



# OPERATIONAL INNOVATIONS IN LATIN AMERICA AND THE CARIBBEAN



## CONTROL AND ACCOUNTABILITY MECHANISMS IN CONDITIONAL CASH TRANSFER PROGRAMS

A Review of Programs in Latin America  
and the Caribbean

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To contact us, please email, [lcrknowledge@worldbank.org](mailto:lcrknowledge@worldbank.org)

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**Operational Innovations  
in Latin America and The Caribbean**

**Volume 1 Number 1**

**Control and Accountability Mechanisms in  
Conditional Cash Transfer Programs:**

**A Review of Programs  
in  
Latin America and the Caribbean**

**Social Protection  
Human Development Department**

in collaboration with the

**Operations Services Department**

**Latin America and the Caribbean Region  
The World Bank**

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# Foreword

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Operational innovations are critical to anticipate and meet the rapidly evolving development challenges of emerging economies in Latin America and the Caribbean. Working with a broad range of member countries, the World Bank helps achieve results by delivering flexible, timely and tailored financial services, knowledge services, and strategic advice, while using its convening capacity to further members' specific development objectives.

Drawing on this rich experience, we are pleased to launch our new Operational Innovations Series with a first paper on "Control and Accountability Mechanisms in Conditional Cash Transfer Programs: A Review of Programs in Latin America and the Caribbean". Conditional Cash Transfer (CCT) Programs are being widely adopted in the region and have been shown to be among the most effective mechanisms available to provide basic human development benefits to lower-income people. The paper, based on seven case studies, is an in-depth review of tools and good practices for oversight and control of fraud and error in CCT programs. It also provides guidance on the options and factors to be considered in selecting among different CCT mechanisms.

The Operational Innovations Series is designed to disseminate, in a concise and lucid form, the latest practices and thinking on cutting-edge innovative operational approaches of special relevance to our clients in Latin America and the Caribbean, for readers inside and outside the Bank. Authors are selected for their special knowledge and experience in the topics covered. Examples of upcoming papers include Financial Products, Output-Based Disbursement, the Argentina Fiduciary Action Plan, Performance-Based Lending, and Country Systems in Financial Management.

We welcome and encourage suggestions for further Operational Innovations Papers.

Stefan Koeberle  
Director  
Operations Service Department  
Latin America and Caribbean Region  
World Bank

Evangeline Javier  
Director  
Human Development Department  
Latin America and Caribbean Region  
World Bank

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# Executive Summary

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## Background

Conditional cash transfer (CCT) programs seek to alleviate poverty in the short run while building human capital among the young. As their name implies, these programs provide money to poor families conditional upon investments in human capital, such as sending children to school and bringing them to health centers. Evidence from several countries shows that these programs are well targeted, reduce the poverty of the poorest households, and improve children's education and health status.

At the same time, CCT programs present particular implementation challenges. The number of participants and the volume of individual payments are typically large. Responsibilities are shared across levels of government and among multiple departments. The programs are highly visible national initiatives, not ring-fenced World Bank projects. Consequently, their implementation depends on country systems. Having sufficient control and accountability mechanisms—and strengthening them as needed—is critical to minimize and manage political risks as well as to ensure effective implementation and sustainability of these programs.

## Objectives and Methodology

The aim of this Special Review was to assess the performance of CCT control and accountability systems in programs supported by the World Bank in Latin America and the Caribbean (LAC) and to identify areas that may need to be improved. The purpose of the Review was primarily operational and practical. It sought to identify for task managers a menu of tools and good practices for oversight and control of fraud and error. It also provided guidance on the options and factors to be considered in selecting among different mechanisms. The Review was based on seven case studies, which were analyzed during a two-day workshop held with Bank staff and external specialists in Washington, DC in May 2006; consideration



of OECD experience; and a discussion of findings at an international conference on CCTs held in Istanbul in June 2006.

The Review took several “givens” into account. First, no program is immune from error, and no controls work perfectly. Second, program accountability and control depend on a broad range of factors and mechanisms, as well as on the interrelationships among them. Third, CCT programs are never isolated; they reflect the character of overall national governance. Finally, a definition of “irregularity” must distinguish between fraud and other kinds of failures, such as missing paperwork, administrative mistakes, and weaknesses in service quality.

## Main Findings

Overall, the Review concluded that basic control systems are in place and that risks are generally adequately handled in World Bank-financed CCT programs in Latin America and the Caribbean (LAC). Performance, nevertheless, varies significantly across countries. As the programs advance, more focus will be needed on the definition of institutional responsibilities, on incentives and coordination across service delivery providers, and on implementation of management information and control and accountability systems. The Review stressed the importance of explicitly recognizing potential risks (fiduciary, political, and others) and identifying remedies upfront. On targeting, the Review found that the programs rely on independently verifiable instruments

to reach the poorest, and evidence suggests that they are performing well. CCT payment processes do not appear to carry major risk, given that individual payments tend to be small and the validation of conditionalities reduces susceptibility to fraud. The Review noted positively that all programs incorporate several accountability mechanisms,

which can be reinforced by reviewing institutional arrangements with attention to incentives, clarity of roles, and potential conflicts of interest. The Review also noted the importance of continued strengthen-

ing of quality control—in particular, feedback loops to enable continuous correction.

## Key Recommendations

The main recommendations applying most broadly to the CCT programs are:

- ***Institutional design.*** Define lines of authority and accountability, including administration and service delivery. Align incentives and financing, particularly for intergovernmental responsibilities. Identify risks and remedies up front.
- ***Targeting.*** Focus more attention on possible exclusion errors (that is, eligible households not being included) and consider the need for more frequent recertification of eligibility.
- ***Conditionalities.*** Balance accuracy and the burden of verification. Examine reasons for non-compliance.
- ***Payment processes.*** Improve cash-flow monitoring and associated control procedures.
- ***Management information systems.*** Strengthen frameworks to analyze and design MIS systems. Encourage crosschecking of enrollments with other databases.
- ***Internal quality control.*** Expand process evaluation, feedback loops, and correction mechanisms within programs, particularly through spot checks.
- ***Accountability.*** Ensure appropriate mechanisms to handle complaints and appeals in a timely manner, and publish program data.
- ***Financial management and auditing.*** Define payment accounting and reporting requirements. Focus audits on risks. Include supreme audit institutions.
- ***Procurement.*** Closely supervise the implementation of large service contracts.

The full text of this report, which follows, contains the main findings of the Review. Country examples are included, as well as specific suggestions for improvements.

## Next steps

Key areas for further analysis include continued review of OECD experience; applying specific approaches (such as “backward mapping”) to address institutional design issues; integrating social monitoring; and working on MIS in general and program registries in particular. The Review emphasized the importance of monitoring the evolution of the programs. As these programs age, other issues may become critical—for example, counseling and finding jobs for beneficiaries. It is important to keep the connection with other social protection programs in mind, and with social policies more broadly.

# I. Purpose, Methodology, and Organization of the Review

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*The aim of this Review was to assess performance to date in the control and accountability systems<sup>1</sup> of the conditional cash transfer programs supported by the Bank in the Latin America and Caribbean Region.* In addition, areas that may need improvement were identified. More specifically, the objectives of the Review were to:

- Document and compare practices among programs.
- Assess the design and supervision of these projects in the area of control and accountability, ascertaining that good practices are being followed.
- Identify areas that need to be improved, including which practices should be applied more broadly across countries.

It is hoped this report will prove useful both for CCT programs in general and for specific programs in individual countries<sup>2</sup>.

*The purpose of the report is primarily operational and practical.* The systematic review of existing practices was complemented by specialized and experienced experts within and outside the Bank. The report seeks to identify a menu of tools and good practices for fraud and error control of CCTs (with possible application to social protection instruments such as health insurance, pensions, and disability schemes). The report aims to give guidance to task managers on the options and factors to be considered in order to come up with an appropriate design and effective implementation of control and accountability mechanisms. The study complements the fiduciary reviews that take place during preparation of individual projects.

*This report summarizes the findings of the Review and suggests improvements in the design and implementation of CCT programs.* In short, the Review concluded that basic control systems are in place. There are no major red flags, although there is variation in performance across countries. As the programs advance, more intensive focus will be needed on the definition of institutional responsibilities, on incentives and coordination across service delivery providers, and on the implementation of management information and control and accountability systems. Valuable outcomes of the Review included cross-program comparisons using the same yardstick and inputs from outside review-

ers. These provided several insights into program design and management, which can contribute to improved performance in terms of controls and as broader contributions to social policy.

*The scope of the Review covered the clients' systems of accountability and control.* It focused on existing controls and on activities undertaken by the clients (in some cases, as required under Bank loans). The key elements of the Review were as follow:

- *Case studies.* Programs were analyzed in seven countries. The case studies were carried out with a standard template that covered program design, payment processes, monitoring systems, financial management and auditing arrangements, oversight and governance, social accountability mechanisms, and an overall assessment. The case studies included programs in Argentina<sup>3</sup>, Brazil, Colombia, and Jamaica that are supported by Bank-financed projects. In addition, programs for which Bank loans were approved but not yet effective, or were in advanced stages of preparation, in El Salvador, the Dominican Republic, and Ecuador, were reviewed as to consistency of planned practices with the models and standards in other countries.
- *A two-day workshop.* Each case study was presented, reviewed, and discussed at a workshop held in Washington, DC on May 22–23, 2006. LAC regional staff participated, including the Sector Manager for Social Protection, the Human Development Lead Operations Officer, and Task Team Leaders and team members. In addition, staff from the Bank's Social Protection Anchor participated, as well as staff specializing in financial management, public sector management, and information technology. Three outside experts with experience in U.S. social assistance programs also contributed.
- *Review of OECD experience.* For a broader comparative perspective, information on several relevant OECD programs was gathered. These included experiences from the United States, the United Kingdom, Canada, The Netherlands, and other countries<sup>4</sup>.
- *Discussions at an international conference on CCTs.* Preliminary findings were refined through presentation at the Third International Conference on Conditional Cash Transfers, which was held in Istanbul, Turkey, June 26–30, 2006.

***The Review included experts from many different sectors, both internal and external.*** The task was led by the World Bank's Latin America and Caribbean Region (LCR) Human Development Department (LCSHD). Participants included Task Team Leaders and team members of World Bank projects supporting CCT programs in the region, as well as other World Bank experts on financial management, public sector management and governance, information technology, social protection, and social accountability. Outside expertise was provided by three consultants with experience in social programs in OECD countries.

## Notes

1. The term control is used here to mean ensuring that an organization is operating as intended. Systems of control provide internal and/or external assurance that the management systems are operating well. Traditionally they focus on ensuring the proper accounting of funds and compliance with regulations. Accountability is the obligation to present a history of and answer for the execution of responsibilities through the political and constitutional structure. (Modernizing Government— The Way Forward, OECD, 2005).
2. Specific suggestions for individual country programs are contained in background papers, which will be made available upon request pending discussion with respective government officials.
3. Argentina's Heads of Household Program differs from the other programs in this review in two main ways. One, it is a workfare program, directed at unemployed heads of household. In exchange for the transfer participants are supposed to participate in at least 4 hours a day of eligible work or training activities. Two, it was started as an emergency program, put in place to respond to the social and economic crisis of 2001.
4. This review of OECD experience includes some benchmarking data on a few well-established programs, such as the US Food Stamps and Temporary Assistance to Needy Families (TANF), Jobseeker's Allowance and New Deal programs in the United Kingdom, and some Canadian programs. Some of these data are presented in this summary report; others appear only in the background paper. The review is unpublished but available upon request.

## II. Control and Accountability in CCT

**Conditional cash transfers (CCTs) belong to a new generation of development programs that seek to alleviate poverty in the short run while fostering human capital accumulation among the young.** CCTs are intended to break the inter-generational cycle of poverty. As their name implies, conditional cash transfers provide money to poor families conditional upon their investing in human capital—such as sending children to school or bringing them to health centers on a regular basis. This reliance on market principles, using demand-side interventions to directly support beneficiaries, complements traditional supply-side mechanisms such as general subsidies or investments in schools, health centers and other providers of social services.

**Evidence of positive results of CCTs is rapidly accumulating thanks to systematic impact evaluations that have been built into the design and implementation of CCT programs.** Available evidence shows that the programs are well targeted; reduce the poverty of the poorest households in the short term; and yield improvements in education indicators such as school attendance and retention, as well as in health indicators such as malnutrition, immunization, and prenatal controls<sup>1</sup>. As evidence of impact grows, the Bank's clients are increasingly asking for support to initiate or expand CCT programs. Currently, the Bank is supporting or planning to support programs in Jamaica, Colombia, Brazil, Argentina, Ecuador, El Salvador, and the Dominican Republic<sup>2</sup>.

**CCT programs present substantial implementation challenges.** Typically, the number of participants and the total volume of individual payments are large. Program managers are often under considerable pressure to expedite payments—because of crises, because of the depth and urgency of poverty, or simply because any program that reaches millions of beneficiaries (as successful CCT programs often do) has political implications. Day-to-day responsibility for implementation is usually

shared across levels of government and among multiple government departments. For the most part, the programs are highly visible. They are national initiatives, not ring-fenced World Bank projects; and as such, they depend directly on available country systems for financial management, auditing, and so forth.



**Control and oversight mechanisms are critical to manage and minimize the political risks as well as to effectively implement these programs.** They are important for ensuring the efficient use of public resources (targeting and eligibility), contributing to program credibility and sustainability, and guarding against errors or potential political manipulation. Improper payments can affect the ability of a program to achieve its intended outcome. Furthermore, broad public support is vital in order to maintain social assistance programs. This public support depends, among other things, on CCT programs maintaining reputations for effective prevention of

fraud and for control of errors, especially since cash is the main direct benefit.

**What are the key moments in the development of a control and accountability system?** Box 1 shows the broad categories of activities within CCT programs. The “steps” illustrated here provides a simplified schematic way of looking at generic categories of activity. In practice, most of these activities take place simultaneously and continuously.

**In considering the theme of this study, several facts should be recognized.** First, no program is immune from errors and leakages, even with the best of controls. While comparisons are limited by differences in benefits and measurement standards, fraud and error rates in income support programs in the United Kingdom, Canada, and the United States generally range between 3.5 to 5.3 percent (UK National Audit Office, 2006). Second, adequate program accountability and control depend on a wide range of factors and mechanisms,

<b>Box 1. Broad Categories of Activities within CCT Programs</b>		
<b>Determination of eligibility and targeting</b>	<b>Registration</b>	<b>Establishing conditions and co-responsibilities</b>
This stage—perhaps the most important in terms of minimizing leakage—refers to the process by which potential beneficiaries are identified, and the way decisions are made as to how to allocate program resources among these potential beneficiaries.	This is the process by which rolls of “eligible” beneficiaries are registered. It normally includes updating of information on household composition and collecting documentation such as national identification. Registration is usually combined with training (see below).	In coordination with those responsible for the health and education sectors, CCT programs establish “co-responsibilities”—that is, requirements for beneficiary families to fulfill certain conditions related to children’s health and schooling.
<b>Training</b>	<b>Communications</b>	<b>Social accountability</b>
Training and communications strategies are key to CCT programs. At registration, for example, beneficiaries are trained on their rights and responsibilities, including benefit amounts, frequency of payment, and co-responsibilities. Service providers, local governments, and program staff are trained in aspects such as management of payments, monitoring of co-responsibilities, and handling of complaints.	Communications strategies complement training. Together, training and communication extend outreach and encourage buy-in from society in general.	Special emphasis is placed in many CCTs on strengthening the capacities of community organizations and/or parents’ associations to participate in the monitoring or “social auditing” of program operation. Other mechanisms may be put in place within the program to provide specific and programmatic responses to client input.
<b>Benefit payment</b>	<b>“Operationalizing” &amp; monitoring of co-responsibilities</b>	<b>Information management</b>
This stage represents not only delivery of payments but also the process of determining the amount, frequency, and mechanisms for transfer of funds.	This occurs at several levels—establishing and training of beneficiaries on requirements; ongoing monitoring by local agents; local-level information systems; training of teachers, health workers, parents, private contractors, CCT program staff; information systems that link local information to the payment process; quality-control reviews; and policies on the consequences of non-compliance.	In many ways, the central function of managing a CCT program is to provide a “switch”—that is, to manage the databases that link and reconcile information on beneficiary eligibility, fulfillment of co-responsibilities, and information to and from payment providers.
<b>“Graduation”</b>	<b>Monitoring and evaluation</b>	
Increasing attention is being paid to helping CCT recipients move toward self-sufficiency—for example, complementary SP programs, opportunities for training and even financial support for productive activities (not covered in the present review).	This includes MIS, audits (processes, fiduciary), internal and external quality control mechanisms, complaint management, social controls, and evaluation of impact measured from a baseline.	

as well as on crosschecks and feedback mechanisms among the related elements. Third, these programs are not isolated within their respective countries’ social policies, as they reflect the character of overall governance at the national level. The risk assessment for any program depends on its particular characteristics and national context; and any recommendation needs to factor in the costs and benefits of additional control activities. Finally, the external experts advised that definitions of “irregularity” must be considered carefully. It is important to distinguish between fraud and other kinds of problem, such as missing paperwork, administrative mistakes, MIS errors, and weak service quality.

#### Notes

1. Impact evaluations confirm these programs’ success in reaching the poor and improving their consumption, education, and health. In Colombia, for example, beneficiaries increased average consumption by 15 percentage points more than control households, and children under 2 years grew taller by up to 0.78 centimeters. In Ecuador, between 2003 and 2005, secondary enrollment grew 10 percentage points among beneficiary families of the Bono de Desarrollo Humano CCT program (see Project Appraisal Document, pp. 59–61 and 84–88; and Schady and Araujo, 2005). CCT programs also are efficient in reaching the poor: on average 80 percent of the benefits go to the 40 percent poorest families (Coady, Grosh, and Hoddinott, 2004; Lindert, Skoufias, and Shapiro, 2005).
2. See footnote I.3.

### III. Issues and Findings

*The remainder of this report elaborates upon crosscutting topics that emerged during the Review.* In each of the following sections, specific suggestions are provided on how to improve design and implementation arrangements.

#### 1. Clarifying Institutional Responsibilities

**Clear definition of lines of authority and accountability is the starting point for ensuring an adequate control and accountability framework.** The case studies illustrated activities that require clear lines of responsibility among entities associated with the program—in particular: overall management of the program; targeting; delivery of services required to satisfy the conditionalities (upon which payment can depend); monitoring; and payment. These activities are generally performed by more than one agency and sometimes by more than one level of government. In addition, in some countries nongovernmental actors are contracted to perform these tasks.

**The Review concluded that overall these programs have established reasonable arrangements regarding institutional responsibilities.** Nonetheless, lines of authority and division of responsibility are unclear in some areas for several programs. Ensuring alignment between the incentive structure and financing for adequate performance on the service delivery side may be challenging in some cases. Clear alignment is especially critical when third parties become involved—for example, when local governments, health, and school officials must guarantee accurate reporting and operational integrity. There are no universal criteria dictating who can and should be involved in program management and operation. Bringing in multiple agencies is the norm; but it demands a careful structure of checks and balances. In deciding which stakeholders to involve, programs should carefully consider the rationale for bringing in re-

spective actors, and then the potential incentives for those who participate. Most importantly, designers should avoid conflicts of interest. Each CCT program needs to assess who should be accountable for each component, and these divisions must be transparent. Feedback loops are important for determining how and to whom information flows.

**Intergovernmental responsibilities and incentives are crucial for programs that operate in federal systems, such as Brazil and Argentina.**

It cannot be assumed that local governments will automatically comply with expected behavior in the absence of concrete incentives to do so. When management responsibility is passed to local or municipal levels, incentives must be provided for quality performance. If not, municipalities are simply mandated to operate the program, a burden with which they may or may not comply. As illustrated in Box 2, administrative cost subsidies can serve as incentives linked to quality of performance on certain indicators (Brazil). Realistically, financial support is likely to provide the best leverage. Some programs give municipalities considerable discretion and decision-making authority; and consequently, an ongoing system of monitoring is also needed

at the federal level to ensure service quality and performance. This can be done through audits, spot checks, site visits, suspension conditions, and performance measurement through indicators.

**Project documentation should spell out responsibilities held by different agencies for all processes, as well as corresponding incentives.** The Review recommended that all CCT programs should provide clear lines of responsibilities for all processes among cooperating agencies. This should be done during project preparation and documentation, as well as in project operations. The goal is to ensure that responsibilities are not only well defined but also well understood, and that financial and



## Box 2. Aligning Incentives Where Institutional Implementation is Decentralized

How can financial incentives be used to enhance effectiveness where programs are implemented through decentralized institutions? Here are examples from Brazil and from a U.S. program that is similar in many respects to a CCT.

- In Brazil's Bolsa Familia program, determination of eligibility is managed at a centralized level based on a means test. However, many aspects of Bolsa's operations—for example, the biannual recertification and monitoring of compliance with education and health co-responsibilities—are managed by municipalities. The Social Development Ministry provides a performance-based financial incentive to municipalities to promote good implementation. Specifically, the ministry monitors municipal implementation quality using a four-point "decentralized management index" (IGD), which covers key indicators of registration quality and verification of compliance with conditionalities. IGD scores are calculated monthly. Based on these scores, the Ministry pays municipalities a prorated administrative cost subsidy. Municipalities with IGD scores lower than 40 do not qualify for a subsidy; however, the Social Development Ministry monitors low-scoring municipalities and provides technical assistance to help improve performance.
- The food stamp program in the United States provides financial incentives for accurate targeting. Individual states are financially penalized if their combined targeting error rate exceeds the national average. Conversely, they receive enhanced administrative funding if their combined error rate is less than 6 percent and they do not have a high negative case error rate. Data show that error rates have gone down over time. The percentage of improper payments dropped from 8 percent in 1999–2003 to 6 percent by 2003. Most improper payments were a result of error, not fraud. In 2002, the states paid penalties of US\$46 million

other incentives are aligned with each agency's responsibilities. Brazil, for example, has developed a table listing each component of program operation and which agency is responsible for its management and monitoring. The Review also noted that it is important to be explicit and upfront in recognizing risk factors and identifying remedies.

**The suggested institutional analysis to ensure clear responsibilities should answer a series of relevant questions.**

- Are institutions and responsibilities mapped clearly, or are there potential overlaps or voids?
- Are assigned responsibilities aligned with incentives? If not, how to address the gap?
- Do institutions have adequate technical and managerial capacity to fulfill their roles?
- Are accountability and feedback mechanisms adequate for solving problems?
- Are institutions insulated from political influence and manipulation?
- Do the roles envisaged for each actor pose potential conflicts of interests?
- Are there mechanisms to reinforce accountability—for example, crosschecking data used to identify beneficiaries with local or country knowledge; and mutual accountability mechanisms that allow beneficiaries to hold service providers accountable while service providers confirm beneficiary compliance with conditionalities?<sup>1</sup>

**Beyond describing overall program design, project documentation needs to be particularly clear in spelling out lines of authority and**

**accountability.** Unambiguous explanations must be provided on who is expected to do what, and for what incentives? One way to do so is through a kind of institutional analysis known as *backward mapping*<sup>2</sup>. This analysis departs from the points of service delivery. It looks at everything that must happen to make a particular process work, including what agencies must have at each level in order to do the job that is expected of them. This tool may prove to be useful in identifying the support and oversight mechanisms necessary for effective, on-the-ground service delivery. Once program managers understand exactly what happens at each point of service, they have a far better idea of what is needed from the larger governance structures.

## 2. Targeting

**Current systems minimize inclusion errors.** One of the specific aims of the Review was to assess the extent to which the CCT programs are handling the risk of inclusion errors. Overall, the programs seem to be doing fairly well in minimizing leakage of resources to ineligible or better-off households. In general, the Review found that current practices are satisfactory—the current systems were found to minimize inclusion errors. For most countries, the evidence supporting this conclusion comes from independently verifiable sources, generally nationally representative household surveys. It should be recognized that performance is being observed in many contexts where institutional capacity in general is weak. Thus, while no one would dispute the need for continued vigilance in monitoring the processes of inclusion, these positive findings were encouraging. On the other hand, the external experts

who participated in this Review also pointed out that dwelling too much on this issue has a different downside—possible distraction of attention from other areas needing attention, for example inter-institutional arrangements.

**The programs that were reviewed make use of a range of mechanisms to target benefits and program enrollment.** The most common instrument in LAC is the *proxy means test*. This term denotes a system in which scores for applicant households are generated from characteristics that are fairly easy to observe—for example, the location and quality of the family’s dwelling, the durable goods they own, the demographic structure of the household, levels of education, and adult occupation in some cases. The indicators and weights to calculate individual scores are derived from deeper statistical analysis based on household surveys, usually regression analysis or principal components. Information gathered from the applicant can be at least partially verified from home visits or by asking the applicant for written confirmation of selected information. This is combined with categorical targeting (that is, children of eligible households generally need to be younger than a certain age).

**In many countries, a proxy means test appears to be the most straightforward, practical, and reliable way to gauge household poverty<sup>3</sup>.** Particularly in countries with large informal economies, there is no alternative central database from which to confirm a household’s actual income, as might be possible through employment or tax records in Europe or the United States. Proxy means tests are sometimes combined with geographic targeting that allocates funds differentially to certain municipalities or regions. Spatial quotas are especially used where resources are significantly constrained. In Brazil, for example, spatial quotas are applied during a phase that precedes household-level targeting. Interestingly, locally based targeting appears to be less common in Latin America than in other regions, and there may be opportunities to explore locally based mechanisms as checks on existing instruments. Systems for determining targeting effectiveness could be improved—for example, through more frequent validation of the actual quintile distribution of CCT recipients against the statistically ideal distribution that would be observed if targeting were to be perfectly implemented.



**Two important exceptions to the use of proxy means instruments were found in the case studies.** Brazil uses a self-reported simple means test, and Argentina uses a combination of categorical and self-selection. Under self-selection, a program is open to anyone who meets the categorical criterion; however, the program is designed with other requirements that are assumed to encourage participation by the poorest families while discouraging the non-poor. In Argentina’s Heads of Household Program, this involves at least four hours a day of eligible community work, or alternatively, participation in education and training activities.<sup>4</sup> The programs in both Brazil and Argentina perform well on targeting. In Bolsa Familia, 73 percent of transfers reach the poorest quintile, and 94 percent goes to the two poorest quintiles. In the Heads of Household Program, about half of all beneficiaries are from the bottom quintile, and 80 percent are from the bottom two quintiles. For a sense of how these results stack up and how other countries are performing in general, see Table 1, which looks at targeted workfare and conditional cash transfer programs in several countries.

**Exclusion errors could become a more serious issue over time.** Although CCT programs generally appear to be managing the risk of inclusion errors (as described above), *exclusion errors* (that is, non-inclusion of eligible households) could become more of a problem, especially in countries where programs are constrained for budgetary or geographical reasons. Even if inclusion errors are minimized—that is, if all CCT recipients fall within the lowest

quintiles of the income distribution—there may be eligible citizens who are not targeted or recruited into the program. This can happen for several reasons. First, many countries use a two-phase system starting with geographic targeting that excludes less-poor areas from the second phase of household targeting. This ensures inclusion of people who live in areas of concentrated poverty, but it can exclude poor households who happen to live in mixed or upper-income areas. Second, CCT programs have enrollment ceilings in some countries that can create competition for program slots. It is unclear how many otherwise eligible households are not receiving CCT benefits in some countries, information that would be important to know. Analysis should also consider the degree of discretion in the making of eligibility decisions. Discretion can introduce risks of corruption and political influence into targeting, which CCT programs need

Table 1. Comparisons of Several Targeted Workfare and Conditional Cash Transfers Programs				
	Poor population (Percentage or estimated number)	Targeting performance (Percent of coverage and benefits going to the poorest quintile)	Leakage (Percent of benefits going to ineligible persons or households)	Undercoverage (Percent of eligible people not taking up the benefit)
Food stamps (US)	17.1 (relative poverty)	Coverage: N/A Benefits: 80	6.63 (2003)	45.3
Temporary Assistance to Needy Families (US)	17.1 (relative poverty)	Coverage: 52 Benefits: 66	15 (Texas)	
Jobcentre Plus (UK)	11.4 (relative poverty)		7.4 (end 2002)	
Guaranteed minimum income (France)	7 (relative poverty)		6 (2000)	35–48
Oportunidades (Mexico)	21 (21.5 million people)	Coverage: 31 Benefits: 34%		
Chile Solidario (Ficha CAS, Chile)	17 (2.7 million people)	Coverage: 3 Benefits: 56		

Source: Background paper on OECD Countries. Data from Mexico and Chile are from 2004.

to address—for example, by ensuring clear, transparent selection criteria or through channels such as citizens’ committees for challenging decisions.

### 3. Frequency of Eligibility Recertification

***The frequency of recertification of eligibility (that is, the application of a proxy means or other income test) may need to be increased.*** At a minimum, CCT programs need to re-evaluate their assumptions about the stability of recipient eligibility and the frequency of recertification. Among OECD countries, it is common to require recertification after two years or less. This is also the case for Chile’s scoring system, the *Ficha CAS*. Among OECD countries, households are also obligated to report changes in circumstances that affect family eligibility. In many LAC countries, recertification is less frequent, often because of institutional capacity or resource constraints. In many places and circumstances, it is relatively unlikely that a large number of people will move in and out of poverty over a short period, so longer recertification cycles can make more sense. However, this cannot simply be assumed; it must be tested too. Even if capacity or resource constraints realistically prevent more frequent recertification, managers should nevertheless understand the implications of current practices on their targeting results. Furthermore, even if poverty is found to be persistent, it would be financially unsustainable for programs to establish benefits as entitlements for life. This Review therefore recommended considering a flexible eligibility range rather than a hard-and-fast line (the Jamaica program uses such an approach). This recognizes transient poverty and the dynamic nature of family income, and it accommodates sudden changes and shocks to family livelihood strategies.

### 4. Compliance and Supervision of Conditionalities

***The Review found that the treatment of conditionalities varies significantly across countries.*** These range from automatic discontinuance for noncompliance to “gentler” approaches, such as visits by social workers who encourage and facilitate compliance (at least at first) while providing feedback to improve service delivery. While non-enforcement obviously increases the risk of beneficiary abuse, overly strict enforcement may exclude beneficiaries too hastily. It is important to fully understand *why* beneficiaries are not complying with their conditionalities. In some cases, requirements may not have been fulfilled; but in other cases, services may not have been available (for example, insufficient health or educational facilities). Similarly, centers may not always be accurate or report fully on the clients they serve. The bottom line is that countries need to strike a balance—and clearly spell out procedures—between accuracy on the one hand and the cost and burden of verification on the other. In general, most countries appear to have found reasonable equilibrium in their own ways.<sup>5</sup> The reviewers suggested that greater opportunity for mutual learning might help some of the programs to find that balance more efficiently.

***The responsibility for reporting on conditionality compliance also varies widely among programs.*** This has repercussions that need to be recognized. In some countries, the family must verify compliance; in some it is the responsibility of the service provider to record and report; and in others, both parties are given a record of compliance to provide a back-up system. While having providers record and report compliance may simplify the

administrative process and reduce the burden on beneficiaries, the providers often have little incentive to do so, and they must be given appropriate assistance. In most cases, it is much more difficult to verify compliance with health than with education conditionalities. Most schools have attendance systems in place, and can share their lists with the CCT program. Health centers, on the other hand, must often implement new systems for tracking visits of CCT participant visits. They are often reluctant to comply with what they perceive to be a new burden. Programs should anticipate and proactively address this challenge to increase the likelihood of timely and accurate reporting.

***Finally, it is important to recognize the trade-off between administrative requirements and participation.*** For example, in the Food Stamp program in the United States, client and administrative burden was thought to discourage participation. This problem has been addressed recently through the streamlining of these requirements. Similarly, CCT managers need to assess their priorities as decisions are made on implementing controls. Extensive controls may reduce some of the errors, but they can also discourage participation among those who might otherwise be eligible.

## 5. Improving Program Management

***Procurement risks are low, but close supervision of implementation is required.*** According to the outside experts who participated in this Review, most fraud and corruption in US social assistance takes place in the context of large contracts. In general, CCT programs include few such contracts, although there are some examples where supervision of conditionalities or the payment process is contracted out. Standard Bank procedures focus on competitive awarding of these contracts through appropriate mechanisms. It is equally important to ensure proper supervision of contract implementation and apply sufficient crosschecks, because third parties are not accountable to citizens or program participants in the same way that public agencies are. Staffing of CCT agencies is sometimes subject to political influence, although for the most part this does not seem to affect technical-level staff. As for all Bank-financed projects, procurement needs to be closely supervised, and these programs require no less attention to procurement than any other project.

***Payment processes entail relatively low risks overall, though monitoring could be improved in general.*** The Review concluded that CCT payment processes do not seem to carry major risks. The size of individual transfers tends to be small, and the validation of conditionalities reduces potential misuse of funds to a large extent, depend-

ing of course on the capacity for enforcement. One way or another, the programs must maintain rigorous documentation of cash flows and clear procedures for dealing with non-collection and non-receipt of benefits. The process can be audited using standard procedures, which may include “continuous audits.”

***The payment processes in most CCT programs do not appear to carry major risks.*** However, cash flows (including non-receipt of benefits) should be carefully and continuously monitored. In addition, in several projects there were suggestions to improve the control processes on uncashed checks and to benchmark CCT debit card trends against normal debit card trends. Several ways to improve and secure processes were identified in the Review. These include:

- ***Monitoring cash flows.*** Not all countries that issue benefit checks have systematic, secure systems for monitoring distribution, collection, and processing. To reduce the risk of theft, all CCT programs need guidelines for monitoring the possession of checks and for dealing with uncollected checks.
- ***Non-receipt of payment.*** Countries need mechanisms to ensure that benefits are delivered to registered beneficiaries who comply with their co-responsibilities.
- ***Rural access to payments.*** Regional differences may present a challenge in the development of payment systems. Rural regions will not all have access to banks or to electronic payment systems. This needs to be considered at the outset of system design.
- ***Payment system selection.*** While debit card payment systems may provide the highest degree of accountability and ease of service, any system can work with proper controls. None of the CCT payment processes described appeared unworkable. So long as a program maintains rigorous documentation of cash flow and clear procedures for dealing with non-collection and non-receipt of benefits, payment system decisions can generally be guided by local context and available infrastructure.
- ***Monitoring debit card fraud.*** Countries that use debit cards must also monitor their use systematically. In Argentina, for example, a study is underway to benchmark CCT debit card trends against normal debit card trends. Significantly more cards reported as lost or stolen would signal possible fraud linked to the program. As the use of debit cards increases in other countries, cross-country comparisons could help determine which mechanisms are most effective.

## 6. Stronger Management Information Systems

**MIS is the backbone of CCT programs.** The Review showed a general need for a stronger and more consistent framework for analysis and design of appropriate systems. Even if malicious errors never occurred, safeguards are needed to protect against unintentional human error. One approach that has been used covered the categories of technical processes and management and business risks. For *technical processes and management*, four general areas should be carefully designed or reviewed. Depending on the stage of the project, these are (1) the IT team capacity and structure, including roles and responsibilities; (2) IT systems infrastructure (hardware and software procurement and maintenance plans); (3) IT development and maintenance cycle (development environment and processes, quality assurance, production, and production support and maintenance); and (4) IT-specific risk management (country infrastructure capacity, and so forth. From the *business perspective*, the main areas are (1) data, information, and records management (that is, management of supporting documentation for each process); (2) network management (that is, service standards and disruption tolerance); (3) information security and access control; and (4) event and data transfers within and across agencies.



**Some questions need to be asked.** For example, is there a disaster management strategy? Who has data access authorization? Is this compatible with the mapping of institutional responsibilities? What mechanisms are in place to detect and solve false transactions? Are these adequate given the mapping above? What are the mechanisms for data and record management? What are the mechanisms for event and information exchange management? Finally, given the tradeoff between increasing levels of accountability at the local level and the need to maintain somewhat centralized decision-making and problem-solving processes, what are the minimum MIS requirements that guarantee an effective balance?<sup>6</sup> Specific mechanisms in this framework include crosschecks of beneficiary databases with other databases (tax records, civil registries, and so forth.), IT system audits, backup processes and databases, data access authorization rules, and record management.

**Several programs crosscheck household enrollments with databases for taxes, employment, civil register, and so forth.** If capacity exists, this

lends itself to a strategy for monitoring and for generating information when remedial action is required. In most cases, undue costs and administrative burden can be avoided. This tool is standard in many OECD countries. It requires a unique identification number (the equivalent of a social security number) assigned to each beneficiary and family member. Identification systems of this sort are not yet in place in every country; their development constitutes a priority for CCT programs.

## 7. Improved Internal Quality Control and Correction Mechanisms

The Review concluded that all of the programs have externally contracted process or operational audits in addition to financial and procurement audits; but *internal* process evaluation, feedback loops, and correction mechanisms could be improved.<sup>7</sup> Spot checks can be an efficient mechanism for ongoing program monitoring. Rather than extensive operational audits, spot checks are often just as effective—and much less expensive to ensure that programs are working as expected. Like backward-mapping, spot checks are based on the principle that

the big picture can often be captured by looking at the details. Spot checks can be used as an internal form of process evaluation, allowing programs to self-correct problems as they arise and to focus on specific issues detected by program managers. They may be better if undertaken in-house, because feedback is more likely to lead to quick remedial action. The importance of internal business process monitoring was also underscored. Audits should be integrated into the responsibilities of a specific office and person, not tacked on as an additional burden. Audits need to be included in management routine and used to provide real-time feedback on the quality of processes. Information received from activities such as M&E, field visits, operational audits, and monitoring of uncollected payments provides information on the quality of controls and validation processes. This information can serve as feedback to improve processes. In sum, bits of information received as continuous feedback can provide low-cost complements to less-frequent periodic exercises such as audits. This feedback can enhance the sustainability and effectiveness of control efforts.

**In addition to the mechanisms discussed above, a comparative background paper was prepared to draw ideas from relevant OECD experiences.** Box 3 suggests several lessons, primarily from the United States and the United Kingdom.

### **Box 3. Lessons from OECD Experience in Controlling Error and Fraud**

A background paper on OECD experience suggests several tools that might be applied more broadly in the Latin American region. For example, sample-based reviews of eligibility decisions (and other program aspects) are used in the U.S. food stamp program. Data mining is employed to discover evidence of problematic payments. Extensive use is made of educational activities and public communication, as well as the setting of goals on errors and fraud and the monitoring of performance. Some “easy” mechanisms can be encouraged—for example, online reporting of suspected fraud. Procedures can be established for beneficiaries to appeal eligibility and other decisions by program administrators.

A key lesson from the OECD country cases is that measuring error and fraud, following up on findings, and taking public action work. Programs have succeeded in both reducing problems and changing broader social attitudes toward fraud. This is a challenge that is all too familiar for governments across Latin America.

***Good management, a positive internal culture, and appropriate national support to deal with program challenges are also essential.*** Solid systems and procedures will not in themselves guarantee an effective program. Cultivating and supporting the human capacity of CCT programs is just as important as technical and procedural development. In some cases, financial risk can be reduced by creating a program climate where petty bribery and fraud is not tolerated.

#### **8. Mechanisms to Increase Accountability**

***The outside reviewers appreciated that all of these programs considered accountability in multiple ways, including downward.*** This feature can be a strength so long as arrangements are carefully structured with attention to incentives and clarity of roles, avoiding potential for conflicts of interest. The external experts emphasized the importance of continued strengthening of quality control and correction mechanisms (feedback loops) and accompanying MIS systems to further enhance the quality and security of services. The Review also suggested a number of areas for potential improvement, as follow.

***Complaint and appeals mechanisms could be strengthened.*** CCT programs need to develop clear systems for dealing with complaints. Recipients and program staff must know which office or staff member can answer questions. This party should also be accountable for resolving issues,

thereby reducing back-and-forth “ping-ponging” between offices. They should have the authority to resolve simple issues on the spot, and they must be prepared to suggest clear steps on how to resolve issues that are out of their bounds. Local offices should have access to central databases, allowing them at least to check on the status of beneficiaries in the system. Beneficiaries need to understand what their entitlements actually are, and how to seek remedy if their entitlements are not received.

***Some programs operate hotlines.*** These can be effective not only for complaints and for questions but as a social accountability mechanism, because the public can call in and report program abuse. In Brazil and Argentina, hotlines seem to have played an important role. However, the extent to which this experience should be extended to other countries—whether hotlines are worth the investment of time and resources—is not clear. If a hotline does exist, it needs to be well managed in order to function effectively (which is not always the case for all programs). Systems need to be in place to channel and manage cases that are reported.

***An independent line of appeals also reduces errors.*** It can help provide justice to individuals, and it can serve as a mechanism for reducing the risk of systematic denial to people who are in fact eligible. It may be appropriate to offer the right of appeal to a second decision maker within the administering agency as well as to someone who is independent of the initial decision point.

***Monitoring and transparency go hand in hand.*** It is good practice to publish official program data and information on program contracts. This keeps the program transparent and creates an additional layer of public accountability. It also provides an incentive to fix problems as they arise. The Review found potential to improve the transparency of CCT programs, particularly by posting information regarding processes and indicators on the Internet. If programs are monitoring the kinds of indicators that need to be tracked for proper management, then transparency costs should be minimal, as the information would exist in any case. Some CCT programs publish public listings of all recipients as a social accountability mechanism. This may increase transparency and has not been highly controversial in most countries; however, the external experts advised that this step needs to be considered carefully and in the context of each country’s cultural norms regarding privacy and confidentiality.

***Social accountability mechanisms can complement monitoring and auditing.*** Overall, the Review found that this area merits further analysis and improvement. Some CCT programs have a system of

municipal or citizen councils. In some cases, however, the roles and authority of these councils are unclear. While this may be effective for including public voices and increasing program accountability, they do not work without a clear set of duties and active participation in program management. To reduce risks of corruption and manipulation, programs need to ensure balanced, objective mechanisms for selecting local council members. Their level of discretion in inclusion and exclusion decisions needs to be monitored.

***In general, the outside experts viewed social accountability mechanisms as complements, not substitutes, to formal audits and internal monitoring. To create incentives to critique and reign in the activities of others, each player requires a defined role in the monitoring process; and they should be encouraged to take complementary positions. In some countries, social accountability mechanisms and local monitoring councils are already in place for other programs. Whenever possible, accountability mechanisms should be part of the overall public sector management structure, not parallel, program-, or project-specific. Community advocates might also be considered. Too frequently, recipients of public benefits do not feel “entitled” to complain when they do not receive the quality service that they deserve. Community advocates can address such situations through independent hotlines and informal local forums.***

***Formal evaluation is the most thorough way to gauge program impact.*** Many CCT programs in Latin America have been at the cutting edge of evaluation techniques. Recent developments in this area involve innovative activities such as collecting data on the recipients who exit the program to ascertain their status and why they are leaving. Such information may provide useful insight on outcomes. Findings from such studies have been a major factor contributing to the continuation of programs across different government administrations. Thus, they contribute in and of themselves to greater impact and sustainability.

***Management of CCT programs during politically charged periods can present heightened challenges related to accountability.*** CCT programs play important roles in many countries’ social policies. They often figure prominently in political debates, which are often most intense just before elections. In several countries, the World Bank has worked with managers and policymakers to help formulate “pre-election” measures to minimize the risk—and also the perception—of political influence on CCTs and other social programs. These measures have included additional audits, freezing of new registrations into the CCT programs during the campaign season (this reduces the risk, and prevents

even the *impression* of, “vote-buying” accusations); and deferring certain types of publications about the CCT programs during the pre-election period. In many countries where the World Bank is involved, task teams are able to use technology to systematically monitor press reports. Extracted data can be used to devise indicators of public perception. These are often helpful in identifying and analyzing specific political risks.

## 9. Better Financial Management and Auditing

***The broad basic elements of a successful CCT program are not inherently different from those of many other programs supported by World Bank operations.*** In cases where financial management of the implementing agency is already satisfactory, traditional internal controls need only be reinforced. They can be expanded through additional accounting and reporting requirements—for example, monitoring payments to individuals, or reconciling payments made by agents. Where the implementing agency is new or capacity is weak, project design should include components to strengthen institutional capacity as a whole and financial management practices specifically. As far as possible, strengthening components should include methodologies for streamlining reconciliations of databases used for payments to eligible beneficiaries. It is also important to remember that financial management systems rely on the *quality* of information systems in general, so a reliable MIS is at the heart of proper financial management and auditing.

***The tendency toward “over-auditing” should be resisted.*** Careful risk assessment should identify actual risks. The terms of reference for audits should focus on those areas only. Broad-brush approaches generally provide very little added assurance beyond financial audits. Audits should look at overall program management issues. They should be used as management tools rather than simplistic “bean-counting exercises.” The Review found that countries sometimes focus too narrowly on numbers, rather than on building capacity to investigate and correct problems. CCT programs must be understood as long-term government priorities. They are not time-limited as are “normal” investment projects. During assessment, it is important to carve out a role for supreme audit institutions, as well as ensuring adequate internal auditing within the CCT program executing agencies. Also, it was noted that in the context of World Bank loans, audits should not be used as ex-ante disbursement mechanisms; rather, audits should be used as ex-post verification.

***A range of mechanisms—top down and bottom up—can be used to improve the financial management of CCT programs.*** Some pros, cons, and examples of each are summarized briefly in Table 2.

Table 2. Pros and Cons of Selected Control and Accountability Mechanisms			
Mechanisms	Pros	Cons	Where?
<i>Top Down</i>			
<b>Supreme audit institutions</b>	Country systems, resources, international standards	Influence/effectiveness depends on their standing in country	Nearly all LAC countries
<b>Call centers</b>	Client service, important in decentralized environments, accountability, monitoring	Needs to operate very well, or can backfire	Argentina, Brazil
<b>Public prosecutors</b>	Accountability, consequences for corruption	Impact limited, few cases, expensive	Argentina
<b>Spot checks</b>	Manageable, provides quick feedback on implementation	None really	Colombia, Argentina
<b>Crosschecking data bases</b>	Inexpensive, quick	Need to have technical prerequisites in place (unique ID, informatics capacity and expertise)	Argentina
<b>Concurrent audits</b>	Provides timely information that can be acted on in the short-run	Cost considerations	Argentina
<b>Public disclosure of information on program</b>	Transparency, not costly since program should have information	Privacy issues	Brazil
<b>Evaluation</b>	Most basic accountability, independent	Delays in results, expensive to do everywhere	Colombia, Brazil, Argentina
<i>Bottom-Up</i>			
<b>Neighborhood and municipal commissions with civil society, beneficiary participation</b>	Takes advantage of skills/commitments in some places, may be closer to beneficiaries	Depends on volunteers, role needs to be defined carefully, can't make up for general weaknesses	Argentina, Brazil
<b>Committees of mothers</b>	Empowerment of beneficiaries, close to clients, strong self-interest	Depends on volunteers, may become "intermediaries"	Colombia
<b>Civil society organizations</b>	Third-party, close to client	Potential conflict of interest, lines of accountability?	Argentina, El Salvador

## Notes

1. The effectiveness of mutual accountability is enhanced through citizen oversight committees in Colombia and trained community promoters in Mexico. Similar practices are being employed in newer CCT programs in other regions.
2. For a more extensive discussion of backward mapping, see Richard Elmore, 1980, pp. 601–16.
3. Castañeda, Lindert, et al, 2005.
4. As explained above, the Heads of Household Program in Argentina is different in several important respects from other CCTs in LAC.
5. It should be noted that in cases where the Bank finances transfers, special attention is paid to mechanisms for reconciling databases on eligibility, including compliance with relevant conditionalities. Payments databases help ensure that systems are capable of identifying and rectifying errors before borrowers request Bank reimbursement. If discrepancies are not encountered at the reconciliation level but are identified during financial and process audits (or from any other source), the Bank will request a refund from the borrower equal to the amount erroneously disbursed.

6. A more detailed background paper on information systems issues is available upon request. As follow-up to this study, a team of World Bank information technology experts is developing a toolkit for MIS in CCT programs.
7. More detail on the specific formal oversight and control mechanisms is provided in the case studies. Further systematization of the different models and experiences is an area for potential research and analysis.

## IV. Summing Up and Next Steps

*The Review highlighted the value of sharing experiences across the countries and bringing in neutral outsiders for fresh perspectives.* Overall, basic control and accountability mechanisms appear to be in place in the CCT programs reviewed here. No major issues were flagged for urgent concern. That does not mean of course that there is no variation in performance, nor a lack of room for improvement. The Bank must continue to support its clients in improving all aspects of program management, especially management and information systems. Institutional responsibilities must be clearly defined and aligned with incentives for all actors. CCT programs need to be systematic in their use of accountability mechanisms. In addition, the Review flagged that issues will change and evolve over time. Once the basic concerns of startup are reasonably addressed, other issues—for example, errors of exclusion—may become more significant. One practical implication for World Bank projects is that it is vital to continue reviewing and updating risk assessments throughout the life of our projects, rather than simply updating the ratings of the risks identified at the outset. This should occur periodically during project supervision for each program, as well as in the cross-sectional fashion as carried out in this CCT Review, as part of periodic portfolio reviews.

*During supervision, an eye must also be kept on where we hope these programs will evolve in the longer term—for example, toward the Chile Solidario model, or the Employment and Training Insurance program in Argentina.* When this happens, other issues become more critical—for example, the skills of those who counsel clients, increased coordination across social assistance programs, and broader strategies for job creation and insertion of beneficiaries into the labor market. Similarly, it is essential to focus on the links between CCT programs and the effectiveness of service delivery associated with the co-responsibilities, as well as on the broader social policy goals and instruments available in the countries.

The Review identified a range of possible improvements to CCT programs, including suggestions for particular programs. The main recommendations which apply most broadly to CCT programs are:

- **Institutional design.** Define clearly the lines of authority and accountability for the program,

including administration and delivery of services. Ensure alignment of incentive structure and financing, particularly for intergovernmental responsibilities. Identify risks and remedial measures for design flaws.

- **Targeting.** Focus more attention on possible exclusion errors (non-inclusion of eligible households) and consider the need to recertify eligibility more frequently.
- **Conditionalities.** Assist countries to balance accuracy and the cost and burden of verification; increase focus on the reasons for non-compliance; and recognize the tradeoff between administrative burden and participation.
- **Payment processes.** Improve monitoring of cash flows and control procedures, particularly in cases of non-receipt of payment.
- **Management Information Systems.** Apply stronger frameworks to analyze and design MIS systems—the backbone of CCT programs. Promote (where possible) the crosschecking of enrollments with other databases.
- **Internal quality control.** Expand process evaluation, feedback loops, and correction mechanisms within programs, particularly through spot checks.
- **Accountability.** Strengthen complaints and appeals mechanisms and promote transparency by publishing program data.
- **Financial management and auditing.** Ensure that traditional control measures include the accounting and reporting requirements related to payments. Focus audits on risk areas. Carve out a role for supreme audit institutions.
- **Procurement.** Closely supervise the implementation of large service contracts.

*The Review and subsequent discussion with LCR highlighted a number of areas for further attention and analysis.* These include:

- Use of this report as a “checklist” to identify and monitor the most significant, specific control and accountability risks under each program.<sup>1</sup>
- Continued attention to lessons from OECD experience.
- Institutional design issues, including practical applications of the “backward mapping” approach.
- Potential issues related to exclusion.
- Broader connections between CCT programs and public sector management.
- Integration of social monitoring mechanisms

(for example, which steps of the process, how to coordinate with formal control mechanisms, how to systematize social accountability).

- How to deepen the relationships between CCTs and the rest of social protection and social policy.
- More detailed work on management information systems in general, program registries in particular.<sup>2</sup>
- Internal quality control mechanisms, and public disclosure of monitoring and operational indicators.
- Work on political economy, especially the broader governance dimensions. A related look at communications strategies for CCT programs.
- Further systematization of the various models and experiences with respect to formal oversight and controls mechanisms—both external (including supreme audit institutions) and internal.

***With the systematization of risks provided by this Review, the next step for task teams and LCR management is to bring our clients into the discussion.***

There are many reasons to do so, not the least their practical expertise. The team that carried out this Review is currently working with staff in other parts of the Bank to engage with clients and other stakeholders to share experiences and promote mutual learning. In large measure, these activities as well as others identified above will be covered within the enhanced budgets for supervision (or preparation for new activities) provided to these projects, including consolidation of some resources to finance analysis across programs. The team is also working to mobilize additional resources for this activity, perhaps through the learning budget or in connection with related events taking place regionally or internationally.

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## Notes

1. Subsequent to the review, all LCR task teams for Bank projects supporting CCT Programs prepared tables that identify risks, current status, indicators to be monitored, mitigation measures, and remedies. For projects in countries facing pre-election periods, particular attention was paid to measures being used to minimize politicization—or perceived politicization (see discussion on “Management of CCT Programs during politically charged periods” above).
2. As mentioned above, a team of Bank IT specialists is currently working on an MIS toolkit for CCT programs.

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## World Bank Projects

To find information on World Bank projects go to <http://www.worldbank.org/> and search under “Projects and Operations”. You can enter the Project Identifier (for example, P073578, included below in parentheses).

Argentina - Social Protection VI Project - Jefes de Hogar (Heads of Household). (P073578)

Argentina - Heads of Household Transition Project (P055483)

Brazil - Bolsa Familia 1st APL (P087713)

Colombia - Human Capital Protection (P069964)

Colombia - Social Safety Net Project (P089443)

Dominican Republic - Social Sectors Investment Program (P090010)

Ecuador - Bono de Desarrollo Humano 1st APL (P098167)

El Salvador - Social Protection project (P088642)

Jamaica - Social Safety Net Project (P067774)

## Program websites

Argentina Seguro de Capacitación y Empleo (Training and Employment Insurance) Program.  
<http://www.trabajo.gov.ar/seguroc/index.asp>.

Argentina - Jefes de Hogar  
<http://www.trabajo.gov.ar/programas/sociales/jefes/conaeyc/conaeyc.htm>

Brazil - Bolsa Familia  
<http://www.mds.gov.br/programas/transferencia-de-renda/programa-bolsa-familia>

Chile – Chile Solidario  
<http://www.chilesolidario.gov.cl/>

Colombia - Familias en Accion  
<http://www.accionsocial.gov.co/contenido/contenido.aspx?catID=204&conID=157>

Dominican Republic - Programa Solidaridad  
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