An Overview of Conditional Cash Transfers and Social Funds

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Outline

- Overview of Social Funds
- Overview of Conditional Cash Transfers
- Key Issues for Discussion
What are Social Funds?

– Financing mechanisms that promote public investments in small projects identified by local groups -- communities, local governments and NGOs

– They represent the World Bank’s first large-scale experience in financing small, community-driven development projects (as opposed to top-down investment plans from sector ministries)

– They primarily finance small-scale infrastructure in health, education and water/sanitation,

– They place a strong and growing emphasis on local capacity building and strengthening community-driven development

– They engage in a wide range of activities – employment generation, post-natural disaster reconstruction, outreach to vulnerable groups/orphans, work with ethnic minorities ….all highly contingent upon country circumstances
Design and Operational Aspects

Social Funds

- Appraise, finance and supervise but do not implement
- Operate like private sector companies:
  -- efficient, low overheads
  -- outside civil service norms
- Often use poverty maps to channel funds to poor areas

Have operational autonomy

- Are multisectoral and demand-driven: finance diverse projects according to community’s expressed need
- Are run by nationals

Require co-financing from beneficiaries, to ensure projects are demand-driven

- Use project menus with ‘negative’ and ‘positive’ lists
- Are accountable and transparent: communities manage own funds; have equal access to information

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Often use poverty maps to channel funds to poor areas
The Scale of Social Funds

– Since their inception in the late 1980s social funds have received close to US$9 billion in financing from multilateral development banks, bilateral donors, and government/community contributions.

– The World Bank has financed close to US$5 billion in over 120 projects in almost 60 countries, making social funds the cornerstone of the Social Protection and Community-Driven Development portfolio.
What has been the welfare impact of Social Funds? Results of a 6 country impact evaluation

**Targeting the Poor**
- Social funds have been generally progressive, but there is a lot of variation across countries and types of sub-projects; they do not always reach the poorest

**Impact on Infrastructure**
- a clear, positive impact on infrastructure in education, health and water/sanitation

**Education**
- SF financed improvements in infrastructure have usually been accompanied by an increase in the availability of non-infrastructure inputs (teachers, textbooks)
- resulting in positive, significant changes in enrollment/attendance in many country evaluations and/or other outcome indicators (age for grade; dropout)

**Health**
- SF financed improvements in health have usually been accompanied by an increase in the availability of key non-infrastructure inputs (medical equipment, staff)
- although levels of key inputs remain low in SF and non-SF facilities
- the generally positive, significant impact on utilization is not accompanied by clear, significant changes in health outcomes, except in Bolivia
Water

- Increased coverage has reduced time and distance to the nearest water source
- ….resulting in positive, significant changes in health outcomes in three of the four cases studied (all but Honduras), including <5 child mortality impacts

Sewerage

- SF investments have increased access to sanitation, although connection rates remain low
- …..resulting in positive impacts on health outcomes (diarrhea) in one of the two cases studied

Latrines

- SF investments have increased access to sanitation
- resulting in positive impacts on health outcomes in one of the two cases studied
Pros and Cons of Social Funds

Pros

- Progressive targeting
- Established welfare impact
- Agile, technically strong institutions
- Versatile
- Strong monitoring and evaluation systems

Cons

- Don’t always reach the poorest
- Systemic sectoral problems remain unresolved (poor staffing, lack of medicines, etc.)
- Autonomous = disarticulated (sometimes)
- Have no ‘exit strategy’
What are Conditional Cash Transfer Programs (CCTs)?

- Demand-side interventions that provide money to poor families *conditional* upon investments in human capital (school attendance, health care)
- Focus primarily on both income support (short-term) and human capital accumulation to break the inter-generational cycle of poverty (long-term)
- Combine a focus on education, health and nutrition
- Generally two types of grants – family-based for health/nutrition and individual grants for education
- Have mainly been implemented in high inequality, middle income countries with strong administrative capacity and available health and education services
**Design and Operational Aspects**

- Combine a focus on health, education and nutrition
- Usually make cash transfers to mothers
- Rely on education, health staff to monitor compliance
- Sub-contract many services (verifying compliance, payments systems, etc.)
- Are run by nationals
- Usually very centrally managed
- Often use poverty maps to channel funds to poor areas; proxy means tests to target poor households
- Need strong administrative capacity

**Conditional Cash Transfers**
Target Population

- Poor families and individuals in poor areas
- Geographical targeting
  - Uses poverty maps and administrative data
  - Usually target Poor communities with available supply-side services in health and education
- Household/individual targeting
  - Uses proxy means tests
  - Health and nutrition grants are targeted to families; education grants to individuals
  - Children are prioritized; sometime pregnant mothers; elderly and disabled (Jamaica PATH)
  - Transfers made to mothers
CCT Education and Health Grants

Education Grants
- Cash transfer per individual contingent upon school enrollment, attendance, promotion
- Targeted to primary (and sometimes secondary) school children
- Different methodologies for calculating grant size, with very different transfer levels across countries

Health/Nutrition Grants
- Cash transfer per family contingent upon health check-ups for children and nutrition education for mothers
- Targeting varies: newborns up to age 2-3, sometimes pregnant mothers or all pre-primary children (up to age 5)
- Cash transfer aimed at food consumption, as well as; transfer by family (vs. individual)
- Different methodologies for calculating grant size, with very different transfer levels across countries
## Transfer Levels

<table>
<thead>
<tr>
<th>Program</th>
<th>Education</th>
<th>Total</th>
<th>Health/Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oportunidades (Mx)</td>
<td>61.54</td>
<td></td>
<td>21.44</td>
</tr>
<tr>
<td>Bolsa Familia (Br)</td>
<td></td>
<td>64.29</td>
<td></td>
</tr>
<tr>
<td>Familias en Acción (CO)</td>
<td>53.21</td>
<td></td>
<td>31.38</td>
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<tr>
<td>Chile Solidario</td>
<td></td>
<td>22.11</td>
<td></td>
</tr>
<tr>
<td>PATH (Ja)</td>
<td>27.36</td>
<td></td>
<td>27.36</td>
</tr>
<tr>
<td>RPS (Ni)</td>
<td>31.91</td>
<td></td>
<td>53.59</td>
</tr>
<tr>
<td>PRAF (HO)</td>
<td>22.49</td>
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<td>31.30</td>
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</tbody>
</table>

World Bank (2003)
The Scale of CCTs

- The largest, most well-known programs originated in Latin America
  - Mexico (PROGRESA, now Oportunidades) – 1997
  - Colombia (Families in Action), Nicaragua (Social Protection Network), Jamaica (PATH) – early 2000’s
- Many programs are now central elements of countries’ social protection/poverty reduction strategies
  - Mexico – Oportunidades reaches close to 5 million people (25% of the population) with an annual operating budget of close to US$2 billion -- about 0.4% of GDP
  - Brazil – Bolsa Familia – now reaches 8 million families and the government hopes to achieve universal coverage (around 11.2 million families) by 2006
- …and part of broader social assistance reforms
  - Mexico has phased out the general subsidy to tortillas
  - El Salvador is using CCTs as part of an integrated development plan for it poorest 100 municipalities with supply and demand-side support
- …representing an important share of beneficiaries’ household income
  - About 25% of beneficiaries’ household income in Honduras, Nicaragua
Results: Education

Primary Enrollment

- Mexico: 94%, 95%
- Nicaragua: 93%, 75%
- Honduras: 82%, 85%
- Colombia: 94%, 94%

Secondary Enrollment

- Mexico: 70%, 78%
- Colombia: 64%, 77%

Dropout

- Mexico: 13%, 9%
- Nicaragua: 7%, 2%
- Honduras: 9%, 5%

Repetition

- Control: 37%, 18%
- Treatment: 33%, 13%

## Results: Child Health

<table>
<thead>
<tr>
<th>PROGRESA</th>
<th>Baseline</th>
<th>Net change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Child Aged 0-2 Growth Monitoring Visits</td>
<td>0.22</td>
<td>30-60%</td>
</tr>
<tr>
<td>Probability of Illness for Children Aged 0-2</td>
<td>0.4</td>
<td>-12%</td>
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<table>
<thead>
<tr>
<th>RPS</th>
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</thead>
<tbody>
<tr>
<td>Percentage of children less than 3 years old participating in growth monitoring</td>
<td>56</td>
<td>29 % points</td>
</tr>
<tr>
<td>Percentage of children 12-23 months old with complete timely immunization</td>
<td>35</td>
<td>18 % points</td>
</tr>
</tbody>
</table>

Source: Gertler 2000 and IFPRI 2002
Results: Consumption

- Total spending and food spending (Brazil BA, Mexico, Honduras, Nicaragua)
- Caloric intake (Brazil BA, Mexico)
- Dietary diversity (Brasil BA, Mexico, Nicaragua)
- Child malnutrition (stunting) (Mexico, Nicaragua)
- Protection during crisis (Nicaragua)

<table>
<thead>
<tr>
<th>Consumption</th>
<th>RPS areas</th>
<th>Control areas</th>
<th>Net change</th>
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<tbody>
<tr>
<td></td>
<td>Baseline 2000</td>
<td>Follow up 2001</td>
<td>Baseline 2000</td>
</tr>
<tr>
<td>Per capita annual total expenditures (Nicaraguan</td>
<td>N$4310</td>
<td>N$4498</td>
<td>N$3929</td>
</tr>
<tr>
<td>cordobas)</td>
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</tr>
<tr>
<td>Per capita annual food expenditures (Nicaraguan</td>
<td>N$2922</td>
<td>N$3165</td>
<td>N$2684</td>
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<td>cordobas)</td>
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Pros and Cons of CCTs

Pros
- Progressive targeting
- Established welfare impact
- Promote synergies in HD over time and across sectors
- Administratively efficient
- Strong monitoring and evaluation systems
- Have changed accountability relationships, especially at the local level

Cons
- Don’t always reach the poorest
- Systemic sectoral problems remain unresolved, especially supply side
- Administratively burdensome
- Have no ‘exit strategy’
- Have changed accountability relationships, especially at the local level
Questions to keep in mind

- How to effectively combine ‘top down’ CCT structures with ‘bottom-up’ SF approaches?
- What is the role of local government and communities?
- How to leverage the technical capacity developed in these effective public sector institutions?
- How to reach the poorest of the poor?
- How to effectively combine proven supply side and demand side interventions?
- How to effectively work with line ministries?