

CONDITIONAL CASH TRANSFERS (CCTS) IN LATIN AMERICA AND THE CARIBBEAN



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OUTLINE

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CCTs around the World:

Concepts, traits, trends, and results

CCTs in Latin America & the Caribbean

Key features and issues

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CCTS AROUND THE WORLD



Goals and defining characteristics of CCTs

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Twin goals

- Immediate poverty relief through transfers
- Long-term poverty reduction by enhancing human capital

Characteristics

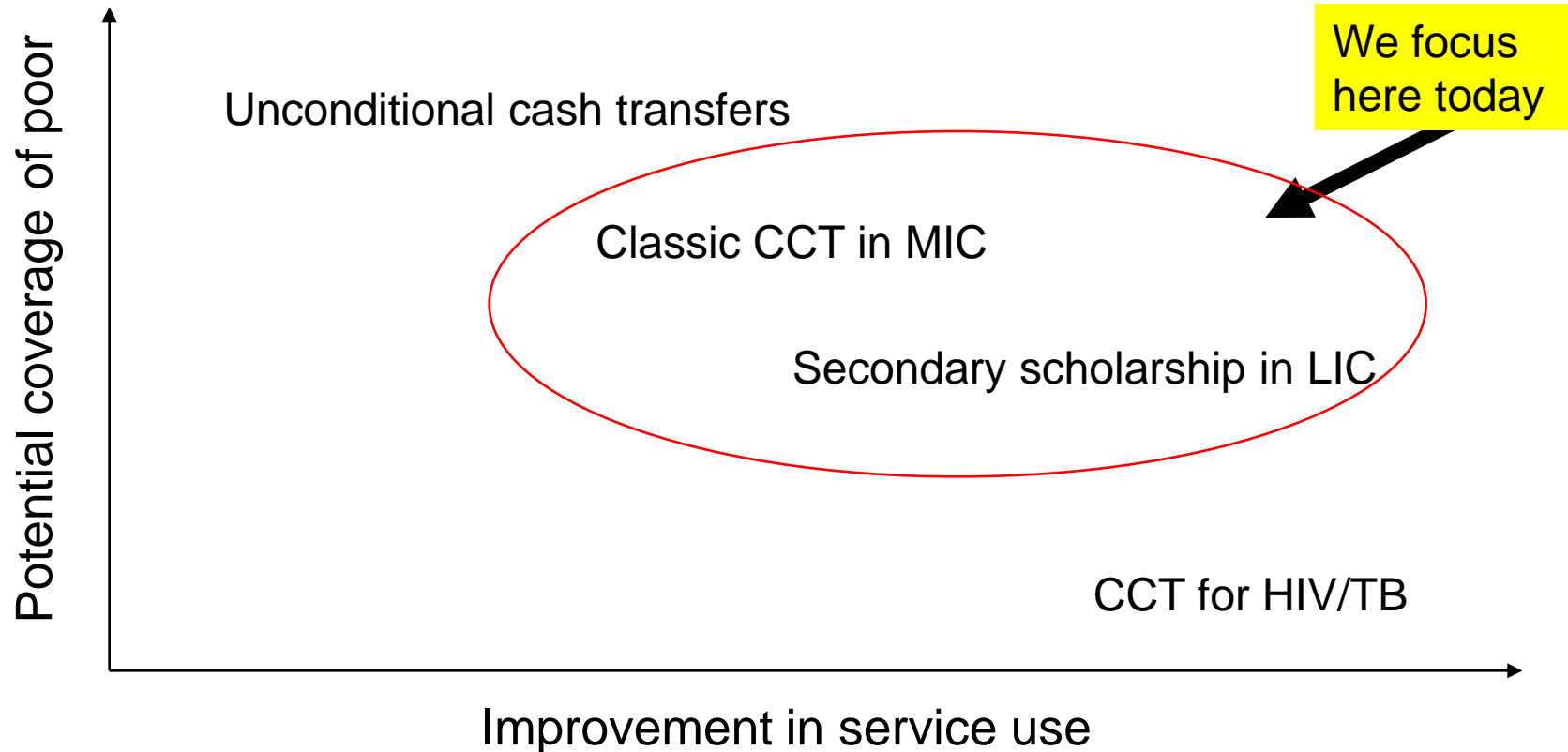
- Transfer cash
- To poor households
- Conditioned on attending school and using preventive health care
- Strong administration and clear operating principles

Diversity among programs

- Focus and co-responsibilities
- Scale and generosity
- Institutional arrangements

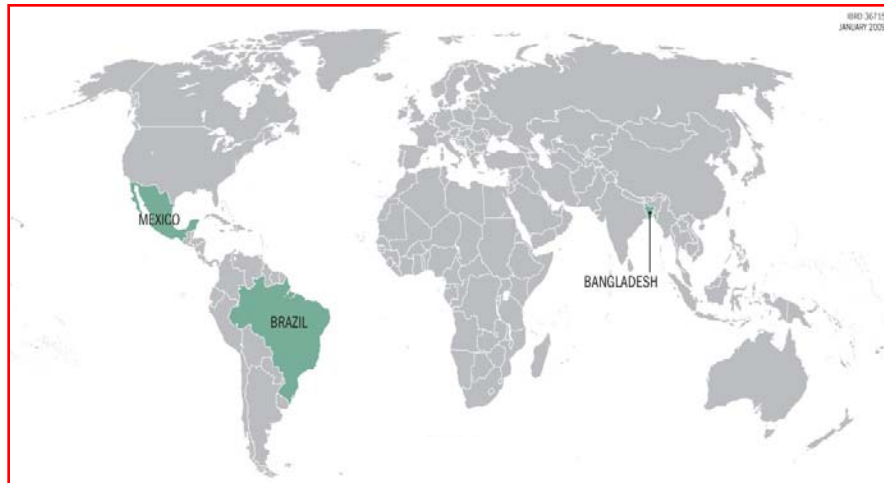
CCTs are a particular type of cash transfer

Impact of different cash transfers on coverage and service use



CCTs have grown from LAC across the world

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1997



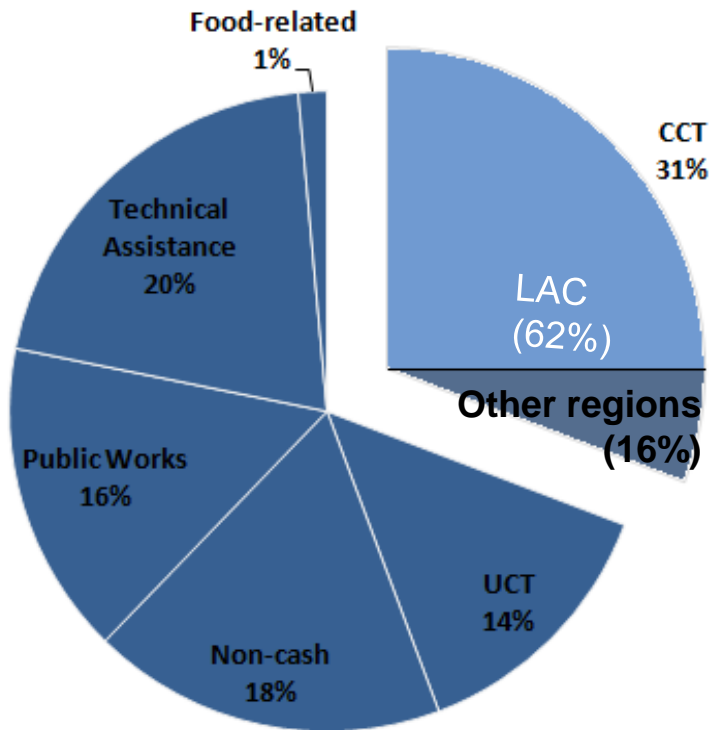
2010

The Bank supports CCTs in about 40 countries using the full array of our instruments:

- **Lending**: 39 projects in 22 countries from FY01-11: \$5.4 billion, of which \$4.6 billion LAC
- **DPLs**
- **AAA and NLTA**
- **S-S learning**
 - Global and regional conferences
 - LAC's "CCT Community of Practice" now includes 14 countries
 - Dozens of study tours, mainly to Mexico, Colombia, and Brazil

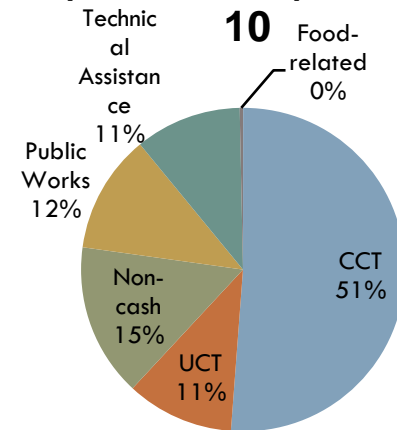
Bank supports many safety net instruments

Lending to SSN (US\$ billion) - FY02-10



GLOBAL

Lending to SSN (US\$ billion) FY02-



LAC

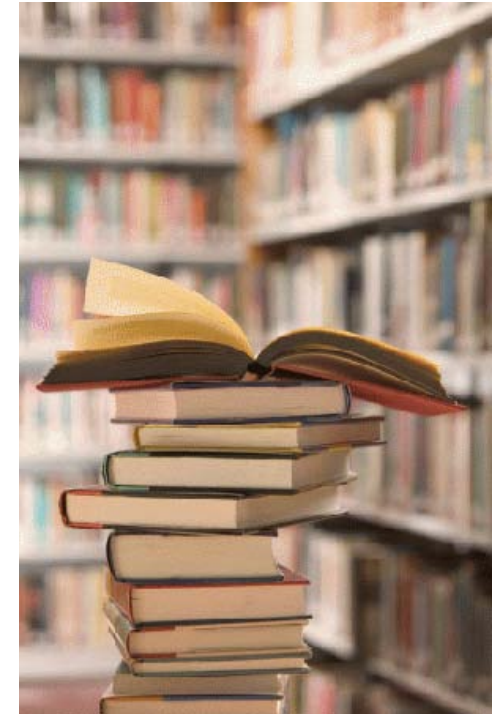
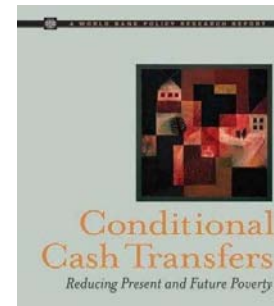
CCTs have been heavily studied & evaluated

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- ▣ Among the most studied of all programs
- ▣ Hundreds of studies, including academic
- ▣ Widespread media scrutiny

World Bank Research

- Dozens of studies and impact evaluations
- Summary in Policy Research Report 2009



Beneficial impact on poor, children, gender

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Success as social assistance:

- Good targeting
- Reduced poverty and inequality
- Cost effective
- Reduced child (not adult) labor
- Some hhd's save and invest more

Success in raising service use:

- Higher school enrollment
- Often more years of schooling
- More use of health services
- Gains largest among neediest

Improvements in outcomes less known, but finding:

- **Nutrition:** stunting & anemia down
- **Health:** lower morbidity, higher detection of breast cancer, diabetes
- **Learning:** higher in Mexico; similar to non-beneficiaries elsewhere
- **ECD:** improved self-confidence, language development, memory recall and motor skills
- **Employment:** more jobs, higher status jobs, higher earnings

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CCTS IN LATIN AMERICA AND THE CARIBBEAN



Programs respond to different client needs

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Mexico & Brazil share similarities...

- Large, generous programs for 25% of population, cost 0.4% of GDP
- Have improved efficiency of social assistance
- Good registry systems and steady innovation and improvements

...but have done many things differently:

- **Mexico** replaced badly targeted programs with *centralized* system focused on *human capital* and linked with *health and education*
- **Brazil** merged 4 pre-existing systems into a *decentralized* system focused on *poverty* reduction and linking to *other social programs*

Design has steadily improved over time

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- **Jamaica PATH program** shifted focus to secondary education, skills and employment when health impacts fell short of expectations
- **Guatemala** focused on reducing malnutrition by targeting poorest and linking to expanded service
- **Colombia** strengthened a mature program with links to social services, training, housing, etc.

A track record of good governance

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CCTs have sound technical systems and clear rules

- ❑ Objective, verifiable targeting criteria
- ❑ Strong MIS monitors conditions and safeguards management
- ❑ Payments via banks depoliticize program and limit diversion
- ❑ Quality control better than for other programs—including spot checks, cross-checks, hotlines, grievance and redress tools
- ❑ Regular audits, a record of transparency and public information
- ❑ Systemic and robust impact evaluation

Results make programs politically durable

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- **CCTs have a “virtuous circle”** of accountability, where evaluations and reviews → improvements
- **Results + accountability** engender sustainability
- **Well-managed programs with results** are also good politics, and survived many political changes
- Programs need to be protected from **politicization**

CCTs complement other social policy tools...

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By encouraging use of social services

- CCTs boost demand for health and education
- Countries also increasing supply
- Focus shifting to quality of those services

But CCTs are not a substitute for jobs

- Other programs important for livelihoods and jobs: e.g. training, job search, microfinance
- CCTs link beneficiaries to such programs



Frequently Asked Questions

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- **How important are conditions?**
- **What about dependency, exit, and graduation?**
- **What are the costs?**
- **Can CCTs help in crisis?**

Are the conditions important?

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Do conditions increase service use more than a transfer alone would? **Probably yes.**

- Theory, simulations, and practice show that they do
- Controlled experiments underway to verify this (Malawi)
- Conditions may also enhance political viability

However...

- May be tradeoff between coverage of poor and use of services
- Some controversy on desirability of conditions

Bank position:

- CCTs and UCTs both valuable if use is properly tailored

What about dependency, exit and graduation?

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CCTs have not reduced adult labor

- ❑ Benefits low enough to maintain work incentives
- ❑ Households invest in livelihoods
- ❑ Programs have lowered child labor

Children or households exit or graduate when

- ❑ Fail to comply with conditions
- ❑ Children outgrow eligible age
- ❑ Family no longer poor

CCT programs are likely to endure

- ❑ Break stop-go cycle of patron-dependent programs
- ❑ Takes a generation to break cycle of poverty
- ❑ Require small share of public spending
- ❑ Survive political transitions

How much do CCTs cost?

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Total costs

- About 0.4% of GDP for larger programs
- Often replace more expensive, badly targeted programs
- Countries spend far more on regressive programs: e.g. 4% of GDP on pension deficits for upper income people

Administrative costs

- Under 10% for most mature, large programs

Can CCTs help during crises?

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- ❑ In food price crisis, CCT benefit increases help protect the chronically poor
- ❑ For financial crises: CCT targeting mechanisms do not identify the 'new poor'
- ❑ **Brazil's *Bolsa Familia*** and the financial crisis:
 - ❑ Expanded by 1.3 million families by raising income ceiling
 - ❑ Increased amount of transfers by 10%



In sum...

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CCTs an important and increasingly used tool

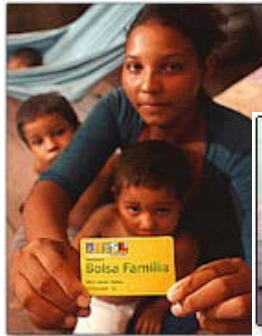
- ❑ Proven record of measured results for poverty and HK
- ❑ Rigorous accountability practices
- ❑ In use from Brazil to Yemen



But not a panacea

- ❑ Require good management and defined focus
- ❑ Other good social assistance options remain
- ❑ Require good health, education, and employment services

THANK YOU



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REFERENCE SLIDE

Impact Evaluation shows: CCTs are very tightly targeted

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