The long view: South America's conditional cash transfer experience

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Cash rewards to families that send their kids to school and try to keep them healthy have proven successful; their application in Brazil is now being reassessed to make them work better

Conditional cash transfers (CCTs) are an innovative mix of poverty-reduction and human-development policy. These programmes have become widespread in Latin America over the past decade and are now being exported to other parts of the world, including Asia and Africa.

Latin America's CCTs have several core features: cash (as opposed to in-kind) transfers to mothers, a clear and objective selection mechanism to target the poorest and human-capital related conditionalities. The latter consist of a requirement that beneficiaries comply with conditions such as regular school attendance for kids of school age as well as health-monitoring visits to clinics for younger children and pregnant women.

For most advocates of CCTs, these conditionalities are the most important component. In their view, the conditions mark the difference between CCTs and other social assistance programmes for the poor, as the former are intended to have long-term effects on the well-being of future generations. But arguments about their effectiveness and cost are hotly debated. Some critics question the costs of monitoring the conditionalities as well as their potential exclusionary effect, as only children with access to education and health services are able to comply.

Expanding provision

The Brazilian experience with CCTs is somewhat different from that of other Latin American countries. It started with municipal-and state-level trials in the mid-1990s, before the federal government came up with national schemes implemented by four different ministries in the early 2000s. Education-related cash transfers were implemented by the education ministry, covering children between the ages of 7 and 14, while the nutrition-related programme was the responsibility of the health ministry and targeted children under the age of seven and pregnant women. Other ministries managed cash transfers related to food security and the phasing-out of the cooking-gas subsidy.

The Bolsa Família was created in 2003 with the merger of four national cash-transfer schemes. The unification led to the consolidation of a single registry of potential beneficiaries and made the social-development ministry its operational manager. After that, the programme expanded quickly until it reached 11m families (25% of the population) by the end of 2006. Unlike in other countries in the region, the expansion in Brazil did not take into account the existing supply of services to enable families to comply with conditionalities. Recently the government decided to expand the programme to 12.9m families in an attempt to increase coverage and to cushion the effects of the economic crisis.

Minimising inequality

Evaluations of the Bolsa Família have showed that the programme helped reduce inequality, being responsible for some 21% of the recent fall in inequality and extreme poverty, and improved education outcomes, without having a negative impact on labour-force participation, which was one of the major concerns in terms of potential negative impacts. Where the programme failed to have its intended impact – in health and nutrition – supply-side constraints seemed to be the major obstacles. An important impact that is overlooked by many analysts is the public-management effect of the programme. The use of the single registry and of incentives to municipalities to improve the quality of their information has proved an effective tool for better managing social policies. Thanks to the Bolsa Família, different levels of government have better information on the quality of life and the needs of the poorest populations. The challenge is to tailor and integrate social policies and to find out how to make them work, beyond the delivery of cash.