alternative, integrated concepts of well-being and vulnerability based on conceptual consensus criteria for multidimensional indexes, and refrain from using the monetary poverty line for evaluating the tools’ targeting performance.

\textsuperscript{16} Examples in the literature include the asset index by Filmer and Prichett (1999 and 2001); the multidimensional Consultative Group to Assist the Poor (CGAP) poverty index by Zeller et al. (2006); and the wealth indexes by Montgomery et al. (2000), Sahn and Stifel (2000), and Hewett and Montgomery (2001).
Most CCT targeting instruments lack appropriate tool updates. Even countries with well-developed survey capacity and information systems will find that their data become out of date and of limited use after a few years and even much earlier in times of crisis and/or rapid economic change. Ideally, the algorithms (including variable composition and weights) and the questionnaires of household targeting tools will be re-administered every few months or every year to keep pace with changing household circumstances, a feat that few countries can manage. The regular update of PMTs, which attempt to predict monetary household expenditures, is particularly recommendable because the level of household consumption is expected to change more quickly across time than long-term wealth or multidimensional poverty indicators, and the best-suited indicator set to predict changing consumption levels might have to be redefined or adjusted.17

3.4. The Missing and Mistaken Exit Strategy

Current CCT programs in Latin America are not well prepared to release their beneficiaries. Experience with truly results-oriented exit strategies is scarce. Chile Solidario might classify as an example, although it also involves a fixed duration. The program releases its beneficiary households based on an explicitly phased program design consisting of a 2-year intervention and a subsequent 3-year exit phase with frozen payment amounts designed to encourage the graduation to other programs. Chile Solidario, however, was explicitly designed as a bridge program intended to connect families to a variety of social programs and services, rather than being a classical CCT program that seeks to build human capital among the youngest household members.18 The objectives and any related results-based exit strategy are, therefore, not strictly comparable to other CCT programs.

In most other cases, budgetary limits and government cycles simply lead to exit rules related to a certain maximum time period to be spent in the program or to natural age-related graduation when the maximum age limit for program eligibility is reached (as in Colombia, for example). Table 6 summarizes some of the exit rules or practices.

By the time the first beneficiary generation is released, programs experience political and academic pressure to reconsider exit rules. Particularly programs that operate with fixed participation periods may be expected to recertify participating beneficiary households to confirm continuing eligibility based on their poverty status, and to revise the rules for graduation (as is currently the case in Peru and may soon happen in El Salvador).

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17 This caveat applies in the context that PMTs (and, even more so, the other targeting tools described) have been introduced as instruments that are particularly well suited to identify the chronically poor, given that even regularly updated PMTs will have difficulties in identifying the nonchronic, transitory poor who have recently fallen below the poverty threshold.

18 For more information on Chile Solidario, refer to MIDEPLAN (2004).
### Table 6. Exit Rules of Selected CCT Programs

<table>
<thead>
<tr>
<th>Country</th>
<th>CCT Program</th>
<th>Type of Exit Rules</th>
<th>Sequenced Exit</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Bolsa Familia</td>
<td>c=Households recertified (poverty status) every 2 years until age maximum for program participation of 17 years is reached (and depending on school attendance)</td>
<td>a</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Chile Solidario</td>
<td>b+d—The intensive phase of psychosocial intervention and conditionalities lasts 24 months; the exit phase, another 3 years</td>
<td>b—After the principal participation phase of 2 years, the “exit payment” is fixed at the last level received before entering the exit phase</td>
<td>The program is explicitly designed as a bridge to facilitate the access to other social programs</td>
</tr>
<tr>
<td>Colombia</td>
<td>Familias en Acción</td>
<td>c—Initial contract for 4 years, prolongation (without recertification) until age maximum for program participation is reached</td>
<td>a</td>
<td></td>
</tr>
<tr>
<td>El Salvador</td>
<td>Red Solidaria</td>
<td>b—Formally after 3 years (but without recertification or actual releases)</td>
<td>a</td>
<td>Program started without predefined exit strategy and has not reached the point of dealing with program exits</td>
</tr>
</tbody>
</table>
### Table 6. Continuation

<table>
<thead>
<tr>
<th>Country</th>
<th>CCT Program</th>
<th>Type of Exit Rules</th>
<th>Sequenced Exit</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>Oportunidades</td>
<td>c—Recertification of poverty every 3 years in urban areas and every 6 years in rural areas</td>
<td>b—Decreasing amounts over time</td>
<td>b—Differentiated exit schemes: households no longer certified as poor but still having children in eligible age groups receive only nutrition transfer for a period</td>
</tr>
<tr>
<td>Peru</td>
<td>Juntos</td>
<td>b—After 4 years (without recertification)</td>
<td>a</td>
<td>Program currently plans to design an exit strategy</td>
</tr>
</tbody>
</table>

CCT = conditional cash transfer.

Source: Authors.
Consider a beneficiary family with an infant and a primary school child. If the family is released from the program after only 4 years, the infant may not have entered primary education and the older sibling would have just reached the age where the risks of parallel child labor or dropping out of school increase due to the increased opportunity costs of studying. In this situation, the program’s impact might be seriously affected as the family continues to face financial constraints to accessing basic education and healthcare. Thus, fixing the years of participation is the least recommended exit practice for CCT programs.

Most programs lack a results-based exit strategy that does justice to the actual program objectives. Although age-based graduation comes closer to the ideal than a fixed year limit, most programs lack a results-based exit strategy. Colombia provides an example for a de-facto age-related graduation practice. Formally, program participation is limited to a fixed number of years, but participation is automatically prolonged as long as the household’s adolescents are below the maximum age for eligibility, conditional on the ongoing commitment of any new government.

Reference criteria are needed for a results-based exit strategy. The question of what are the reference criteria has led to intense and sensitive discussions in some Latin American programs due to misunderstandings or differing opinions about what the programs should achieve. As discussed in section 2.1, CCT programs cannot be expected to reduce chronic poverty immediately and by themselves. Their direct objective can only be to prepare the ground for this by providing demand-side incentives for school attendance and the use of preventive healthcare and other human-capital-enhancing services and practices for poor children. Increasing income opportunities for the current adult generation requires different policies and programs.

These considerations have consequences for the conceptual design and expectations related to program exit strategies. Properly defined program objectives and corresponding results-based exit strategies might liberate CCT programs from the burden of designing exit strategies from poverty, maybe even for all beneficiary households, or of being implicitly assigned additional objectives that relate to complementary labor market, agricultural, or microenterprise policies and thus confusing exit strategies from CCT programs with entry strategies to the job market. In contrast, results-oriented CCT exit strategies based on the education cycle (e.g., in terms of finishing a certain secondary school grade) would respond to the program objectives for which CCT programs are designed.

Given such exit strategies, and depending on the complementary supply-side reforms needed in the quality of health and education services, a CCT program would have fulfilled its task and released the graduates. They, and the rest of the country’s young generation, could be taken over by different policies. The main obstacle to these exit strategies is the related budget implications, especially in countries with high poverty rates that would require supporting 30% or more of the population for approximately 10 years and across government cycles. Careful
analyses of the relative importance of demand-side versus supply-side barriers to health and education of the poor, as well as of the cost-effectiveness of alternative policy options, are particularly important in such countries.

3.5. **Beyond the First CCT Wave: Developments of the Next CCT Generation?**

The capacity of CCT programs to successfully increase service demand and to stimulate complementary supply-side reforms that enhance the quality of social services to the poor will remain challenging. Irrespective of the relative importance of quality-enhancing supply-side reforms versus monetary demand-side support (section 2.3), there is consensus in the literature that, without these complementary sector policies, CCT programs will not be able to produce measurable impacts in long-term accumulation of human capital that lay the ground for sustainable poverty reduction. In fact, the quality of the supply side has considerable operational and impact implications for outcomes. Recent evidence from Mexico suggests a close link between the quality of education (especially in marginalized areas, indigenous primary schools, and schools that serve several grades in one classroom) and limited education outcomes of CCT beneficiaries (Mancera, Serna, and Priede 2008). The same applies to the health sector—evidence from Mexico and Nicaragua suggests that additional supply-side incentives within the health sector would increase CCT health impacts (Gutierrez et al. 2008).

In the context of service quality, the educational and knowledge efforts undertaken by the CCT programs merit more attention, given their limited effectiveness (i.e., talks by clinic staff on health issues or food preparation, in which they have no special expertise).

**CCT programs are no blueprint or single solution for poverty reduction, nor do they replace an integrated social protection strategy.** Complementary social and economic (growth and labor) policies are required and continue to be a major issue of concern to provide real and sustainable development opportunities for the young living in chronic poverty. Although the provision of such opportunities is not the ultimate task of CCT programs nor should it be, CCT programs will not be able to produce measurable long-term impacts without complementary policies in place that address the need for access to employment and increased labor productivity, a necessary condition for a successful interruption of the intergenerational poverty cycle (Levy 2006, Ibarra 2009). The experience in Mexico shows that, although beneficiary children are more educated and healthier than their parents, particularly after longer periods of participation in the program, the structure and dynamics of the labor market and macroeconomic circumstances dictate the extent of labor market insertion and productivity experienced by recent program graduates (Behrman et al. 2008, Levy 2008, Rodriguez-Oreggia and Freije 2008).

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19 A strategy to increase supply-side coverage and quality could be designed on the basis of performance-based incentives (payment for performance schemes).
CCT programs in many but not all countries are already integrated in or are the cornerstone of a broader social protection network. These networks aim at coordinating sector policies that seek to jointly achieve improvements of the health, nutrition, and education status (and eventually social security) of the extremely poor. Examples include Colombia’s Red Juntos that aims at increasing coverage and impact by coordinating poverty-oriented programs, and Peru’s ongoing effort in the scope of the Crecer strategy. In other cases, a strategic integration with other sector programs and overall structural sector reforms has not yet been initiated. As a result, duplicated and fragmented social programs lead to inefficiencies and foregone development impacts.

Technology changes and related financial inclusion partnerships may be incorporated in future CCT programs. These two potentially related areas have started to challenge classical CCT design. The demand for measures to reduce operational costs and improve monitoring processes is increasing—e.g., the use of information and communication technology to transfer payments and verify co-responsibilities. Examples include the use of debit cards to transfer payments in Colombia’s and Mexico’s urban programs and Brazil’s Bolsa Familia, as well as plans in the Dominican Republic to take advantage of telebanking practices to transfer educational messages (for example, about deadlines for health check-ups related to conditional compliance) and announcements on payments and balances. Also, the effective use of sectoral information systems (on school attendance, for example) in coordination with the verification of co-responsibilities falls under this category.

Once telecommunication and/or bank cards are considered as an alternative to cash payment, CCT programs can serve as vehicles for the complementary promotion of financial inclusion policies such as basic financial literacy interventions and microsavings accounts. Colombia, Mexico, and Peru provide examples of CCT programs that operate their payments through savings accounts. The microfinance community is making considerable progress with analyses and experiments using account-based and other technology-based CCT programs with their large coverage and outreach to the poor as potentially attractive vehicles for the widespread introduction of savings-mobilization schemes linked to bank accounts. Since 2008, the Proyecto Capital, cofinanced by the Ford Foundation, is planning to scale up the first pilot programs. The CCT programs in Argentina, Brazil, Ecuador, Jamaica, Paraguay, and other countries are potential candidates (Zimmermann and Moury 2009).

It is the CCT community’s turn to respond to these fast initiatives and carefully analyze the related benefits and potential challenges from the viewpoint of the CCT-specific program objectives.
4. Conclusions

The more than decade-long experience in Latin America and the Caribbean with CCT programs has led to a wealth of evidence on best practices and potential problems in their design and implementation. The culture of evidence-based policy design and transparency inherent in most CCT programs helped produce this information and the evaluation results.

Given the many scientific publications based on summarizing and discussing the results of formal impact evaluations, the present paper adopts a different approach and focuses on some of the less discussed potentials and persisting challenges in the design and implementation based on the operational experience with many programs in Latin America. The following paragraphs summarize some of the conclusions that can be drawn from the topics covered in the previous sections.

**Different design for different groups.** Experience has shown the importance of adjusting the design of CCT programs to the heterogeneous living conditions of the poor in different regions in a given country. This is particularly the case when designing urban CCT programs. Adjustments need to be made to the targeting mechanisms, amounts and structure of transfers, incentive structure (e.g., regarding secondary versus primary education), as well as design and logistics of conditionalities (e.g., adapting the health control timing), to name just a few.

**Clarity of concepts and constant updates for targeting instruments.** To understand how a program reaches out to its intended beneficiary population, the target population must be clearly defined in terms of poverty concepts and reference criteria for targeting success. This should be a basic characteristic of careful program design and part of the logical framework; it is also indispensable for selecting a targeting instrument. A clearly defined beneficiary population will lead to a clearly defined targeting mechanism, which is in turn an important precondition for evaluating a program’s targeting performance and success in reaching the intended groups. Regular updates of the targeting instruments will ensure the consistency of the tools with the definition of the intended beneficiary population.

**Carefully designed exit strategies consistent with CCT program objectives and directly related to human capital objectives.** The paper highlights a lack of strategic exit rules designed in accordance with CCT programs’ objectives of human capital accumulation. While the overall indirect goals related to sustainable reduction of chronic poverty will only be seen gradually and in the long term, it is important that the program has a clearly defined strategy of how to release beneficiary households based on the direct program objectives. The exit steps should be based on the education cycle rather than on fixed year limits or the demographic development of the household.
CCT programs as catalysts of policy reform within and across sectors. CCT programs can be channels that stimulate strategic social policy reforms (including the rationalization of redundant programs) as well as administrative reforms related to the design and widespread use of targeting tools, and to monitoring and evaluation systems. If designed from an early stage, the installed capacity can be shared by other programs within and across sectors.

A remaining challenge: how to successfully increase service demand and stimulate complementary policies to enhance the quality of social services to the poor. Demand stimulation caused by CCT programs highlights the gaps in the delivery of social services. This has been shown to be an extremely important side effect, as it can trigger sector efforts to improve the coverage and quality of social services in health and education, which could be understood as the government’s co-responsibilities to fulfill.
Appendix 1. CCT Programs in Latin America and the Caribbean and Their First Year of Implementation

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>First Year of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Plan Familias</td>
<td>x</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bolsa Familia</td>
<td>x</td>
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<tr>
<td></td>
<td>Bolsa Alimentação, PETI, Bolsa Escola</td>
<td>x</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Juancito Pinto (Education Transfer)</td>
<td>x</td>
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<tr>
<td></td>
<td>Bono Juana Azurduy (Nutrition CCT, planned)</td>
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<tr>
<td>Chile</td>
<td>Chile Solidario</td>
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<tr>
<td>Colombia</td>
<td>Familias en Acción</td>
<td>x</td>
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<tr>
<td>Costa Rica</td>
<td>Avancemos</td>
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<td>Dominican Republic</td>
<td>Programa Solidaridad</td>
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<td>Ecuador</td>
<td>Bono de Desarrollo Humano</td>
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<td>El Salvador</td>
<td>Programa de Red Solidaria</td>
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<tr>
<td>Guatemala</td>
<td>Mi Familia Progresa</td>
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<td>Honduras</td>
<td>Programa de Asignación Familiar</td>
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<td>Jamaica</td>
<td>Program for Advancement through Health and Education (PATH)</td>
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<tr>
<td>Mexico</td>
<td>Progresa/ Oportunidades</td>
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<tr>
<td>Nicaragua</td>
<td>Red de Protección Social</td>
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### Appendix 1. continuation

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<tr>
<td>Panama</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>Conditional Cash Transfer Program</td>
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<tr>
<td>Uruguay</td>
<td>Plan de Equidad</td>
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</tbody>
</table>

Source: Authors' elaboration.
## Appendix 2. Summary of Impact Evaluations of Some CCT Programs in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>School Attendance</th>
<th>School Enrollment/Achievement</th>
<th>Nutrition</th>
<th>Child Labor</th>
<th>Health Usage/Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>+3%</td>
<td>not measured (n.m.)</td>
<td>(Bolsa Alimentação)</td>
<td>-10% overall child labor</td>
<td>n.m.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+9% food expenditures</td>
<td>-4% point targeted child labor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+9% dietary diversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+6% per capita caloric availability</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>But less weight gain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Positive</td>
<td></td>
<td>n.m.</td>
<td>n.m.</td>
<td>Positive in usage, none in access</td>
</tr>
<tr>
<td>Colombia</td>
<td>+1.9% rural (8 to 11 year olds)</td>
<td>n.m.</td>
<td>-9% rural chronic undernutrition (height for age), no effect for urban areas</td>
<td>-5.5% rural labor force participation (10 to 17 year old boys), no effect in urban areas</td>
<td>No effect on DPT vaccinations</td>
</tr>
<tr>
<td></td>
<td>+5.1% urban (12 to 17 year olds)</td>
<td></td>
<td>-6% rural global undernutrition (weight for age), no effect for urban areas or older children</td>
<td>-3.4% rural labor force participation (10 to 17 year old girls), -2.7% in urban areas</td>
<td>Mixed effect on weight height controls (from -11% to 44%)</td>
</tr>
<tr>
<td></td>
<td>+7.2% rural (12 to 17 year olds)</td>
<td></td>
<td>+2.8 months urban duration of breastfeeding, no effect for rural children</td>
<td></td>
<td>No effect on probability of anemia</td>
</tr>
<tr>
<td>Ecuador</td>
<td>+10% enrollment</td>
<td></td>
<td>n.m.</td>
<td>-17%</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

*continued on next page*
### Education

<table>
<thead>
<tr>
<th>Country</th>
<th>School Attendance</th>
<th>School Enrollment/Achievement</th>
<th>Nutrition</th>
<th>Child Labor</th>
<th>Health Usage/Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td>+4.3 to +4.6% (1 extra day per month).</td>
<td>+17% enrollment (5 to 12 year olds from 2000 to 2001)</td>
<td>None</td>
<td>None</td>
<td>+7% to +10% children receiving DTP vaccinations on time. No effect on diarrhea in children (0 to 3 years) No impact on iron deficiency anemia Increased fertility +17% to +20% weight height control in last 30 days No impact on measles, tetanus immunization in pregnant mothers</td>
</tr>
<tr>
<td>Jamaica</td>
<td>+3.15</td>
<td>No effect in achievement</td>
<td>n.m.</td>
<td>None</td>
<td>+38% preventive visits to healthcare practitioners (0 to 6 year olds). No effect on the elderly</td>
</tr>
</tbody>
</table>

continued on next page
### Education

<table>
<thead>
<tr>
<th>Country</th>
<th>School Attendance</th>
<th>School Enrollment/Achievement</th>
<th>Nutrition</th>
<th>Child Labor</th>
<th>Health Usage/Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>+0.69 to +1.31 rural years of schooling completed (9 to 13 year olds)</td>
<td>+30.4 to +63.6% rural students with adequate progress (9 to 12 year olds) + urban enrollment rates for some age groups (e.g. 10% for boys at age 6) +7 to 15% urban school progress for all ages (excluding girls age 15 to 18)</td>
<td>−39.3% rural stunting (2 to 6 month old females), −19.4% for males</td>
<td>−15% to −25% rural probability (12 to 15 year olds)</td>
<td>+12% rural consultations (0 to 5 year olds, last 6 months), +16% in urban areas −22% rural hospitalizations (50+ year olds, last 12 months), −4% in urban areas −15% and −6% rural maternal and infant mortality (municipalities with &gt; 35% of population) −26.1% rural anemia in girls (3 to 6 year olds), no effect in boys −54% urban anemia prevalence (6 to 23 month olds) +61% rural births with adequate prenatal care, +32% in urban areas</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Country</th>
<th>School Attendance</th>
<th>School Enrollment/Achievement</th>
<th>Nutrition</th>
<th>Child Labor</th>
<th>Health Usage/Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>+20% (+33% among the poorest)</td>
<td>+7.3% passing/retention (+5.5% among the poorest) with higher impact in grades 1 and 4</td>
<td>+23.2% per capita annual food expenditures (compared with −14% for the control group)</td>
<td>−5.6%</td>
<td>+13.1% children participating in growth monitoring (visit to healthcare clinic and weighted of 0 to 3 year olds)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>−5.5% stunting (0 to 5 year olds)</td>
<td></td>
<td>No significant effect in 12 to 23 month olds with complete and adequate immunizations (but simple difference effect of +32.6%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>−6.2% underweight children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>+8.7% (13–16 year-olds)</td>
<td>n.m.</td>
<td>n.m.</td>
<td>None</td>
<td>n.m.</td>
</tr>
<tr>
<td></td>
<td>+4.8% students passing the school year 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DPT = diphtheria, pertussis, and tetanus.

Sources: Tejerina (IADB, forthcoming), based on, for Brazil, Cardoso and Souza (2003); for Chile, Galasso (2006); for Colombia, Econometria Consultores (2004); for Ecuador, Leon and Younger (2006); for Honduras, IFPRI (2003); for Nicaragua, Maluccio and Flores (2005); for Costa Rica, Duryea and Morrison (2004); for Mexico, Levy and Rodriguez (2004); and for Ecuador, Schady and Araujo (2006).
### Appendix 3. Diversity and Inconsistency in Targeting Methods Used in CCT Programs

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Geographic Scope</th>
<th>Underlying Poverty Concept of Index</th>
<th>Method of Indicator Selection</th>
<th>Estimation Method</th>
<th>Resulting Index Score/Amount</th>
<th>Reference Criteria for Targeting Performance</th>
<th>Poor/Nonpoor Classification (definition of cutoff value)</th>
<th>Accuracy Measures</th>
<th>Additional Robustness or Validation Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>FPS</td>
<td>National (by occupation levels and sex)</td>
<td>Vulnerability (risk to fall in monetary poverty)</td>
<td>Income generating capacity: manual + minimizing linear combination of inclusion and exclusion error</td>
<td>Income generating capacity: linear regressions Subsidy income: Pension institute data Needs index: based on family members and their dependency</td>
<td>2072 points and up</td>
<td>...</td>
<td>Ranking into vulnerability deciles based on national survey distribution</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Geographic Scope</th>
<th>Underlying Poverty Concept of Index</th>
<th>Method of Indicator Selection</th>
<th>Estimation Method</th>
<th>Resulting Index Score/Amount</th>
<th>Reference Criteria for Targeting Performance</th>
<th>Poor/Nonpoor Classification (definition of cutoff value)</th>
<th>Accuracy Measures</th>
<th>Additional Robustness or Validation Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador</td>
<td>SELBEN</td>
<td>National</td>
<td>Living standard, income generating capacity</td>
<td>Manual (trial and error)</td>
<td>PCA</td>
<td>index scores 0 to 100</td>
<td>Monetary poverty lines (household consumption)</td>
<td>Poverty headcount (quintiles 1 + 2)</td>
<td>Inclusion + exclusion error based on cut-off (also based on distance of &gt; 2 distribution deciles)</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>SISFOH</td>
<td>Urban, rural separately</td>
<td>“Household welfare index” (declared as nonmonetary)</td>
<td>Manual + “correlation with poverty” based on Sommers statistics (Madueño, 2007)</td>
<td>PCA</td>
<td>Index scores 0 to 100, divided in 7 SISFOH segments</td>
<td>Monetary household expenditures (segment 1 + 2 of index compared to expenditure quintile 1)</td>
<td>Minimization of sum of inclusion error and 2x exclusion error, separately for each macro region</td>
<td>Inclusión/exclusion error (over total population), total error</td>
<td>Confidence interval for cut-off value</td>
</tr>
</tbody>
</table>

... = not available; FPS = ficha protección social; PCA = principal component analysis; SELBEN = System of Identifying and Selecting Beneficiaries (Sistema de Identificación y Elección de Beneficiarios); SISFOH = Household Targeting System (Sistema de Focalización Hogares).

Source: Authors.
REFERENCES


**D. Conditional Cash Transfers: Lessons from Indonesia’s Program Keluarga Harapan**

**Karin Schelzig Bloom**

**BRIEF**

In 2005, Indonesia made the bold policy decision to remove a regressive universal fuel subsidy and finance a number of new targeted social safety net programs with the savings. An unconditional cash transfer of $10 per month reached more than 19 million households, costing 0.8% of gross domestic product versus the fuel subsidy’s cost of 3.5%. In 2007, the government replaced the unconditional transfer with a pilot conditional cash transfer program, the Program Keluarga Harapan (PKH). In 2009, the PKH is being implemented in 13 provinces and reaches about 720,000 households. The government intends to reach 6.5 million households when implementation issues have been ironed out.

The PKH benefits for poor families are conditional on human capital investments in children. For example, all children aged 6–15 must be enrolled in school and have an attendance rate of at least 85%, pregnant women must have four prenatal checkups, and so on. The Ministry of Social Affairs implements the PKH in a decentralized manner.

The program faces typical challenges that include targeting errors, insufficient coordination among different levels of government and service providers, and difficulty monitoring recipients’ compliance with the conditions. Case studies of implementation in two districts encouragingly find that the problems are mostly ones of execution rather than design. Most of the problems can be resolved with more preparation, more public awareness and outreach (called “socialization” in Indonesia), and realistic timelines.
1. **Indonesia’s Conditional Cash Transfer Story**

In the face of rising fuel prices in October 2005, the government removed the universal fuel subsidy, knowing that this would be tremendously unpopular. To mitigate the effects, the government compensated the poor for major increases in fuel prices by providing them with an unconditional cash transfer. The unconditional transfer was provided to 15.5 million households, comprising 25% of the population. The benefit level was set at about $10 per month per household, paid through the extensive post office network.

Very early on, even prior to the first benefit payment, the government was considering eventually shifting to a conditional cash transfer (CCT) program. Indonesian officials attended the third international CCT conference in Istanbul in 2006, and visited the original CCT program—Mexico’s Oportunidades—then weighed the pros and cons of a CCT for the Indonesian situation.

The positive aspects of CCTs are numerous:

- Benefits are proven: rigorous impact evaluation studies show impressive outcomes in Latin America.
- Governments can adapt CCT programs to specific local circumstances.
- They are politically attractive—conditionality makes recipients responsible and accountable.
- They have a significant impact on Millennium Development Goals, and provide sustainable long-term poverty reduction.
- CCTs allow for improved targeting of scarce resources—governments can reallocate from less effective/nontargeted public spending.
- Cash transfers have lower transaction costs than in-kind transfers (such as food), and families are empowered to make their own decisions on how to spend the money. There are no price distortions.
- Payments to mothers increases their control over household resources, with positive results for children.

The major downside of a CCT program is that it is complex. Institutional arrangements can be challenging, and implementation capacity is essential. The complex design elements include targeting and analysis of human capital bottlenecks, conditionality, supply capacity, supply gaps, and so on. For institutional arrangements, decisions have to be taken regarding who will manage the program, what level of decentralization is needed in the management, and how to arrange inter-agency coordination. An information system must be established to run the program and monitor compliance. A monitoring and evaluation system is needed to evaluate impacts—essential for program continuity. Capacity for this must be built at district and village levels.
2. **The Program Keluarga Harapan**

Weighing the pros and cons, the government decided to make the shift to a CCT program. The broad steps needed for transforming the unconditional transfer into the Program Keluarga Harapan (PKH), were

1. refining the targeting method to reduce errors of inclusion and exclusion;
2. determining specific conditions in health, education, and nutrition (based on the main human capital bottlenecks in Indonesia);
3. making sure the supply side was ready, i.e., ensuring there would be services for beneficiaries to access;
4. setting benefit levels and determining whether these should be flat or variable depending on the family size;
5. explaining the program to the range of stakeholders and developing manuals;
6. developing management information systems; and
7. establishing a strong monitoring and evaluation component.

Human development issues in Indonesia include the sharp increase in dropouts between elementary and junior secondary school; high infant and maternal mortality rates; and high rates of malnutrition, especially in rural areas.

Considering this context, the CCT designers decided on the following conditions for health and nutrition: (1) pregnant women must have four prenatal visits; (2) pregnant women must take iron tablets; (3) deliveries must be assisted by trained health professionals; (4) after delivering, women must have two postnatal care visits; (5) all children younger than 6 must be fully immunized; and (6) growth of children under age 1 must be monitored monthly, and that of children 1–6 must be measured quarterly. For education, the conditions are that all children aged 6–12 must be enrolled in primary school, those 13–15 must be enrolled in secondary school, and they must attend classes 85% of school days. The benefits are variable, meaning they depend on the age of the children and the size of the family. Annual benefits to participating families are shown in the Table.

The PKH has a strong element of empowering women in that benefits are paid only to the mother or other adult female in the household. Households may participate for a maximum of 6 years, and eligibility is recertified every 3 years. Payments are still made through the post office. The program is implemented by the Ministry of Social Affairs, and is planned to run through 2015, linked to the attainment of Millennium Development Goals.

The government pilot-tested the PKH in 388,000 poor households in seven provinces in 2007. In 2008, it expanded the PKH to cover 580,000 poor households in 13 provinces, and in 2009 the target is 720,000 households in the 13 provinces. During March and April 2008, case studies of PKH implementation were done in two districts: Kediri, East Java, and Sumba Barat, East Nusa Tenggara. The studies focused on the core program elements of beneficiary selection, interagency coordination, socialization, monitoring and verification, field-level facilitation,
management information system, and the payment mechanism. The findings indicated concerns including targeting errors and the transparency of the selection process. There were also issues pertaining to interagency coordination such as financial arrangements not being sufficiently well defined and discontinuities in information flows, including insufficient published information. The case studies also pointed to uneven and overly hasty socialization processes that largely bypassed service providers, the media, and the general public. Monitoring and verification systems were more ad hoc than systematic. In addition, field-level facilitators needed more training and facilitators often had to cover too many families, especially in remote areas. The management information system was not ready, and payments were sometimes irregular, with long queues waiting to receive them. Worryingly, inflation was eroding the value of the benefits.

### Benefit Payments: Program Keluarga Harapan

<table>
<thead>
<tr>
<th>Annual Benefits</th>
<th>Rupiah</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Transfer Amount</td>
<td>200,000</td>
<td>20</td>
</tr>
<tr>
<td>Additional Amount for Poor Families with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children under 6 years</td>
<td>800,000</td>
<td>80</td>
</tr>
<tr>
<td>A pregnant/lactating mother</td>
<td>800,000</td>
<td>80</td>
</tr>
<tr>
<td>Primary school children</td>
<td>400,000</td>
<td>40</td>
</tr>
<tr>
<td>Junior secondary school children</td>
<td>800,000</td>
<td>80</td>
</tr>
<tr>
<td>Average Transfer per Poor Family</td>
<td>1,390,000</td>
<td>139</td>
</tr>
<tr>
<td>Minimum Transfer per Poor Family</td>
<td>600,000</td>
<td>60</td>
</tr>
<tr>
<td>Maximum Transfer per Poor Family</td>
<td>2,200,000</td>
<td>220</td>
</tr>
</tbody>
</table>


### 3. LESSONS AND CHALLENGES

The lessons identified from the case studies were that

1. the problems seen were mostly due to execution rather than design,
2. most of the issues could be resolved with more preparation prior to startup,
3. the issues were remarkably similar to ones encountered in other countries, and
4. there are bound to be teething issues as it always takes time until a program as complex as a CCT can run smoothly.

Four general and several specific recommendations came from the study. General recommendations were to ensure that (1) requisite knowledge and skills have been acquired, and coordination is strong among people and agencies tasked with delivering the program, (2) financial resources are available and clearly defined, (3) the program is understood and supported by the community at large, and (4) timetables are realistic. Specific recommendations were to:
• consider introducing inflation adjustment for benefit levels (as was done in Mexico);
• focus more on errors of inclusion than exclusion (i.e., minimize the delivery of scarce benefits to unintended recipients);
• make the selection process more transparent by making it more participatory;
• strengthen socialization and outreach strategies; and
• collaborate with nongovernment organizations to serve as the conduit between communities and program providers.

While the PKH has clearly improved since the study was completed, several challenges remain. Verification is still an issue, as payments are often made without checking compliance with conditionalities. Payments in many areas are made three times yearly rather than quarterly. Socialization and outreach still need strengthening—training of providers only commenced in 2009. Finally, the complaints and grievance mechanism needs strengthening.

And there is good news. Field-level facilitation has improved and is functioning very well. The management information system is now in place, and preliminary data show some positive results. In Gorontalo, 65% of participants’ children were fully immunized, versus 56% of the control group. In Northwest Sulawesi, enrollment in the first year was up by 4.2% (it was up 4.8% among beneficiaries versus 3.5% in the control group). In West Java, 23% of beneficiaries’ children were fully immunized before the program, but this increased to 35% with the program. In Jakarta, malnutrition in children in the program decreased from 25% before participation to 21%.

Indonesia is Southeast Asia’s CCT pioneer, serving as an example to neighboring countries that have since followed suit, including the Philippines. Visionary policymakers took a risk in adapting a new and untested social safety net program from Latin America to a very different socioeconomic, cultural, geographic, and historical context. Other Asian countries now in the process of designing and testing their own cash transfer programs, including Cambodia, have a wealth of regional experience and information on which to draw from their Indonesian neighbors who have firmly committed to poverty reduction through the PKH.
PART IV

Summary, Lessons from, and the Future of Conditional Cash Transfers
Conditional cash transfer (CCT) programs, which mark a major departure from traditional social assistance programs, have received increased attention in developing countries in the last 15 years. CCTs aim at providing immediate cash assistance to needy families and incentives (through conditions) for them to make more use of health and education services (mostly public and free).

CCTs are attractive for several reasons—they have shown good outcomes and results; are flexible or easily adaptable to particular country settings and political contexts; are scalable (i.e., can go from pilot to national programs); can be highly visible, which means that governments can show policy action; provide a platform for agency and program coordination; and can operate with low administrative costs.

Designing a CCT program involves determining its objectives, its institutional and governance framework, and the critical activities of the project cycle. Implementation involves a detailed description of how the activities of the project cycle will be done, who will do them, and the timing of each activity.

1. **Introduction**

Conditional cash transfer (CCT) programs have received increased attention in developing countries in the last 15 years. CCT programs provide cash grants to the poor with conditions that beneficiary families send their small children to preventive healthcare check ups and school age children to school. This is because
in most developing countries poor families have little access to or do not use healthcare facilities for preventive care of children (such as vaccinations) and may not enroll their school-age children in schools or children may not attend classes regularly during the school year. Thus, CCTs provide social assistance while supporting the investments in human capital of poor families to reduce poverty in the future. CCTs have become popular recently because they have been successful (e.g., at increasing consumption, reducing poverty gaps, and improving health and education indicators of children). The successes are documented in the scientific impact evaluations carried out on most CCT programs, particularly in Latin American countries (e.g., Colombia, Honduras, Mexico, and Nicaragua).

However, CCT programs are not easy to design and implement. To be effective, they have to be tailored to specific country needs and circumstances. For example, in countries with no working safety nets, CCTs may have a larger social assistance role than in other countries with a working and efficient safety net. In the countries with such safety nets, CCTs may have a large role in addressing the human capital gaps of poor children.

Also, careful implementation is critical for program success. Key areas of attention include selecting beneficiaries in an objective, transparent, and uniform way; making payments on time and efficiently; monitoring the compliance with conditions; putting in place an efficient complaint and grievance redress system; and putting in place a well-designed monitoring and evaluation system.

This paper reviews the main design and implementation activities of CCT programs, indicating the main challenges confronted by CCT program institutions and managers. Some of the most important issues relate to the institutional arrangements for CCT program governance (coordination of the services around the CCT conditions) and operation. Social welfare ministries running CCTs often face several challenges, including institutional weakness, inadequate skill mix, and very weak information technology (IT) and management information systems (MISs). These challenges can only be surmounted over time with significant restructuring efforts within the ministries (especially if the programs achieve a national scale), patient work, and considerable technical assistance.

2. The CCT Program: What Is It and What Was New About It

2.1. What is a CCT Program?

CCTs were introduced in Latin American countries in the early 1990s, and in African, Asian, and Eastern European countries more recently. A CCT program provides cash grants to selected families on conditions, usually attendance at primary healthcare sessions for pregnant women and small children, and enrollment in and regular attendance at elementary and secondary education classes for school-age children. Thus, CCTs aim at providing immediate cash assistance to needy families while simultaneously providing incentives (through conditions) for the families to
increase their use of health and education services (mostly public and free). Most programs provide the grants to the mother in the family for 4–5 years and are targeted to extremely poor families. Payments are made through the banking system or, in some cases, the post office. Families are free to use the money as they wish except for a negative list of items including alcohol, tobacco, and gambling.

2.2. **What Was “New” in CCT Programs?**

CCTs marked a major departure from traditional social assistance programs in the following aspects:

- **Focus on the family rather than on isolated individuals.** The family is assumed to be the focus of decision making regarding home production and consumption of goods and services, work by family members (including children), school attendance, and the use of social services such as healthcare and education.

- **Focus on shared responsibility for moving out of poverty.** While the ideological debate on poverty includes people who believe that poverty is mainly the result of external conditions and exploitation and others who believe that poverty is behavioral and the responsibility of each member of society, CCT programs focus on practical ways in which the state can help but at the same time families need to take responsibility for improving their own lives at present and into the future.

- **Poverty targeting.** CCTs in most countries have been targeted to the poor (generally the extremely or structurally poor) rather than to broader categories, such as women heads of households, children, elderly or disabled persons, or the population in general. Traditionally, most social assistance programs have been directed at special groups or categories without regard to their economic situation or means. While transferring traditional in-kind assistance to such groups has been politically and socially acceptable, transferring cash grants to the broader categories without an assessment of their relative needs and/or poverty has been much less acceptable. Most, if not all, CCT programs have had to introduce poverty targeting mechanisms to gain public acceptance and budget allocations, given budget constraints. In addition, governments have gradually switched from the tendency to give “a little to a lot,” which has generally had little or no welfare impact, to give more to a selected group, which has proven to have significant welfare impacts, as shown in CCT programs.

- **Cash grants rather than in-kind benefits.** Traditionally, developing countries have been inundated with in-kind assistance programs (e.g., involving donations of food, school supplies, and building materials). In-kind often comprises delivery by public agencies of food packages and/or school supplies and/or the use of vouchers or other means to allow the needy to collect certain goods and/or services. Many developing countries started to raise concerns about the administrative cost of food aid and food assistance and to find ways to reduce costs, including attempts to sell food assistance and use funds for direct cash assistance. In fact, Honduras’ Family Assistance Program (Programa de Asignación Familiar—PRAF), one
of the first health and education CCT programs in Latin America, was initially funded with proceeds of food sales from World Food Programme (WFP) assistance and World Bank project financing in 1992–1995. In this case, the Central Bank of Honduras issued highly liquid bonds or vouchers to mothers for the purchase of food and other basic necessities in the market place on the conditions that their small children are brought to health centers and elementary school-age children attend school (World Bank 1993).1

- **Cash assistance linked to development objectives of families.** Linking and/or conditioning welfare assistance to promoting development objectives of poor families, such as education and health for their children, has had a long history in many countries and in certain programs. For example, in Chile, the National Feeding Program (PNAC), which dates back to the 1960s, distributes fortified milk products to children who attend regular health checkups at health centers and posts, and school feeding programs worldwide provide meals only to children attending school. The introduction of cash transfers, conditioned on using social services, has, however, been more controversial; because cash is more visible, people think (unfoundedly) that the poor will not make adequate use of the money, and there are greater risks of mismanagement and/or corruption. Yet many governments have seen the use of cash transfers as an opportunity to influence the behavior of families toward achieving human capital objectives for their children and even to leverage the use of social services (e.g., the Chile Solidario program).

- **Increased duration of benefits.** Traditional assistance programs are of short duration and generally involve yearly reapplication or reassessment. CCT programs, by contrast, provide benefits for 4–5 years (or more—in Mexico and Colombia, many families have been receiving benefits for 6 or more years). This reflects a new vision by governments—that attacking structural poverty is a medium- to long-term endeavor and requires longer term efforts by governments and families as they invest in the human capital of children. A longer duration allows families to plan for the future and to better manage risk, as they have a reliable and countable safety net.2

- **Integrated approach to delivery of social services.** Integration can achieve synergies among complementary interventions. While integrating health and education services (along with rural infrastructure and productive activities) has long been the aim of integrated rural development programs promoted by agencies such as the International Fund for Agriculture Development (IFAD), CCT programs have managed, in practice, to catalyze effective coordination among government agencies. For example,

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1 A pilot test was developed under a World Bank social investment fund (Honduran Social Fund) Project in 1992.

2 Angelucci and De Giorgi (2009) concluded that “The cash transfers to eligible households indirectly increase the consumption of ineligible households living in the same villages. This effect operates through insurance and credit markets: ineligible households benefit from the transfers by receiving more gifts and loans and by reducing their savings.”
CCT programs, such as Red Solidaria of El Salvador, have managed to work with municipalities in which some families (the extreme poor) benefit from CCT while all residents benefit from improvements in school facilities, health posts, water systems, electricity expansion to rural areas, rural roads, and many other investments. National and local agencies work together on the development projects put together by municipal governments. In Chile, the program Chile Solidario helps poor families access a wide range of social services they had not used before, while delivering personalized care for the long-term development of their families. So, better coordination has been achieved when CCT was introduced because coordination works around family, not institutional, needs.

- **Introduction of new administrative structures and delivery mechanisms.** Traditional social assistance programs involve cumbersome bureaucratic procedures, including (1) the need to apply for a program and fill out many supporting documents; (2) long waits for social workers’ decisions on the applications and supporting documents; (3) rudimentary delivery systems, such as distribution of food packages; (4) lack of monitoring and evaluation systems; and (5) absence of a working complaints and grievance redress system. CCT programs make significant improvements in all these aspects and change the way in which social welfare agencies administer social programs.

### 3. Why Have CCT Programs Been Attractive?

CCTs have been attractive because they (1) have shown good outcomes and results; (2) are flexible and easily adaptable to particular country settings and political contexts; (3) are scalable (i.e., they can readily move from pilot phases to national programs); (4) are highly visible, which means that governments can show policy action; (5) provide a platform for agency and program coordination; and (6) can operate with low administrative costs.

**Good outcomes and results.** CCTs have had significant impacts on several social indicators of poor beneficiary families, as measured in objective, transparent, and well-designed impact evaluation studies. In Mexico, for example, the CCT program Oportunidades (initially known as Progresa) has resulted in increases of over 8 percentage points in the enrollment of children in secondary education and significant increases in the nutrition of children. In Colombia, the CCT program Familias en Acción has improved the consumption levels of the poor, reduced the poverty gap by over 6%, and improved the enrollment of children in secondary education. Similar education and health effects have been found in Honduras and Nicaragua CCT programs.

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**Flexibility and/or adaptability.** CCT programs can be easily adapted to a country’s economic and social circumstances. For example, some countries that lack or have weak safety nets give the CCT program a large social assistance role and countries with large gaps in human capital indicators of the poor (and/or working safety nets) tend to focus on addressing these particular gaps.

**Scalability.** Unlike many traditional social assistance programs, CCTs have shown, in many countries with differing degrees of institutional capacity, that they can be scaled up relatively quickly (1–2 years after a pilot test) if properly designed and implemented. The reason is that CCT programs can be defined clearly in key activities in an operational cycle, which can be developed by the institution in charge (with adequate support and technical assistance activities) or can be subcontracted out to the private sector or nongovernment organizations (NGOs). The key is, however, that all activities must adhere to “good practice” because each activity is technically challenging.

**A platform and a catalytic role for improved coordination of basic social services.** Coordination of social services has always been difficult in most countries. When services such as health and education are provided by federal or central government agencies, coordination orders at ministerial or central levels are difficult to implement at the local service agent level. When services are decentralized to the municipalities or local government units, most of these units the lack money for and/or control over the major source of spending, which is the payroll. As a result, they can not move resources (teachers and/or health workers) to the points of greatest need. In CCT programs, coordination is achieved (or sought) through (1) various channels, including the sector coordination of relevant ministries such as health, education, and social protection, which generally have a seat on the CCT program’s central, regional, and local coordination committees; and (2) more importantly, through demand pressures from those who have to comply with program conditions—the mothers, local leaders, and communities benefiting from the program. Local authorities often join forces with communities to seek better services and/or to fill the gaps, because they benefit from larger economic activity generated in their territories as the cash is spent. By working with the beneficiaries, local leaders can also gain political benefits through the program.

**Low administrative costs.** CCTs have demonstrated low administrative costs—15%–20% of the program budget during the pilot phase, when set-up costs are incurred, but as low as 10% or less (depending on the program size) after 3–4 years of operation or when the program has reached a national scale. This compares favorably with programs such as food distribution, which can easily exceed 50% of the program budget. For CCTs, the larger cost items include fees for making the payments to beneficiaries, which may represent 1%–2% of the program budget. Other important cost items include the cost of targeting, which could be 1%–1.5% of the program budget (or lower if the targeting costs are shared with other programs). Verification of compliance with conditions can take a few years to set up and can cost another 1%–1.5% of program budget. The rest of the administrative costs entail MISs, IT infrastructure, and general operations.
4. **THE DESIGN AND IMPLEMENTATION OF CCT PROGRAMS**

Designing and implementing a CCT program is, however, not an easy task. The design involves determining the objectives of the program, preparing its institutional and governance framework, and designing the critical activities of the project cycle. Implementation involves a detailed description of how the project cycle activities will be done, who will do them, and when each activity will happen. The following is a brief review of a CCT program's main design and implementation activities, indicating in most cases good practices and major issues involved.

4.1. **MAIN CCT PROGRAM DESIGN FEATURES**

The design of a CCT program involves

- defining program objectives;
- defining program conditions;
- determining the amount of the grants;
- defining target populations and targeting methods;
- defining institutional arrangements for governance and running the program;
- determining payment arrangements;
- defining arrangements to verify compliance;
- designing the complaints, grievance, and case management system; and
- defining a monitoring and evaluation system.

**Defining Program Objectives**

CCT programs generally have two objectives—social assistance or cash support for the short term to help families increase consumption levels, and human capital accumulation by assisting children for the long-term development of families. Governments will need to decide on the relative weights given to each objective. To determine the weights, the government must know (1) the extent and coverage of existing safety nets; for example, if a good social assistance program exists, CCTs might usefully focus on a human capital objective; and (2) the extent of the human capital gaps for poor families and children; for example, if all children (including the poor) attend primary education and have good access to primary healthcare services, CCTs may usefully focus on secondary education and/or more expensive health services.

Some CCT programs have sought to increase use of and access to other services (in addition to health and education) and to promote other behavioral changes by families. For example, the Chile Soldiario program seeks to promote families’ access to the wide network of social services and reduce gaps in service utilization by the poor. Services include child care and personalized assistance to improve human development and income opportunities for the poor. Some other countries have used a spatial approach to targeting by selecting poorer localities and/or municipalities. For example, El Salvador’s Red Solidaria program seeks to promote...
investments in public infrastructure such as schools, health posts, and water and sanitation while providing cash transfers to the poorest families in communities participating in the CCT programs.

To define the best parameters for a CCT program, the designers need good diagnostic studies, including

- a recent safety net and social protection assessment, which typically includes coverage of major programs, impacts, incidence analysis, and costing;
- a recent poverty assessment identifying the gaps in human development and basic service indicators, which generally includes assessment of (1) health and nutrition and education gaps across different segments of the population (quartiles or quintiles); (2) who is benefiting from the social assistance and investments programs; and (3) the coverage of the programs and services, including basic services such as water and sanitation;
- analysis of sectoral issues in basic health and nutrition and education, identifying main progress, gaps for particular groups, and geographic locations; and
- analysis of (1) the functions and responsibilities of agencies charged with providing basic health and education and public services; and (2) identification of the gaps present by geographical or other considerations, including the roles of different levels of government and the extent to which basic services have been devolved to states and/or municipalities.

**Defining Program Conditions**

The objectives determine the basic conditions of the CCT program. The most common designs include conditions pertaining to health and education to promote poor children's access to those services. Depending on the gaps identified, program designers may want to introduce conditions that assist families to achieve particular objectives to remedy the gaps. For example, if there is not a working safety net, a CCT program may contribute to filling that gap by having a strong social assistance component. Such a CCT program may have a fixed amount of grant without conditions, complemented by a conditional component. In such cases, CCT may have the objective of addressing certain human capital gaps of the poor in education, health, or both.

There has been some debate on whether cash transfers should be conditioned or not. Critics note that conditional transfers may entail (1) stigma for beneficiaries; (2) noncompliance resulting from factors outside the control of families, such as supply-side problems, and thus may unfairly penalize them; and (3) a high cost for verification arrangements. The stigma issue has not been evident in most CCT programs (in fact, the number of families wanting to participate is generally far greater than the number of places available). Also, most if not all CCT programs’ verification of compliance systems do not seek to penalize noncompliant families but to identify problems that prevent beneficiaries from complying with the responsibilities to which they have agreed. Finally, when properly designed and
implemented, verification costs can be reduced to 1%–1.5% of the program budget, and can be reduced further if verification is done with ample random spot checking accompanied by good communications and social marketing systems.

There are strong arguments in favor of conditioning. First, parents may not invest in their children for cultural or other reasons (e.g., preferring that children spend time working or limited altruism), in which case conditions will help society bridge that cultural gap. Second, conditions may empower families to ask for more and/or better services. Where conditioned social services are lacking or in short supply, service providers have no choice but to make greater use of the available services, hire more service workers and staff, and/or contract private sector providers. In Nicaragua, for example, NGOs provided the basic health services required by CCTs in rural areas where the Ministry of Health had limited or no coverage.

**Determining the Amount of the Grants**

Determining the optimal size of the grants (i.e., the minimum amount of cash transfers that will produce the desired results) is not an easy task due to lack of data and, more importantly, lack of knowledge about families’ behavioral responses to the cash transfers. An additional consideration is that most CCT programs have a dual objective of social assistance and human capital accumulation. So, some people may argue that a particular transfer is too high for achieving, say, an education objective, while others may argue that the transfer is too low to protect the consumption of poor families in the short term. In practice, most CCT programs have calculated the amount of transfer with two considerations in mind: grants should not be high enough to discourage work effort or low enough to have no effect. In most countries, grants comprise 12%–20% of the mean income of poor families. For calculating grant amounts it is very important to work with simulations using the proposed payment structure (related to the conditions) and the consumption and/or income estimates net of transfers of the poorest quintiles of the income distribution in recent household surveys.

Although CCTs have not been found to have adverse effects on labor market participation, people are still concerned about possible dependency effects on recipient families, incentives to switch from formal to informal sector working arrangements, and disincentives to improving living conditions (such as housing) that are generally important in determining a family’s eligibility for the transfers.

**Defining Target Populations and Targeting Methods**

**Populations.** CCTs have generally targeted poor (or extremely poor) families with children 0–15 or 0–18 years old. The main issues have been defining which poverty indicators to use (e.g., income, consumption, or multidimensional poverty measures). When income and/or consumption measures are used, a family is poor if the per capita income and/or consumption level falls below an established poverty threshold such as the national poverty line, or the $1- or $2-a-day poverty thresholds used by international organizations such as the World Bank. More difficult is to
define cutoff points or thresholds when working with multidimensional poverty or unmet basic needs indexes.

Deciding on which poverty measure to use depends critically on the nature of the program at hand. For example, for CCTs it is very important to take into account that the program provides a cash transfer (so the poverty measure needs to be related to or able to address income gaps). But CCT programs also seek to address gaps in basic health and education indicators, which in most countries are also highly correlated (though not perfectly) with income and/or wealth. Consumption is better than income as a social welfare measure, because consumption is more related to permanent income and wealth; however, consumption measurements are not always available, and therefore some countries express their poverty lines in nominal income thresholds. Another issue, and a very important one, is how to convert the theoretical measurements into practical ways to select beneficiaries applying these poverty measures.

**Targeting methods.** Defining the targeting methods is one of the most challenging activities in designing CCTs. Targeting cash transfers is generally more challenging for CCT programs because distributing cash is much more visible and controversial and it is generally provided to families and/or individuals (not to groups or communities). As noted previously, the targeting instrument has to be closely aligned with the program objectives and the type of benefits provided. For example, while programs targeting infrastructure investments, such as water and sanitation, to poor communities are best achieved by using basic needs index approaches that identify gaps in those services, cash transfers (which typically address gaps in income and/or consumption) need to be targeted with approaches that relate to those gaps. However, developing countries rarely have good quality data on incomes and/or assets of the poor (or for that matter other groups) because of the high prevalence of informal workers (in many developing countries, over 55% of the labor force is self-employed). Developing countries also usually lack reliable databases on ownership of assets (cadastre records, vehicle registration, and tax returns are rudimentary and/or unavailable), which makes it impossible to verify income and/or assets reported by prospective beneficiaries.

In view of this, many CCT programs have adopted proxy means test (PMT) methods (e.g., in Chile, Colombia, the Dominican Republic, El Salvador, Indonesia, Mexico, Nicaragua, the Philippines, and Turkey) or unverified means testing (Brazil) to address the issue of targeting (Castañeda, Lindert, et al. 2005). PMT models seek to estimate per capita income or consumption on the basis of a host of variables, including education of family members, demographic composition, housing conditions, public service availability, and ownership of durable assets. The objective is to have good statistical predictions of welfare based on a few critical and observable variables.

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4 Coady et al. (2004) discuss targeting methods for cash transfers.
PMT has several advantages and disadvantages that need to be carefully considered by policymakers. The two most important disadvantages are that PMT estimates (1) sometimes result in high levels of inclusion and exclusion errors, and (2) require high quality household data that can be verified by data collectors and cannot be manipulated by respondents. An inclusion error occurs when the PMT predicts a family to be poor when in reality it is not; an exclusion error is when the PMT predicts a family to be nonpoor when in reality it is poor. The problem is usually that efforts made to reduce one kind of error lead to increases in the other.

Despite the difficulties, policymakers in many countries have no option but to try to come up with a reliable and objective targeting mechanism to use for implementing a cash transfer program. Options for attempting to reduce errors include increasing (updating) the threshold poverty lines used. For many reasons, governments are traditionally reluctant to update poverty lines regularly. In many cases this is due to lack of data when consumption surveys are infrequent, or for political reasons (especially when the poverty incidence appears to be rising). For example, while in Latin American countries national poverty lines are over $2 a day, indicating that 45%–50% of people are below the poverty threshold, in most Asian countries poverty lines are near or slightly above the $1-a-day threshold, indicating that 30%–35% of the population is below the poverty threshold.

Additionally, inclusion and exclusion errors can be reduced during implementation by designing and implementing good validation and grievance redress systems. Validation arrangements should, however, be carefully designed to avoid local capture and undermining the PMT system. One way to design the systems is to publish all potential candidates at the local level and hear complaints and grievances to address cases of inclusion and exclusion.

Finally, many CCT programs have adopted PMT systems because of their important advantages. First, PMT estimates provide objective and uniform criteria with which to assess families without requiring supporting documents or other means of proof. Second, PMT targeting systems can be implemented for a large number of families in short periods of time, which is attractive for CCTs or other cash programs that may need to be expanded quickly. Third, and most important, the electronic database for the PMT estimates can also be used for program registration and intake as it contains the basic data on identification and location of families and the family roster information. This is a great operational advantage as the CCT program can incorporate large numbers of families in a very short time and start making payments with initial data collected on enrollment in schools and attendance at health centers, based on the specific ages of children in the data base. This implies that the program reaches out to eligible people (locating them where they reside) rather than relying on application processes that may result in some poor people not applying for the program.
DEFINING INSTITUTIONAL ARRANGEMENTS FOR GOVERNANCE AND RUNNING THE PROGRAM

Depending on the objectives, CCTs require strong coordination with government agencies at central, regional, and local levels. The coordination arrangements generally include creating a national steering committee whose main functions are policy making, strategic planning and approval of budgets, and approval of coordination directives and guidelines for regional and local staff charged with service provision. In addition, regional and local coordination committees with the same sectoral composition as the national-level committee are charged with carrying out coordination arrangements mandated by central levels. Finally, most CCT programs have strong coordination links with municipal governments, to which, in many countries, the responsibility for basic health and other social services has been devolved.

CCT programs require strong management skills and a dedicated team to carry out all CCT activities. This is an area where most countries fail. They usually underestimate the work and sophistication that is required to run a CCT program efficiently. Because CCT programs are located in ministries of social welfare, the main issues relate to (1) inadequate skill mix (i.e., social ministries have a strong base of social workers while CCTs require a mix of social workers with, for example, specializations in finance and procurement, statistics, economics, MIS, and IT that need to be hired in a short period of time); (2) low salaries (making it hard to employ specialized staff for activities such as MIS); and (3) lack of adequate monitoring and evaluation systems.

DETERMINING PAYMENT ARRANGEMENTS

Payments have to be accurate, transparent, and efficiently done. Cash transfers are key to CCT programs. Making payments on time gives credibility to the program and indicates government commitment. In practice, payments are difficult to arrange because (1) it is hard to put in place a reliable management information and payroll system, (2) beneficiaries often live in remote areas, (3) banking institutions lack branches in and/or are reluctant to go to remote areas, and (4) the transaction costs in remote areas are high due to security risks and the cost of insurance. When designing payment systems, the following assessments are critical: first, the extent of services by prospective payers in the areas served by the CCT program; second, the modalities to be used for payment (e.g., cash or debit cards, savings accounts, over-the-counter payments, and mobile payments); and third, the cost of the modalities, government restrictions, and donor procurement rules (e.g., in some countries government programs are required to work with state banks or other state companies).

DEFINING ARRANGEMENTS TO VERIFY COMPLIANCE

Most CCTs have verification systems in place to (1) make sure people are following rules and commitments (responsibilities), (2) apply pressure (“demand push”) for a supply-side response from service providers, and (3) satisfy public opinion and taxpayers (to show that the money is well used). Designing verification arrangements
is not an easy task and generally involves designing elaborate information flows; developing the MIS to support the flows; training the actors supplying the information (generally, service providers); and linking the results of verification to the payroll, complaint and grievance, and case management systems. Verification can be done less expensively using spot checks and performance audits, but these systems need to be well designed and implemented.

**Designing the Complaints, Grievance, and Case Management System**

Defining the procedure and responsible people within a program agency for dealing with different types of complaints and/or grievances includes methods to handle problems with inclusion and exclusion errors in targeting, payments, supply-side responses, and corruption. The procedures that need to be designed to deal with these complaints include:

- defining how complaints, grievances, and updates will be presented;
- determining the time limits and responsible units for addressing them, and deciding on the penalties; and
- handling appeals (e.g., to whom they are addressed, when, time limits, etc.).

**Defining a Monitoring and Evaluation System**

*Monitoring systems* are essential to review progress in program implementation and to fix design and/or implementation flaws. The two types of systems are (1) internal (generally with data from an MIS); and (2) external (general spot checks, audits, and performance monitoring). When designing the monitoring system, it is critical to carefully consider all the activities of the program cycle, including targeting, intake of beneficiaries, verification of compliance, payments, complaints and grievances, and case management.

*Impact evaluation* is essential for assessing net program outcomes and results according to the program’s logical results framework. Designing and implementing robust impact evaluation is essential for gaining program credibility and informing policymakers and budget authorities of the program’s results. Impact evaluation design may be experimental or quasi-experimental, although governments may have difficulties selecting control groups and sustaining them for the long time required for adequate evaluation. Other designs include regression discontinuity approaches (made possible when a PMT approach is followed and groups near the poverty line can be compared to each other) and propensity score matching econometric modeling.

*Risk mapping* is also important in new CCT programs. A strict risk mapping exercise must be prepared for the program to identify the possible risks to achieving the objectives and to identify corruption opportunities in the program cycle. Risk mapping will inform project managers and funding agencies of areas that require special attention, such as areas that may be highly vulnerable to political or other
manipulation (e.g., the selection of beneficiaries) and corruption in payments, verification of compliance, etc.

4.2. Key Implementation Issues

All the activities designed in the program cycle need to be carefully implemented following a well-established plan that covers human resources, responsible agencies or units, and timeline. The three most critical activities for starting implementation of a CCT program are

- deciding who will run the program,
- selecting the beneficiaries, and
- making payments.

Deciding Who Will Run the CCT Program

CCT programs have generally been run by the ministry of social welfare or its equivalent (with a few exceptions, such as Colombia’s CCT programs, which are run by an office under the presidency, and El Salvador’s program, which is managed by the Social Fund Office). This has represented an enormous challenge for those institutions for the following reasons:

- Their culture and skills are generally focused on traditional social assistance programs that include providing benefits on individual bases for vulnerable groups, such as the disabled and elderly; child care; and temporary assistance for displaced groups. Their staffs primarily comprise social workers who assess the beneficiaries’ needs and handle case management. Most of the programs they handle are small in scale. By contrast, a CCT program typically involves rapid assessments of many families in a short time and distribution of cash transfers (rather than in-kind assistance and counseling services).
- CCT programs are generally large in terms of budget and beneficiaries served. Although CCT programs often start with a pilot test (which may be larger in terms of beneficiaries and budget than many of the ministries’ traditional programs), CCT programs tend to expand rapidly. This entails an enormous amount of work to select the beneficiaries and prepare payrolls and negotiate with banks or other payers regarding fees, points of payments, insurance, reconciliation of payments, etc. Within a few years of their inception, CCT program budgets commonly more than double the traditional budget allocations of the ministries concerned.
- New technologies are needed to run CCT programs efficiently because of their large size and nature and for transparency and effectiveness. CCT programs require advanced IT, including hardware (servers) and software, broadband communication, and an elaborate MIS. These are extremely hard to bring into the traditional environment of most ministries of social welfare where such technology has not been needed, few IT personnel have been hired, and low salaries are the norm for all professional staff, including IT personnel.
• The traditional structure of the ministries reflects their traditional vision and mandates. Most programs are vertically structured with few interrelations among the units. CCT programs, by contrast, require horizontal connections between all units and parts of the organization for selection of beneficiaries (usually a new activity of the planning units), payments and budget, procurement, verification of compliance, complaints and grievance redress, and monitoring and evaluation.

In view of these challenges, CCT program designers have to pay a lot of attention to

• building and strengthening institutional capacity;
• rapidly improving the skill mix and training of staff as required by the CCT program activities;
• rapidly building IT infrastructure and capacity; and
• adjusting salary scales, especially for people with qualifications highly demanded in the market place.

SELECTING BENEFICIARIES

Selecting beneficiaries is one of the CCT program’s most challenging activities. Program designers and managers need to start by creating a unit and or group within the CCT team or other parts of the ministry (e.g., planning) charged with designing, planning, and carrying out the targeting activities for the CCT program. This group will need to prepare the PMT model estimates (if that method is to be used); a questionnaire and operations manuals for data collection, processing, validation, and use; and a strategy and plan for data collection. Key activities the targeting team will develop include the following:

• Forming a data collection strategy. When PMT or similar methods are used, data must be collected from households for the PMT estimations. A good strategy for data collection includes defining priorities for data collection (e.g., in most cases it is best to start with poor rural areas and gradually move to the urban areas where targeting and data collection is more challenging). Poverty maps are key complementary tools for designing the data collection strategy. Poverty maps can be used to determine which areas to start with and where a complete census of the areas is advisable and/or possible. When the poverty incidence is high (over 70%) in a small area, it may be better and/or cheaper to survey all households in the area for the household assessments. In urban areas, small area poverty maps indicate the pockets of poverty to be surveyed and where to locate program offices for doing on-demand applications.

• Collecting high quality and reliable data. Despite the critical importance of collecting high quality and reliable data to ensure that all potential candidates are assessed fairly and uniformly, most countries struggle with data quality issues. The data are often of substandard quality, incomplete, and/or inconsistent, especially at the beginning of a CCT program. Gradually, data quality has improved as programs realize the importance of the
implications for beneficiaries. Some of the main reasons for data quality problems include (1) poor planning of data collection activities, involving lack of procedures to select areas to be covered and control mechanisms to ensure that all potential residents are surveyed; and (2) poor training of enumerators and supervisors. When trying to save money, countries often use poorly trained enumerators (or untrained volunteers) to do the data collection work with no or inadequate supervision and quality control of field work. Countries may also try to use existing databases, which are generally of poor quality (collected with poorly trained staff and/or volunteers), are out-of-date, and are not uniform across localities and/or regions.

- **Securing adequate data entry applications.** Often, data entry applications are not developed on time (i.e., before the enumerators start collecting the data in the field), are untested before they are massively used over the internet or intranets to enter data from the field, and/or are not robust enough or the IT infrastructure does not support the large volume of data that is being collected. In addition, most data entry applications lack adequate validation routines to check for inconsistent and/or illogical data entries, or data entry is done far from the places where data were collected, making it hard to correct errors or inconsistencies in the data.

- **Providing a single identity number.** One of the most common problems in developing countries is the absence of a single identity number that can be used to check for duplicates and for building a national central database for the program. Without a single identity number it is hard to develop ways to eliminate duplications as people register for the program in different localities. In the absence of a single identity number it is very important to keep a close control and monitoring system of updates and to limit, to the extent possible, reapplications or reassessments of beneficiaries and prospective beneficiaries. A central database is essential to control for duplications and to minimize abuse.

## Payments

Making the cash payments on time is generally one of the most challenging tasks of CCT programs. First, payments require a very accurate payroll with precise calculations of the amount to be paid to each family. By contrast, payments in most unconditional cash programs are easier to calculate and make as they are generally the same for each family. Preparing the CCT payroll is usually a difficult task due to the many problems encountered in building the MIS and the huge amount of administrative tasks required to clear up payments with the budget office, secure the money at the right time in the bank, and do the actual payments. Second, beneficiary families usually live in remote or poor areas where banks (including state banks) have had little or no presence. Some countries, such as the Philippines, are exploring alternatives to pay through rural banks or mobile payments.
5. **CCT Programs as a Crisis Response Mechanism**

In general, CCTs are not the ideal response to issues arising from a crisis. First, CCT programs generally try to address, in addition to social assistance, gaps in human development indicators, which requires a longer term intervention. An economic crisis typically affects employment and incomes of the poor and the nonpoor, and could be a temporary phenomenon that is better addressed by unemployment insurance (when it exists), wage subsidies, or other active labor policies, and/or by an unconditional cash transfer program. Unconditional cash transfers are easier to design and implement than CCTs, in that they typically do not require collecting family roster information and are generally a uniform and fixed amount per household. As a result, the MIS and IT infrastructure as well as the operational requirements are much less demanding for unconditional transfers than for CCTs.

Second, and related to the previous point, identifying people affected by a crisis, including people that have joined the ranks of the poor (or the “new” poor), is very difficult, as many of them may lie significantly above poverty threshold levels when methods such as the PMT are used. Also, in many instances, governments do not want to target the benefits strictly to those affected by a crisis. So, a good way to target beneficiaries for a crisis is probably by combining targeting instruments, including the PMT, with self-selection and verification of means and/or wealth.

6. **Challenges for and Lessons from CCT Programs**

One of the main challenges of CCT programs is that they may become victims of their own success. Countries tend to pile many functions and responsibilities on CCT program managers and beneficiaries. They may impose a multitude of conditions, which will require a huge coordination effort of far too many players and providers and may be taxing for beneficiaries. Policymakers have to realize that a CCT program is only one in a network of social assistance programs. Specialization of programs around a simple set of objectives may achieve greater efficiency and better results than attempting to have a CCT program “do it all.”

The following are some of the specific lessons that can be drawn from CCT program design and implementation experience:

**Lesson 1.** CCTs are hard to design and implement—for proper design they require a lot of good analytical work on poverty profiles; safety nets; basic health and education indicators of the poor; and the institutional setting for service provision, payments, and monitoring and evaluation systems.
Lesson 2. To be effective, CCTs require special attention to putting conditions that are tailored to specific country needs (e.g., what are the main gaps of the poor, and advancement of Millennium Development Goals) and for which adequate supply exists in the areas where the program is to be implemented.

Lesson 3. CCTs are most useful and cost effective to address issues of (1) extremely poor families, which lag behind basic health and education indicators; and (2) high poverty indicators and income inequality.

Lesson 4. CCTs do not address all social needs and should not replace other working safety net programs. Key issues not addressed include the effects of transient poverty due to loss of employment and income during a crisis. Other programs to be considered for this case include unconditional cash transfers, temporary subsidies to the unemployed, public works or workfare programs, and other active labor market policies.

Lesson 5. Implementation features should focus on selecting a committed and skilled institution to run the program, selecting a good manager and team, building a technically sound and credible targeting system, and putting in place efficient spot-checking and monitoring systems.

Lesson 6. No country has been able to design a workable exit strategy. Though no negative effects on work efforts have been detected so far in these types of programs, the possibility of disincentives for formal employment, negative effects on investments in the variables that affect eligibility, disincentives to productive migration, and other factors should be monitored.

Lesson 7. To improve CCTs, they should be better focused on (1) the quality of conditioned social services (so far, the focus has been on quantity and quality remains a problem); (2) gradual integration of synergetic social services, making sure that administrative capacity and coordination efforts are not overwhelmed and that families are not taxed; and (3) adding portability to CCT benefits (i.e., ensuring that beneficiaries do not lose benefits as they move from one place to another, which is especially critical in urban areas, where the poor frequently move in search of better working opportunities).
REFERENCES


B. SOCIAL ASSISTANCE AND CONDITIONAL CASH TRANSFERS: STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS*

David E. Bloom, Ajay Mahal, Larry Rosenberg, and Jaypee Sevilla

1. INTRODUCTION

I have been asked to synthesize some key ideas that have been delivered during the last 2 days. This is easier said than done, as we have covered so much ground both in formal workshops and informal discussions outside of this room.

It occurred to me that the task of organizing our discussion of social protection and conditional cash transfers might lend itself naturally to the application of a strengths, weaknesses, opportunities, and threats (SWOT) framework. SWOT is a forward-looking, strategic planning method developed about 50 years ago that may be used to evaluate a project or some other undertaking and ensure that expectations are well-formed. While we aren’t interested in any single project or decision-making entity, we may still apply the framework to summarize our exchanges about the general expansion of social protection policies and programs and the use of conditional cash transfers (CCTs).

2. STRENGTHS

I will highlight five key strengths of social protection and CCTs. First, social protection has multiple conceptual justifications, including ones that are ethical, moral, and humanitarian; human rights; social; political; and economic. With respect to the economic development arguments, social protection contributes to economic

* Presented by David E. Bloom. The authors thank Marija Ozolins for her contributions.
well-being by mitigating poverty and vulnerability in the short term, as well as by promoting human capital accumulation and, therefore, higher and more stable economic growth in the long run (in principle).

The second strength relates to the very fundamental analysis by the International Labour Organization (ILO) that empirically demonstrates the affordability of an essential package of social protection (ILO 2008).

Third, CCTs have natural appeal to a broad range of stakeholders, including poor and vulnerable people, national governments, international organizations like the Asian Development Bank (ADB); nongovernment organizations such as the Self-Employed Women’s Association (SEWA) of India; and middle- and upper-class people in ADB’s developing member countries (DMCs), who comprise a large portion of the tax base. In addition, it seems to me that the interests of these stakeholders are reasonably well aligned, which bodes well for the development of social protection portfolios.

The fourth strength concerns the inherently flexible design of social protection and CCTs. A great virtue of these programs is that they can be customized to the great heterogeneity we see in DMCs’ social protection needs and capacities, and their historical, political, economic, and social contexts. I’m speaking here about the range of instruments available (from transfers to insurance to pension mechanisms), and I’m also speaking about the range of design features within these mechanisms (for example, cash versus in-kind transfers; conditional versus unconditional transfers). There are many opportunities for sequencing the development of social protection, as highlighted by the many trajectories possible in the coverage versus “rung space” on the ILO’s social protection ladder. The notion of flexibility also includes the self-scaling feature of many social protection programs. They grow in size during downturns and shrink during recoveries and, all other things held equal, with long-term economic growth.

The fifth strength of social protection and CCTs is that they are moving to the fore of consciousness among policymakers and leading thinkers. I found very compelling the announcement of the September 2009 conference in Hanoi and the agreement of the United Nations Chief Executives to designate the ILO and the World Health Organization (WHO) as lead agencies in the area of social protection. As an aside, good slogans can help to promote awareness and acceptability of social protection; I particularly like the slogan proposed by Cambodian Secretary of State Ngy Chanphal: “Invest now, or pay later.”

3. Weaknesses

With respect to the weaknesses of social protection and CCTs, there are four general points. The first has to do with the justification for social protection and CCTs. I noted the myriad justifications as a strength, but one caveat is the idea that CCTs may conflict with the rights justification. Specifically, CCTs may help people realize the right to a decent standard of living, but the conditionality element suggests
that failure to comply with the condition may lead to denial of the right to a decent standard of living. A rights purist will not find that acceptable, and this may also rub people the wrong way. There are also some practical concerns related to stigma associated with the delivery of CCTs.

Gaps in the evidence base are a second weakness of social protection and CCTs. Although we can plausibly argue that social protection promotes income growth, we don’t yet have a decisive evidence base to support that proposition; in addition, we have yet to estimate private and social rates of return for social protection and CCT programs. Several speakers during this workshop noted the mixed nature of the evidence on the effect of CCTs on actual human capital outcomes. Policymakers may be very worried about the prospect that capturing the benefits of CCTs requires massive complementary investments in the quality of health and education systems. Further evidence is also needed on the moral hazard and dependency implications of some social protection mechanisms (such as unconditional unemployment insurance versus unemployment insurance conditioned on training and search). Such evidence is desirable since the encouragement of dependency is one of the most serious challenges to transfer programs, which are traditionally a pillar of social protection.

Design issues are the third weakness of social protection and CCT. This refers to the much-discussed difficulty of targeting and to the plethora of options social protection designers have. Because excellence is often the enemy of the good, the daunting number of social protection program design features is not necessarily a virtue. At a minimum, it imposes on researchers the great burden of assembling a large body of theory and evidence on the pros and cons of each option. While the utilization of healthcare may improve as a result of a CCT, we also want to know if actual health improves. This burden is magnified by the interactions among different design features, which means that we need to know the pros and cons of these features individually as well as in concert.

Another possible social protection design issue has to do with the fact that not all risks are diversifiable. For example, think of the ability of any social protection program in the world to withstand a global pandemic of H1N1 (swine influenza) or H5N1 (avian influenza). Therefore, some humility is needed when it comes to the claims we make about social protection.

And the final weakness I’d like to note has to do with ADB’s positioning with respect to work on social protection. The problem here is that social protection covers myriad topics (e.g., it includes pensions, social insurance, social assistance, and labor market protections). It’s difficult to imagine ADB hiring true social protection specialists because that would require professionals with an extraordinary range of skills; perhaps this explains why there is no social protection division within ADB departments. Partly for that reason, much of ADB’s social protection work is done by generalists who are often trying to satisfy agendas that are not purely social protection in nature. There is also a significant alignment problem because there is no natural ministry for ADB to engage in the social protection
arena. In many cases, ADB must deal with multiple and possibly rival ministries, which may create severe coordination problems.

4. OPPORTUNITIES

Let’s now turn to five opportunities. First, we have the short-term opportunities created by the economic/financial crisis. The main opportunity here has to do with the light the economic crisis shines on the need for strong systems of social protection. This in turn strengthens the impetus for expanding and rationalizing social protection portfolios—both of which are much needed.

The second opportunity relates to the political will and legitimacy that the crisis generates in support of efforts to get social protection programs in order in anticipation of future economic crises. In this connection, we also discussed preparing for predictable challenges such as the coming population aging. Access to the ADB countercyclical facility seems to be another possible benefit of expanding and rationalizing one’s social protection house.

The third opportunity involves research. As stressed by most of the speakers at this workshop, the micro consequences of social protection and CCTs for poverty, vulnerability, health, education, cognitive function, etc., all lend themselves to research and measurement. I note that some macro research would be useful as well, to estimate the impact of social protection and CCT on macroeconomic performance. We could also fine-tune the message for development bankers by estimating the rate of return on investment in different forms of social protection.

Fourth is an opportunity for ADB to rebrand social protection within ADB so it is more easily understood by staff and makes more sense for them to pursue social protection projects. One aspect of rebranding relates to ADB’s role as a knowledge bank—as a leading source of ideas for DMC policymakers. Opportunities here include the development and application of a protocol for conducting a social protection audit to assess the unmet need for social protection, as well as the production and reproduction of knowledge about the design and implementation of social protection and CCTs.

Rebranding could also extend to ADB’s lending role. ADB’s traditional focus has not been on human capital accumulation, but rather on large-scale physical infrastructure projects. The theory has been that such projects enable economic growth and yield trickle-down benefits to the poor and vulnerable. According to this view, social protection is not very interesting because it is seen as involving the provision of small amounts of money to socially excluded and marginalized groups, with little prospect of recovery. But a new focus would see social protection as an infrastructure-like instrument of economic growth and would aggressively market loans for the expansion, reform, and modernization of social protection programs. These programs would include the training of social protection professionals and the building of administrative capacity, especially the capacity for better targeting.
The final opportunity concerns encouraging greater participation of the private sector in the expansion and rationalization of social protection. In some cases, this might involve legal and regulatory reforms to enable organizations like ICICI (formerly Industrial Credit and Investment Corporation of India), Grameen Healthcare, and SEWA to develop bottom-of-pyramid markets for health insurance, life insurance, and pensions.

5. Threats

Finally, I will highlight five threats to social protection and CCTs. The first threat is the economic or financial crisis insofar as it creates the impetus to act without evidence or thought, and results in social protection programs that may not satisfy unmet needs in a cost-efficient manner. Hasty actions can be especially costly to the extent that they are not easily undone and can lock us into a suboptimal or bad set of institutions. This problem is known in academic circles as “path dependence.”

The second threat is a failure to act because we anticipate an early end to the economic/financial crisis and a quick return to precrisis growth rates. In the face of this attitude, ADB might cede the realm of social protection to other agencies such as the World Bank and the ILO.

The third threat is that ADB may decide to abandon the social protection space altogether and allow organizations such as the World Bank to fill the vacuum and monopolize part or all of that space in the DMCs. It’s hard to see how the loss of competition could serve the purposes of Asia’s poor and vulnerable, and it’s also hard to see how ADB’s mission could be better served by a retreat from this area.

The fourth threat to social protection and CCTs in Asia involves the occurrence of massive health or economic shocks, because social protection and CCT programs don’t necessarily have any circuit breakers built into their design. I am curious to know whether anyone has simulated the effect of massive and widespread shocks on the operation of social protection and CCTs and their backward linkages to public finance.

The final threat is seen when we ask who is driving the social protection agenda. If donors (be it ADB or individual countries) are calling all the shots, various risks arise, including that programs may be less effective than if they were locally controlled and that a DMC may become dependent on donors.

Reference

Thank you very much. Good afternoon.

Time flies. It has been a very intense 2 days. I hope that all of you have felt that you have achieved and learned something. I learned quite a lot.

I would like to express great appreciation to all of you, colleagues and friends. All of you have brought to this workshop your perspectives, your rich experiences, your thoughtfulness, and your great advice. It has been a great gathering of minds and practices. The Asian Development Bank (ADB) has benefited immensely from these contributions. We hope to do justice to these contributions through our next steps in moving forward. The experience, the exchanges during this workshop, hopefully will be fed into social policies, understanding how we, together, can support social development in this region.

Professor Bloom mentioned that the workshop could be a tipping point in changing the way we approach social protection. Let’s hope that is the case. What are some of the key take-aways? For me, there are three: one is conceptual; one is in terms of practice; one is in terms of macro policy or policy implications.

**Concepts.** Conceptually, we understood that social protection is not simply a cost. I am reminded of a book by Robin Burgess and Nicholas Stern back in 1991, titled *Social Security for Developing Countries*. The preface of the book says that, in the development literature, social security is considered a luxury for developing countries. Developing countries are too poor to afford social protection. The book refuted that concept through analysis and case studies. Once again, this workshop reaffirmed that social protection is an investment, a fair and important investment for the future, rather than a mere cost. It is also important for development and growth, because it is investment for human capital accumulation.

Social assistance and conditional cash transfers (CCTs) are important tools in the arsenal of social protection measures. The workshop discussed a number of practices and demonstrated that CCTs can be a very powerful tool. We have learned about the experiences of a number of countries. We also had the benefit of learning the
historical origins of CCTs, which Professor Castañeda brought up last night at the cocktails. We heard about his first experience in the early 1990s, how the first social assistance program was implemented in Honduras. At that time, the World Bank was saying: This is not something we are able to do. We have come a long way since then.

**Practice.** In terms of the practice, I also learned a number of things. There are design and policy considerations that determine which social protection programs are most appropriate. In fact, in one session we learned about country specificity and how to design the programs and not just come up with a one-size-fits-all formulation. Indeed, we cannot generalize too much.

In terms of practice, policy dialogues are very important on the tradeoffs, pertaining to allocative efficiency questions. Further analytic work is needed to support this effort.

We talked about a social protection index, thanks to our International Labour Organization colleagues. We heard about the social protection review and about Professor Bloom’s proposal for a social protection audit, for assessing the supply side, the demand side, and the gaps. There are also practical issues, for example, how to improve the targeting and strengthen administrative capacity to make sure a program runs efficiently and effectively. We also learned how to use the technologies available for cash transfers, such as text messages, ATM cash cards, and postal banks, especially in locations where information technology gaps persist.

Of course there are important issues such as political capture, leakage, and the financing system, which are concerns especially for the donors. All these highlight the fact that development is not a one-shot deal, it’s a continuing, persistent effort.

**Policy.** With respect to policy matters, I think this last session has delivered messages quite well. The Honorable Minister from Papua New Guinea crystallized the particular issue of universal access versus CCTs. The question now is how to deal with this when finance ministers indeed face trade-offs. The discussions certainly brought out some of the ways forward. We need to continue to work hard.

**Next steps.** What are the next steps? We have talked about the “what” and the “so what.” Now, we have to answer the question, “What now?” For ADB, the “what now” is that we should have a series of buildup activities moving forward the immediate term, for the medium term, and for the long term.

For the immediate term, this workshop is part of ADB’s wider initiative to address the social impacts of the crisis and the stress on social protection for inclusive growth, the latter being a key agenda item for ADB’s strategy implementation. The outcomes of the discussions from this workshop will be presented at the forthcoming conference in Ha Noi at the end of September—“Impact of the Global Economic Downturn, Poverty, Social, and Sustainable Development in
the Region.” Our Vice-President extended her invitation to all of you to attend that conference.

For the medium and long term, the results of this workshop and others, hopefully, will feed into the ongoing review that ADB is undertaking on what directions we should take and what priorities we should pursue in the area of social protection. We aim to promote the view that social protection is not just social relief but is indeed a part of development and the “inclusive growth” agenda.

**Aims.** We see this as the objective. To achieve that, of course, we need to work on a number of things. One is a change of perception. It’s a continuing effort to embrace the forward-looking and more comprehensive approach to the framework for social protection—the approach of viewing social protection as a standard and permanent feature of development strategies rather than a measure of last resort during emergencies, viewing social protection not simply as a rescue measure for people mired in poverty, but as a measure that provides greater opportunity and capacity for people to escape from poverty and vulnerability permanently.

These are rather lofty objectives, but by working together can we achieve progress. This is indeed the first part of efforts toward changing perceptions. I am reminded of a policy brief I’ve read recently, written by a professor at the Regional Institute. The policy brief was written for a country’s donor agency and donor country politicians. The key message was that, at this moment, what is needed is for countries in this region and for donor agencies to support economic growth, not to fall into a trap of looking into the vulnerability issues, looking into the social protection issues, social assistance issues for growth. Growth is hard. The question the paper didn’t really talk about is: What constitutes growth policies?

Let me also add one proposal. I hope that this workshop will bring together the policymakers, prominent academics, and practitioners to form a virtual network. Through this virtual network, we can sustain dialogue and sharing of experiences. This will help ADB to move forward with the social protection program.

With that, let me thank you all very much. I would also like to take the opportunity to thank the organizers and my colleagues for a successful workshop.
APPENDIXES
Appendix

Presentation summaries

Presentations not provided in the main report as papers or through an electronic reference are summarized here. The PowerPoint presentations are available online at http://www.adb.org/documents/events/2009/high-level-social-assistance/program.asp.

A. Benazir Income Support Programme

Presented by Omer Bin Zia

As a social assistance tool, cash transfers complement other social protection instruments and services at lower transaction costs and higher value to beneficiaries than provided through in-kind support. Cash transfers impact both short-term (e.g., food security) and long-term (poverty alleviation) measures.

The Benazir Income Support Programme is a cash transfer program provided to female heads of low-income families to compensate them for the reduction of their purchasing power. In 2008–2009, the program covered over 3 million families, or roughly 15% of Pakistan’s population, with an allocation of approximately $425 million. For 2010, the target is to cover about 5 million families with an allocation of $875 million. The program is the largest cash grant scheme in Pakistan’s history. It aims to create citizen’s entitlement vis-à-vis the state and will set the basis for a national social protection system.
B. **IS THE CONDITIONAL CASH TRANSFER PROGRAM AN EFFECTIVE TOOL FOR PROMOTING SCHOOL ATTENDANCE AND POVERTY REDUCTION? THE CASE OF THE PHILIPPINES**

Presented by Hyun H. Son

Based on the paper by Hyun H. Son and Jheidon Florendo, available at www.adb.org/Documents/EDRC/Policy_Briefs/PB051/pdf

A good starting point for investigating CCTs is to perform a detailed ex ante evaluation of the possible impact of such programs. An ex ante evaluation may help policymakers decide on key design elements of the CCT, such as the order of magnitude of the transfers necessary for the desired impact, and the targeted areas and population. An ex ante evaluation also provides an idea of the potential impact one can expect given the design of the program.

An ex ante evaluation was made of the Pantawid Pamilyang Pilipino Program (4Ps), which commenced in January 2008. An estimated 300,000 households were originally targeted under the program; this was increased to 700,000. The 4Ps aims to provide money to extremely poor households in order to allow the family members to meet certain human development goals set by the government.

Key messages emerging from the study include (1) conditionality plays an imperative role in CCT programs; (2) the emphasis on targeting helps maximize the program’s impact and effectiveness; (3) to ensure success, complementing CCTs with other components of social policy may prove meritorious; (4) good governance is an important component of a CCT program; and (5) it is imperative to ensure regular monitoring of operations and rigorous evaluation of the effectiveness of CCT programs, both before and after them.

C. **SOCIAL ASSISTANCE AND CONDITIONAL CASH TRANSFERS**

Presented by Md. Afzal Hossain

In Bangladesh, women have lagged behind men, particularly in literacy and education. In the 1980s, about 33% of the total enrollment at the secondary level was girls and only 5% of them would complete secondary education. As a response, the Bangladesh government implemented a series of projects meant to reduce gender gaps in access to secondary education and increase the rate of female enrollment and education completion.

The government, with various funding agencies, implemented the Female Secondary School Assistance Project, the Female Education Stipend Program, and the Secondary Education Development Project. Together, the four projects covered
191 rural subdistricts (upazilas)—almost 42% of Bangladesh’s 460 subdistricts. With its own resources, the government, through the Female Secondary Stipend Project, covered the remaining 282 rural subdistricts. These interventions increased female enrollment in secondary schools from 33% in the 1980s to 53% in 2002.

To sustain the gains achieved, the Ministry of Education introduced the Pro-Poor Self-Targeting Program through the Female Secondary Stipend Project, which involved the transfer of cash to the poorest 30% of female students and 10% of male students in every class with the following conditions applied to recipients: (1) attend at least 75% of school days per academic year, (2) obtain at least an average 33% mark in the annual examination, and (3) remain unmarried until the Secondary School Certificate/Dhakil examination.

Initial project evaluations have shown an increase in the enrollment and retention of female students in secondary schools, a decrease in the drop-out rate, and a decrease in incidences of early marriage.

D. Social Assistance in the People’s Republic of China

Presented by Wang Jiyang

Social assistance is one of the major components of the social protection system in the People’s Republic of China (PRC). The social assistance schemes have been extended to all cities and in 2002–2008 covered over 20 million urban recipients annually. In the rural areas, over 43 million recipients were covered in 2008. Among the various schemes, the most important one is the Minimum Living Standards Guarantee Scheme (Dibao), which caters to poor rural households with per capita income below locally determined poverty or social assistance lines.

Dibao provides regular cash support to rural poor households to cover the gap between household income and the poverty line. In 2007, the central government began to subsidize local governments, mostly in the middle and western regions, for setting up the scheme. By the end of 2008, all counties in the PRC had set up the scheme, benefiting over 19 million households and 43 million individual recipients.

Key problems faced by the scheme include determining benefit rates and levels vis-à-vis the availability of funds and defining effective targeting methods. In most instances, benefits accruing from the scheme were deemed insufficient to reduce poverty at the household level.
## Appendix 2
### Agenda—Regional Workshop on Social Assistance and Conditional Cash Transfers

**Day 1: Thursday, 23 July 2009**

<table>
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<tr>
<th>Time</th>
<th>Event</th>
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<tr>
<td>9:00</td>
<td><strong>Opening Remarks:</strong> Ursula Schaefer-Preuss, Vice-President, Knowledge Management and Sustainable Development, Asian Development Bank (ADB)</td>
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<td>9:15</td>
<td><strong>Keynote Address:</strong> Esperanza Cabral, Secretary, Department of Social Welfare and Development (DSWD), Philippines</td>
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<td>10:00</td>
<td><strong>Workshop Objectives and Schedule</strong></td>
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<tr>
<td>10:15</td>
<td><strong>Session 1: Social Protection in Asia and the Pacific: An Overview</strong></td>
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<td><strong>Social Protection and Conditional Cash Transfers</strong></td>
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<td>David Bloom, Chair, Department of Global Health and Population, Harvard School of Public Health</td>
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<td></td>
<td><strong>Challenges to Social Security in Asia and the Pacific: Crisis and Beyond</strong></td>
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<td>Krzysztof Hagemejer, Coordinator, Social Security Policy, Social Security Department, International Labour Organization (ILO); and Kee Beom Kim, Technical Specialist, ILO-Jakarta</td>
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<td>11:15</td>
<td><strong>Questions and Answers, Open Forum</strong></td>
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<td>13:00</td>
<td><strong>Session 2: Social Assistance in Asia and the Pacific</strong></td>
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<td><strong>Social Assistance in Asia and the Pacific</strong></td>
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<td>Armin Bauer, Senior Economist, Regional and Sustainable Development Department (RSDD), ADB (paper prepared by Axel Weber)</td>
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<td><strong>Social Safety Net in Cambodia: Gaps and Challenges</strong></td>
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<td>Ngy Chanphal, Secretary of State, Ministry of Interior; and 2nd Vice Chair, Council for Agricultural and Rural Development, Cambodia</td>
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Community-Based Cash Transfer: SEWA’s Experience in Implementing Social Assistance
Jyoti Macwan, Secretary-General, Self-Employed Women’s Association (SEWA), India

Benazir Income Support Program
Omer Bin Zia, Deputy Secretary, Benazir Income Support Program, Pakistan

The Philippine Experience in Social Assistance
Alicia Bala, Undersecretary, DSWD, Philippines

People’s Republic of China Social Assistance
Wang Jihang, Director, General Administration Division, Ministry of Civil Affairs, Department of Minimum Living Security, People’s Republic of China

15:35 Questions and Answers, Open Forum

Day 2: Friday, 24 July 2009

9:00 Recap of Day 1 and Introduction to Session 3

9:10 Session 3: Arguments for and Foundations of Conditional Cash Transfer (CCT) Programs (Theories, Conceptual Framework, and Practice)

Conditional Cash Transfers: Reducing Present and Future Poverty
Emmanuel Skoufias, Senior Economist, World Bank

Conditional Cash Transfers in Latin America Problems and Opportunities
Julia Johannsen, Social Development Specialist, Social Protection and Health Division, Social Sector Department, Inter-American Development Bank

Conditional Cash Transfers: Theory, Practice, and Evidence
Vicente Paqueo, Social Protection Expert

10:45 Questions and Answers, Open Forum

13:00 Session 4: Country Experiences, Benefits, and Challenges of Conditional Cash Transfer (CCT) Programs

Country Experiences, Benefits, and Challenges of the Female Secondary School Assistance Project of Bangladesh
Md. Afzal Hossain, Project Director, Female Secondary School Assistance Project, Bangladesh

Is the Conditional Cash Transfer Program an Effective Tool for Promoting School Attendance and Poverty Reduction? The Case of the Philippines
Hyun H. Son, Economist, Economics and Research Department, ADB

Conditional Cash Transfers: Lessons from Indonesia’s Program Keluarga Harapan
Karin Schelzig Bloom, Social Sector Specialist, Cambodia Resident Mission, ADB
15:00  **Session 5: Lessons From and the Future of Conditional Cash Transfer Initiatives**

  **The Design and Implementation of Conditional Cash Transfer Programs**  
  Tarcisio Castañeda, Social Protection Specialist

  **Summary of Social Protection and CCT Discussions, by way of a SWOT Framework**  
  David Bloom, Chair, Department of Global Health and Population, Harvard School of Public Health  
  Luwalhati Pablo, Undersecretary for General Administration and Support Services Group and National Program Director of Pantawid Pamilyang Pilipino Program, DSWD, Philippines

16:00  **Questions and Answers, Open Forum**

16:45  **Closing Remarks:** Xianbin Yao, Director General, RSDD, ADB
### Table A.3.1. Resource Persons

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<tr>
<td>Anderson, Ian</td>
<td>Adviser, Regional and Sustainable Development Department (RSDD), Asian Development Bank (ADB)</td>
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<td>Bala, Alicia</td>
<td>Undersecretary, Department of Social Welfare and Development (DSWD), Philippines</td>
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<td>Bauer, Armin</td>
<td>Senior Economist, RSDD, ADB</td>
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<tr>
<td>Bloom, David</td>
<td>Chair, Department of Global Health and Population; Clarence James Gamble Professor of Economics and Demography, Department of Global Health and Population, Harvard School of Public Health, Harvard University</td>
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<td>Burkley, Clifford</td>
<td>Social Development Specialist, RSDD, ADB</td>
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<td>Cabral, Esperanza</td>
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<td>Castañeda, Tarcisio</td>
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<td>Chanphal, Ngy</td>
<td>Secretary of State; 2nd Vice Chair, Ministry of Interior; Council for Agricultural and Rural Development, Cambodia</td>
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<td>Hagemeyer, Krzysztof</td>
<td>Coordinator, Social Security Policy, Social Security Department, International Labour Office (ILO), Switzerland</td>
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<td>Handayani, Sri Wening</td>
<td>Senior Social Development Specialist, RSDD, ADB</td>
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<tr>
<td>Hossain, Md. Afzal</td>
<td>Project Director, Female Secondary School Assistance Project (FSSP), Bangladesh</td>
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<td>Schaefer-Preuss, Ursula</td>
<td>Vice-President, ADB</td>
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<td>Schelzig Bloom, Karin</td>
<td>Social Sector Specialist, ADB</td>
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<td>Skoufias, Emmanuel</td>
<td>Senior Economist for Latin America and the Caribbean Region, World Bank</td>
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<td>Son, Hyun H.</td>
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<td>Thant, Myo</td>
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<th>Participant</th>
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<tr>
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<td>Agcaoili, Grace</td>
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SOCIAL ASSISTANCE AND CONDITIONAL CASH TRANSFERS

APPENDIXES
About Social Assistance and Conditional Cash Transfers: Proceedings of the Regional Workshop

The Regional Workshop, held on 23–24 July 2009 at the Asian Development Bank (ADB), brought together people from ADB, its developing member countries, partner development agencies, research institutes, and civil society organizations to share their views and experience on social protection and its modalities, especially the conditional cash transfers (CCTs). The Regional Workshop served as a forum for discussing ideas, experiences, and information on social assistance and CCTs.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Social Assistance and Conditional Cash Transfers
THE PROCEEDINGS OF THE REGIONAL WORKSHOP

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