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## COUNTRY STUDY

### CASH TRANSFER RESEARCH PROGRAMME

# THE CHALLENGES OF EL SALVADOR'S CONDITIONAL CASH TRANSFER PROGRAMME, *RED SOLIDARIA*

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COUNTRY STUDY PUBLISHED BY THE INTERNATIONAL POVERTY CENTRE

## **THE CHALLENGES OF EL SALVADOR'S CONDITIONAL CASH TRANSFER PROGRAMME, *RED SOLIDARIA*\***

Tatiana Feitosa de Britto\*\*

### **CASH TRANSFER RESEARCH PROGRAMME**

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### **ABSTRACT**

In the context of the increasing prominence of conditional cash transfers (CCTs) in the development agenda of many developing countries, this Country Study provides an analytic overview of the challenges faced by El Salvador's CCT programme, *Red Solidaria*, (*Solidarity Network*). The purpose is to generate an information base for comparative studies on the prospects and potential difficulties of implementing CCTs in country settings different from those of the pioneer programmes, such as in Brazil and Mexico. The study describes *Red Solidaria's* origins and components and discusses major aspects of its design and implementation. A particular emphasis is placed on the programme's co-responsibilities, exit rules and targeting strategy. The study also covers the topics of institutional structures, intersectoral coordination and political support for such programmes. The conclusion is that *Red Solidaria* is an informative example of how a small country with limited resources can successfully set up a complex CCT programme. Still, the study notes that there are pending issues and remaining challenges for the programme. These relate, in particular, to strengthening mechanisms of local participation; coordinating the CCTs with other dimensions of *Red Solidaria*, such as productive projects; lengthening the duration of benefits for meeting human-capital objectives; clarifying eligibility requirements and how changes in family conditions can affect such requirements; and distinguishing conditionalities from ordinary programme co-responsibilities. An issue of overriding importance is to develop a broader long-term social protection strategy for El Salvador, with which CCTs would be integrated instead of being regarded as a stand-alone programme.

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## 1 INTRODUCTION

Conditional cash transfers (CCTs) have been frequently highlighted as an innovative tool of social protection. They combine the short-term objective of alleviating poverty with incentives for families to increase their investments in human capital so as to break intergenerational poverty traps. Since their first introduction in large, middle-income countries, such as Mexico and Brazil in the mid-1990s, they have become popular across Latin America, harnessing substantial support from multilateral agencies and donors.

This Country Study discusses one of the most recent CCTs implemented in the region, *Red Solidaria*, initiated by the government of El Salvador in 2005. In the context of increasing CCT prominence in the region's development agenda, the replicability and sustainability of these programmes in country settings where financial and operational frameworks are weaker is an issue of major concern. Thus, our purpose is to provide a descriptive and analytic overview of *Red Solidaria* that can generate inputs for comparative studies on the prospects and potential difficulties faced by CCTs in countries with settings different from those in the CCT pioneers.

This study is based on data from three main sources: 1) a review of conceptual and operational documents and reports on *Red Solidaria's* design and implementation; 2) semi-structured interviews with programme managers and stakeholders at the national, local and international levels; and 3) on-site observation of implementation processes carried out in three municipalities targeted by the programme. A list of interviews and field visits that have informed this study is presented in the Appendix.

In Section 2 we present an overview of *Red Solidaria's* components and origins. Section 3 discusses key design and implementation aspects. Section 4 focuses on the programme's co-responsibilities while Section 5 introduces the issue of exit rules or beneficiary graduation. Section 6 deals with targeting criteria and mechanisms. Section 7 discusses institutional structures and implementing capacity. Section 8 analyses the Red's intersectoral co-ordination. Section 9 addresses the issue of sustainability, taking into account financial costs and political support. Section 10 concludes by identifying pending issues and challenges faced by the programme.

## 2 RED SOLIDARIA'S COMPONENTS AND ORIGINS

*Red Solidaria* is the main government programme targeted at the poorest population of El Salvador. Besides the cash transfer, it comprises two other components related to improvements in the supply of social services and infrastructure and to increases in the productivity and diversification of the income sources of poor families (see Box 1).

The Red's designers trace its origins to the government plan for 2004-2009 of President Antonio Elias Saca, a candidate of the right-wing *Alianza Republicana Nacionalista* (ARENA). This plan outlined the creation of a social safety net for the country's most vulnerable population.<sup>1</sup> Interestingly, the government plan of the leftist *Frente Farabundo Martí para la Liberación Nacional* (FMLN) —the other strong contesting party in the 2004 elections— mentioned under its educational priorities the establishment of cash transfers to combat school drop-outs, low rates of attendance in school and child labour.

BOX 1

**Components of *Red Solidaria***

<b>Component 1 Family Solidarity Network</b>	<b>Component 2 Network of Basic Services</b>	<b>Component 3 Family Sustainability Network</b>
Cash transfer targeted to families with pregnant women and children under 15 years old who have not finished 6 <sup>th</sup> grade, conditional on basic health care activities and school attendance. It also includes lifelong learning sessions for beneficiary families.	Supply-side programmes in education (Effective Schools Network), health and nutrition (Extension of Health Services), and improvements and rehabilitation of basic and strategic infrastructure (drinking water, sanitation, electricity and rural roads).	Promotion of productive projects and micro-credit schemes in the targeted municipalities.

Source: Red Solidaria, 2006.

The programme's conceptual design took place between 2004 and the beginning of 2005 and the Red was officially launched by a presidential decree in March 2005.<sup>2</sup> This legal document lays the foundations of *Red Solidaria*, in terms of objectives, duration, assigned resources and institutional coordination. It states that the programme's objective is to assist extremely poor families through short-term improvements in: (1) child and maternal health and nutrition; (2) basic education; and (3) drinking water, sanitation supply, electricity and roads to the poorest rural communities of the country. The programme's components are described as tools to broaden the opportunities of the disadvantaged population in order to improve their economic and social condition.

The programme's duration coincides with the presidential term and the coverage goals are the 100 poorest municipalities, as identified by the national poverty map (presented in Appendix B). Resources for all three components are estimated to be approximately US\$ 50 million per year. The Social Investment Fund for Local Development (FISDL) is appointed as the implementing agency of the Red, but the programme's technical and political coordination is placed under the Technical Secretariat of the Presidency and a Directive Council involving several government organizations.

The focus on human capital investments was clearly highlighted in *Red Solidaria* from its inception. Thus, although immediate income protection rests at its core, the programme's logical framework describes the Red's overarching goal as the "reduction of the intergenerational transmission of poverty in El Salvador", and this is linked to the achievement of the Millennium Development Goals (MDGs) by 2015.<sup>3</sup>

The purpose is the medium- and long-term improvement of the living conditions of extremely poor rural families through integrated interventions that give priority to the poorest municipalities. No income indicator is used to assess the achievement of this goal. Instead, the programme's logical framework uses increases in enrolment, school attainment and immunizations, combined with decreases in child malnutrition and the prevalence of diarrhoea as its core indicators. This illustrates the importance given to human capital in advancing towards the Red's overall goal.

The rural emphasis of the programme is another of its distinctive features. The rationale for this emphasis is related to the poverty profile of El Salvador, which documents the

disproportionately disadvantaged situation of the rural population, not only in terms of income poverty but also in terms of access to health, education, other basic services and infrastructure (World Bank, 2005; PNUD, 2003). Although poverty was significantly reduced between 1991 and 2002, the conditions in rural areas have remained critical.

According to World Bank estimates, the national poverty headcount fell from 64 per cent to 37 per cent, and extreme poverty fell from 31 per cent to 15 per cent during 1991-2003. But 50 per cent of rural Salvadorans still remained below the poverty line in 2002 and 24.5 per cent were extremely poor. In urban areas these figures were 28.5 per cent and nine per cent respectively.<sup>4</sup> Similarly, while basic education enrolment rates were close to 90 per cent in urban areas, they were only 80 per cent in rural areas. Differentials in access to safe water, adequate sanitation and electricity were even more striking.<sup>5</sup>

The design of the Red's CCT and infrastructure components follows from the recommendations emerging from this poverty assessment and a previous social safety net assessment, also sponsored by the World Bank. The latter had identified more than 50 safety net-like programmes operating in the country, most of them small-scale or pilot projects, often uncoordinated and overlapping (World Bank, 2005).

These reports highlighted the need for crafting an integrated social strategy focusing on: a) strengthening human capital, mostly through increasing education levels and providing access to basic health services to all; b) strengthening people's access to markets and services by improving the supply of drinking water, sanitation services and roads in rural communities; and c) assisting and protecting the poorest and most vulnerable population, by means of a coherent, coordinated and well-targeted social safety net.

### 3 DESIGN AND IMPLEMENTATION

The cash transfers provided by *Red Solidaria* comprise a health stipend for families with pregnant women and children under 5 years old and an education stipend for families with children from 5 to 15 years old who have not completed 6<sup>th</sup> grade, the second cycle of basic education. Each stipend is worth US\$ 15 per month per family, but a family cap applies to those entitled to both, i.e., US\$ 10 per month for each, totalling a maximum of US\$ 20 per family.

There are no variations in the amount of the transfers according to the size of the family or by the age, grade or gender of beneficiary children. The flat stipend per family might be grounded on a theoretical rationale related to economies of scale in household consumption. Additionally, since the stipend favours smaller families, it might indicate a concern regarding fertility incentives (Handa and Davis, 2006).

The programme does not seem, however, to take into account direct and indirect costs involved in complying with its conditionalities—such as costs for school material and transportation and the opportunity costs of women and children involved in the programme. Nor does it take into account variable time and transportation costs incurred by recipients to collect the transfers. These depend on the distance of households from the place where payment takes place, with greater disadvantages for the more remote (and often poorer) communities.

### 3.1 THE SIZE OF TRANSFERS

The criteria that informed the benefit size of *Red Solidaria* are not documented. Interviews with programme designers indicated that the decision on benefit values took into account the value of rural minimum wages, as well as the international experience with CCTs. Red's transfers are supposed to represent around one quarter of the nominal minimum wage in agricultural activities, set at US\$ 74.1 per month in 2004 (Funde, 2005). It should also be noted that CCTs should try to balance the priority of alleviating poverty in the short run with promoting the longer-term objective of investments in human capital—while, at the same time, avoiding the encouragement of dependency on transfers (Cohen and Franco, 2006).

Nonetheless, the extent to which most CCTs have actually taken such calculations of values into account in their design is not clear, as budget constraints and political considerations related to setting the maximum number of beneficiaries are also intervening factors. In any case, Handa and Davis (2006) argue that an international rule of thumb is that, in order to be meaningful for beneficiaries, a poverty-related cash transfer should represent 20-40 per cent of the per capita poverty line. Considering El Salvador's official poverty line for rural areas, Red's health and education stipends would lie within that range (37 per cent), while the combined stipends would even exceed it (50 per cent).<sup>6</sup>

As with most CCTs implemented elsewhere, *Red Solidaria* addresses its transfers primarily to the mother or another female family member who is in charge of children's care.<sup>7</sup> But the programme also includes a co-responsible beneficiary, usually the partner of the main female beneficiary or another person appointed by the family, who can withdraw the transfers in case the main beneficiary does not have her own identity card (a requirement to actually collect the stipend) or cannot be there in person during payment events.

In order to minimize the occurrence of beneficiaries without formal identification, and to increase their access to this basic right of citizenship, the programme also includes plans to coordinate efforts with the government agency responsible for the provision of the national identity card.

### 3.2 PAYMENT EVENTS

The implementation of *Red Solidaria*, in particular its CCT component, has been a phased one. The first transfers took place in October 2005, with 15 municipalities included in the programme in that year, totalling 13,278 beneficiary families. In 2006, 17 additional municipalities and 10,828 families were included. This completed coverage of the first group of 32 municipalities characterized by very high extreme poverty, determined by the poverty map. In 2007, the programme intends to reach another 15 municipalities, covering around 45,000 families in total. By 2009, the goal of the programme is to reach 100,000 families in the 100 targeted municipalities.

Transfers are delivered bi-monthly in payment events that usually take place in the downtown area of the municipality and might occupy the whole morning, depending on the number of beneficiaries in each specific municipality. The operation of the transfers is contracted out to a banking institution, which organizes the logistics of the payments, including the transport of the money, security and cashiers. In contrast to the experience of other countries that rely on a fairly developed and widespread banking network, which allows an automated scheme for the delivery of CCTs through money teller machines and magnetic

cards, Red's transfers are handled manually and involve the displacement of considerable amounts of money and personnel across the country.

The Red's local coordination has an important role in the organization of payment events. An entire payment schedule is set up and beneficiaries are lined up according to this schedule and their exact placement in the transfer spreadsheet. This aims at rationalizing the process, shortening the time beneficiaries have to queue to receive their transfers. Nonetheless, there can be significant costs in terms of time and transportation for beneficiaries to attend the payment event. This strengthens the case for maintaining the Red's bi-monthly delivery scheme.<sup>8</sup>

#### 4 CO-RESPONSIBILITIES

As a CCT, *Red Solidaria* involves conditionalities that are usually associated with such transfers. These conditionalities are promoted as 'co-responsibilities', a term that implies a stronger role of beneficiaries in promoting their own well-being. Molineux (2006) points out that, together with the principles of participation and empowerment, the idea of co-responsibility or self-help is central to the so-called New Poverty Agenda that has come to dominate development discourse in the 1990s. In Latin America, in general, these principles have found fertile ground, as the region has undergone public sector reforms originating from fiscal crises and widespread distrust of the State.

Britto (2005), as well as Handa and Davis (2006), stresses political economy issues associated with the introduction of conditionalities in the cash transfer model that has been disseminated in the region. These have required the poor to 'work' for their money, focusing on promoting children's human capital and supposedly empowering beneficiaries to do without state support in the future. The assumption is that such features would make these programmes more acceptable to taxpayers and voters.

However, the idea of co-responsibility involves the notion of reciprocity, namely, the notion that obligations apply not only to recipients but also to the programme and service providers. In the case of *Red Solidaria*, co-responsibilities are detailed in a family agreement (*convenio*) that has to be signed by the main beneficiary and the family co-responsible if, once selected, the family agrees to take part in the programme. In accordance with this reciprocal notion, the agreement includes co-responsibilities for the beneficiary family as well as the government of El Salvador (see Box 2).

The agreement also includes an explicit provision that the administration of the cash provided by the programme will be placed in the hands of the main beneficiary and an oath that all the information provided by the family for their inclusion in the programme is true. If the information is proved false, the oath would authorize immediate withdrawal of the family from the programme.

On the government side, the agreement expresses the conditions under which the transfer shall be suspended. In the case of the education stipend, suspension occurs if any beneficiary children have at least four unjustified absences from school in a month.<sup>9</sup> In the case of the health stipend, suspension occurs if the family a) does not attend a scheduled health check-up and does not comply with the immunizations protocol once or b) does not either attend the health check-up or comply with the immunizations protocol twice.<sup>10</sup>

## BOX 2

***Red Solidaria's co-responsibilities***

For the beneficiary families	For the government of El Salvador
Ensure school enrolment and attendance of their 5-14 year olds, from pre-school to 6 <sup>th</sup> grade.	Through the Ministry of Education, provide basic education up to 6 <sup>th</sup> grade to beneficiary children between the ages of 5 and 14 years.
Register the family in health programmes, attend the child and maternal health check-ups and ensure compliance with the basic child and maternal health protocols and immunizations.	Through the Ministry of Health, provide basic health services in health units or other institutions subcontracted for such purposes.
Attend the family training sessions offered by <i>Red Solidaria</i> .	Promote lifelong learning sessions for beneficiary families.
Use the transfers provided by <i>Red Solidaria</i> on food consumption.	Deliver the cash transfer, conditional on school enrolment and regular attendance of the beneficiary children (education stipend) and on the periodical child and maternal health check-ups and immunizations for children under 5 years old.

Source: Family agreement.

Thus, the actual conditionalities for the delivery of the transfers encompass the usual engagement in maternal and child preventive health activities and basic education enrolment and attendance for school-aged children that is instituted by most CCTs across Latin America. Nevertheless, the family agreement goes beyond those conditionalities when it sets up co-responsibilities related to the use of the transfers and the participation in lifelong learning sessions.

#### 4.1 WHAT IS A CONDITIONALITY?

In practice, the commitment to use the cash transfers on food is not monitored by the programme. As a matter of fact, the information material handed to beneficiaries when they sign the agreement stresses that the cash transfers should be used for food and for ensuring that children dedicate more time to their studies. Programme managers at the national level not only seemed unfamiliar with this requirement, but also judged it as an undesirable and excessively restrictive one.

At the grassroots level, the perceptions of most programme managers and implementers were that transfers should be used for the benefit of the children, be this for food consumption, school materials, clothing, medicines or other basic needs of the family. Furthermore, this is the message that seems to be passed on to beneficiaries, and is in line with the rationale of achieving efficiency and well-being gains through expenditure decisions made by the mothers themselves.

In contrast, participation in the programme's lifelong training sessions is indeed verified. These sessions are conducted by NGOs for family support and follow-up. These organizations are contracted by the Red's implementing agency and are involved in many other important aspects of the programme's implementation in the field, including monitoring and control of co-responsibilities. Even though not participating in these sessions would not entail a suspension of the cash transfers, attendance is officially monitored by the local NGO

promoters. Most beneficiaries are unaware that this co-responsibility actually does not have any effect on the cash benefit.

In any case, training sessions are intended to be useful and empowering for beneficiary families—especially for women, who usually have experienced very few opportunities for participating in organized activities outside the domestic sphere. Besides being an instrument for clarifying the Red's functioning, the monthly workshops encompass capacity-building on issues such as children's rights; gender equity; hygiene, nutrition and safe handling of food; domestic violence; the importance of formal education for children; reproductive health; child labour; community participation and organization; and MDGs. In informal conversations held with beneficiaries during field visits, training sessions were frequently noted as an important and useful aspect of the programme.

Until recently, however, there had been no unified training protocol followed by the NGOs that work with beneficiary families. They would carry out training sessions and develop the suggested topics according to their own previous experience in the field. The Red's implementing agency has now developed training modules for each of these themes, on the basis of a participatory methodology that can be applied to an audience with little formal education. It intends to distribute this material to all NGOs that take part in the programme. Capacity-building for the local promoters that conduct these training sessions is regarded by programme managers as an important side benefit of *Red Solidaria*, in the sense that most of the field personnel employed by the NGOs are young promoters recruited in their own community.

#### 4.2 THE RATIONALE FOR CONDITIONALITIES

The central importance attributed to the programme's co-responsibilities emerges clearly in the discourse of programme managers. During interviews, stakeholders involved in managing *Red Solidaria* at national and local levels repeatedly expressed views that low achievements in education and health by the Salvadoran poor were related not only to supply failures of these services, but to a cultural tendency of undervaluing investments in human capital and relying excessively on remittances from abroad.

This was the main justification given for the strong emphasis of the programme on the compliance with, and the verification of, its co-responsibilities, including those that were not automatically linked to the transfers, such as the participation in family training activities. Interestingly, the concern that cash transfers might generate beneficiary dependency seemed to be stronger with regard to increasing the co-responsibility of beneficiaries towards their own well-being than implementing strategies to graduate them from the programme. Issues of graduation have occupied the centre stage in the debate on many 'older' CCTs in Latin America.

With regard to assessing results, *Red Solidaria* still has to undergo an external impact evaluation, in the form of a quasi-experiment planned to start in 2007 and include three subsequent rounds. For the time being, the available information on results comes from administrative records, which show considerable increases in school enrolments and child and maternal health check-ups.

Comparing records from the first trimester of 2005 with those for the same period in 2006 in the first 15 municipalities targeted by the programme, we see that enrolment increased by 23 per cent in pre-school, six per cent in grades 1-3 and nine per cent in grades 3-6. Children's

health check-ups had experienced, in turn, an increase of 47 per cent and maternal health check-ups, 42 per cent (Red Solidaria, 2007).

The impact evaluation might provide relevant information to assess these statistics and determine to what extent they are related to improvements in the supply of health and education services in the targeted municipalities or to the demand-side incentives created by the co-responsibilities of the programme.

## 5 EXIT RULES

In line with the conceptual and operational guidelines of Red's legal framework and operational manual, the family agreement explicitly states its three-year duration. That means that each family would be entitled to receive the transfers for these three years only. This clause seemed very clear to most beneficiaries and all programme managers and stakeholders interviewed during the research fieldwork.

What did not appear clear to them was what would happen afterwards: would the families simply stop receiving the transfer, regardless of the persistence of the eligibility conditions that had entitled them to be selected in the first place? Or would the programme have some kind of transition or phasing-out strategy that would eventually graduate families but avoid the interruption of the transfers in the middle of a school or immunization cycle?

According to the Red's operational manual, the exit strategy of the programme incorporates a re-evaluation of each family, which is undertaken after it receives the transfers for three years. This re-evaluation would take into account whether families still had children under five year olds (to continue to be eligible for the health stipend), or children between five and 15 years old who had not finished primary education, i.e., 6<sup>th</sup> grade (which would entitle them to continue receiving the education stipend). Nevertheless, the manual stresses that the questionnaire and the criteria to be used in this re-evaluation process are subject to validation by the inter-institutional Directive Council of *Red Solidaria* and to the availability of financial resources from the government of El Salvador (Red Solidaria, 2006).

So far, the issue of programme graduation or mechanisms for re-certification of eligibility does not seem to be an important one for El Salvador's CCT agenda. On the one hand, this might be due to the novelty of the programme, which is less than a year and a half old and still has not had to deal with this potentially difficult issue. On the other hand, it might be related to the Red's central objective: to improve human capital, rather than merely reducing current income poverty.

In this regard, the acceptable 'exit door' from the programme would seem to be a demographic one instead of an 'emancipation' strategy that would hypothetically be able to lift beneficiaries out of poverty—and that would be contingent upon many other factors related to the labour market and the economic performance of the country, as well as upon a synergistic coordination among different social programmes.<sup>11</sup>

Most CCTs include, at least in principle, an explicit time limit after which families should be reassessed. The three-year period is a fairly common threshold.<sup>12</sup> But the theoretical or empirical rationales—if any—that have governed the decisions with regard to these time limits are unclear (Cohen and Franco, 2006). They seem to be driven mostly by fiscal or political

considerations, associated with fears that transfers might become financially unsustainable, be perceived as permanent entitlements and create dependency among beneficiaries.

Some CCTs have, therefore, introduced transition rules, which include not only recertification strategies, but also declining stipends as a phasing-out mechanism. However, the variation across programme practices and discourses, as well as the difficulties associated with adopting a coherent and transparent exit strategy, have contributed to relegating graduation rules to the 'unfinished agenda' of CCTs in Latin America (de la Brière and Rawlings, 2006).

A crucial issue in this respect is that graduation rules have to be shaped according to the programme's central objective. From the perspective of human capital accumulation, which is the main objective stressed by *Red Solidaria*, short time limits—if strictly applied—might be counterproductive especially if they are not sufficient to cover the entire basic education or health cycle (Handa and Davis, 2006; Cohen and Franco, 2006; Soares and Ribas, forthcoming).

## 6 TARGETING CRITERIA AND MECHANISMS

*Red Solidaria* uses two criteria for targeting beneficiaries. First, there is geographical targeting, which is based on a poverty map developed by the Latin-American Faculty of Social Sciences (FLACSO), under FISDL supervision and with support from the World Bank and Inter-American Development Bank. This poverty map has identified the municipalities that are to be included in the programme. Second, there is household targeting, which selects families that are eligible to be programme beneficiaries in the targeted municipalities.

The poverty map is based on an expansion of the yearly Multiple Purpose Household Survey (*Encuesta de Hogares de Propósitos Múltiplos – EHPM*), which has enabled the setting up of a unified database for the years 2001-2004 with data representative for the 262 Salvadoran municipalities. The map comprises two types of municipal classification: a cluster analysis that identifies four categories of extreme poverty and a within-cluster ranking of municipalities (FLACSO, 2005).

The cluster analysis attempts to combine structural and current dimensions of poverty. In order to do so, it uses two variables: 1) the proportion of 1<sup>st</sup> grade students with severe height-for-age deficit (stunting); and 2) income poverty incidence (the poverty headcount). While the first indicator points to persistent deficits in consumption that result in the accumulated effect of malnutrition of children, the second one reflects a more immediate and fluctuating aspect of deprivation. Based on these indicators, municipalities were grouped into the following categories:

- Very high extreme poverty, comprising 32 municipalities;
- High extreme poverty, comprising 68 municipalities;
- Moderate extreme poverty, comprising 82 municipalities;
- Low extreme poverty, comprising 80 municipalities.

The 100 municipalities that are characterized by very high extreme poverty and high extreme poverty were identified as the target of *Red Solidaria*. However, the phased implementation of the programme required some kind of ranking among municipalities

included within the same cluster. For this purpose, the poverty map estimates an Integrated Index of Municipal Marginality (IIMM), which has a multidimensional approach to poverty.

The IIMM combines and weights the monetary aspects of deprivation, measured by the income poverty gap of each municipality, with indicators related to unsatisfied basic needs in housing and education. These latter include: lack of access to piped water; lack of access to sanitation and electricity; crowding; prevalence of earthen floors; illiteracy and low schooling rates.

The sequenced inclusion of each targeted municipality in *Red Solidaria* has carefully respected the poverty map ranking, rather than being guided by supply constraints or political considerations. The first 32 municipalities classified under the category of very high extreme poverty were the first to be included, according to their IIMM position. In 2007, the programme is expanding its reach towards the second cluster of 68 municipalities characterized by high extreme poverty, also following the IIMM ranking.

## 6.1 CATEGORICAL TARGETING

For household targeting, different criteria have been applied. In the rural areas of the 32 municipalities that belong to the first cluster (very high extreme poverty), every family with pregnant women and children under 15 years old who have not finished 6<sup>th</sup> grade has been selected as a potential beneficiary. In urban areas, besides this demographic criterion, the following parameters have been included: housing conditions (material used on roof, walls and floor), crowding and access to sanitation.<sup>13</sup>

The rationale underpinning categorical targeting is the pervasiveness of poverty in these municipalities, particularly in rural areas.<sup>14</sup> More focused household targeting in this context would mean unjustifiable administrative costs and, hypothetically, could lead to social tensions within small, isolated communities, as reported in the first evaluations of the Mexican pioneer CCT (Adato et al., 2000). Categorical targeting has the additional advantage of using very transparent and straightforward eligibility criteria, a feature that might be lost with the use of multidimensional indices of well-being or complex and secretive formulas for estimating household income through proxy means tests (PMT).

Based on recent evaluation reports on the Nicaraguan and Mexican CCTs, Handa and Davis (2006) stress, however, the difficulties of maintaining a categorical approach as the programme expands towards better-off communities and requires more accurate mechanisms to identify the poorest. In this sense, for the 68 municipalities belonging to the second cluster, the Red's operational manual details a proxy means text that would combine variables related to the household's location (rural or urban), housing conditions, possession of durable goods, family composition and characteristics, and access to remittances from abroad.

During fieldwork, however, there appeared to be some uncertainty regarding the use of the PMT, at least based on its original formula. Further studies to test its validity and applicability were to be carried out on FISDL's databases before a final decision was to be taken on how to tackle household targeting in those municipalities.<sup>15</sup>

## 6.2 HOUSEHOLD CENSUS

The mechanism that underpins the process of household targeting is a household census carried out by the Social Investment Fund for Local Development (FISDL) in every target

municipality, after a detailed cartographic study is used to identify and locate all households in that municipality.

Cartographic studies are contracted out to NGOs or private institutions, whose work is closely supervised by FISDL. There is a strong component of local participation in this process, as representatives of the municipality and community leaders are closely involved in the initial identification of the population of the different rural districts and communities of that area (*cantones* and *caseríos*), as well as in the validation of the draft maps produced. Also, except for the fieldwork supervisor, all cartographers must be recruited at the municipality level and receive specific training for their work.

The cartographic study maps all geographical landmarks and physical infrastructure found in the municipality with GPS equipment. Its final products are detailed maps that encompass urban and rural areas and provide information at the level of small rural communities, as well as a directory of households by community.

Besides being used by FISDL as an input for the census of potential beneficiaries, the maps are handed back to the local level through the Red's municipal committee. As such, they may be used for the planning and implementation of other public policies and investments in the municipality.<sup>16</sup>

Using the cartographic study, a thorough household census is carried out in each municipality to be included in the Red. The census covers both rural and urban areas and uses a detailed questionnaire on housing conditions, socio-demographic characteristics of all household members, working activities of household members older than 10 years, as well as other general household information. It also includes a declaration of the respondent that all the information given is true and that the government is authorized to use it in directing social policies.

It seems that a substantial portion of the information captured by the questionnaire is not used by the system that screens potential beneficiaries on the basis of the census database. Some of the questions are related to the formula for proxy means testing, but others are not even related to that aspect. Thus, the reasons for their inclusion in the questionnaire are unclear. Some of them could be important inputs for other government programmes, if the census database were shared with different organizations—a development that has not happened so far. For instance, in the case of children who are not attending school, the questionnaire collects information on the reasons. This could be a strategic guide for the interventions of the Ministry of Education.

Another example is information related to indigenous ancestry. Most of the programme managers credit the inclusion of this aspect to the international donors involved in the design of the programme, and not to a specific issue or concern of the programme itself or even the government of El Salvador.<sup>17</sup>

The census process was originally contracted out. Due to problems of data quality, it has now been completely undertaken by the Social Investment Fund for Local Development (FISDL), which directly hires, trains and supervises the researchers and the data-entry personnel. This requires considerable field-work, for which FISDL has made significant investments, including the purchase of equipment and vehicles.

Once the census is completed and the data are entered in the database, a list of potential beneficiaries in every target municipality is created. It is in this stage that the verification of the additional parameters applied to urban families takes place, as urban potential beneficiaries are revisited by members of the Red's municipal committee (usually FISDL's local representative for that municipality or the municipal liaison to the programme).

According to the programme managers, because of Red's rural emphasis, the proportion of urban beneficiaries has been kept low. Nevertheless, it seems that there would be no need for revisiting these families since the additional parameters could all be derived from census data. It is possible that some other discretionary parameters have been applied during these visits, but further evidence would be needed to confirm or deny this hypothesis.<sup>18</sup>

### 6.3 INCLUSION AND EXCLUSION ERRORS

The actual list of eligible households by municipality is generated at the central level and the NGOs for family support and follow-up promote incorporation events for the signing of the family agreement.

There are no estimates of targeting errors available. According to the statistics of the poverty map, around 75 per cent of the households of the 32 municipalities of the first cluster are classified as poor or extremely poor, while the Red's CCT component covers around 70 per cent of the households in these same municipalities. Thus, under-coverage is presumably low.

Since the programme adopted categorical targeting in the rural areas of these 32 municipalities, possible inclusion or exclusion errors would be identified mostly in urban areas due to the implementation of the special parameters applied, or would be related to failures in the cartographic studies or in the census process. However, it should be noted that the static nature of these processes (which are the only way to enter the programme) might end up also generating exclusion errors, due to the demographic dynamics of the households or family migration to targeted municipalities.

Regarding inclusion errors, programme managers have pointed to queuing to collect the transfers as an additional self-targeting mechanism that is able to minimize leakage to the non-poor. But the opposite argument could be made: transaction and opportunity costs incurred to collect the transfers could favour the inclusion of the better-off, who can afford such costs.

Targeting errors might be aggravated with the use of the PMT to identify eligible beneficiaries in the municipalities from the second cluster. Further analyses of the census database would be required to examine this issue in detail.<sup>19</sup> Nevertheless, international experience indicates that targeting accuracy is much more an issue of implementing capacity, institutional arrangements and monitoring and oversight mechanisms than an inherent characteristic of specific targeting methods (Coady et al 2004; Castañeda et al 2005).

## 7 INSTITUTIONAL STRUCTURE AND IMPLEMENTING CAPACITY

At the national level, *Red Solidaria* comprises the following institutional structure. The political coordination of the programme falls under the Presidency, through the coordination of the social cabinet by the Technical Secretariat. Additionally, there is the Directive Council of the Red, which gathers around 20 different government organizations related to the programme

at ministerial level (including the Minister of Finance). This Council is supposed to meet twice a month and has the role of ensuring the strategic coordination required for the implementation of the Red as well as of other policies directed towards extreme poverty in El Salvador.

The technical coordination of the programme is charged to an Executive Directorate, which works in close coordination with the Social Investment Fund for Local Development (FISDL), the Red's implementing agency. The Executive Directorate has a very slim structure (currently, four employees plus the Director) and is hierarchically linked to the Presidency, although physically located at FISDL headquarters. The inter-institutional coordination required at the technical level takes place at an Intersectoral Committee, where the organizations represented in the Directive Council have a seat.

The rationale for these inter-institutional structures is related not only to the integrated approach of a CCT programme, which combines cash transfers with co-responsibilities in health and education, but also to the other components of the Red that deal with infrastructure investments, productive projects and micro-credit schemes.

FISDL coordinates and supervises the programme's operations. It is the successor of the original Social Investment Fund (FIS), created in the early 1990s with the same characteristics as the social fund model that prevailed in the Latin American development agenda of that time: a temporary mandate, a focus on infrastructure projects, a demand-based orientation and a heavy reliance on external resources.

During the 1990s, the Fund achieved permanent status and underwent several transformations. Since 1997, its mission has been the "eradication of poverty in El Salvador" and its mandate has included a strong component of local development and coordination with municipal governments. FISDL's history, mandate and nation-wide network, through its 44 local representatives, made it a logical choice as the implementing agency of *Red Solidaria*, which is now its biggest and most important programme.

## 7.1 LOCAL COORDINATORS

The implementation of *Red Solidaria* is coordinated by FISDL's local representatives in charge of the targeted municipalities,<sup>20</sup> who work closely with two other key actors: the municipal liaison to the programme and the NGO for family support and follow-up.

Municipalities get formally involved in the Red through signing an agreement between the mayor and FISDL, which includes the commitment to support the Red's local activities and the appointment of a municipal liaison for the programme. This latter representative is usually the mayor himself or another employee or elected representative appointed by the mayor for this task. As is the case with the FISDL local representative, the municipal liaison's involvement with the Red covers its three components and is an add-on function, for which there is no specific remuneration or incentive.

The NGOs for family support and follow-up are hired annually by FISDL through a bidding process for the implementation of the CCT component in each municipality. During the research fieldwork, there were five NGOs working with the first 32 municipalities included in the programme and the bidding by NGOs that would work with the 15 municipalities to enter the programme in 2007 was underway.

The NGOs have a regional coordinator, a municipal coordinator and a team of local promoters, usually young leaders recruited in the municipality, who are each responsible for working with 150-160 families. In practice, they are the main link between beneficiaries and the programme.

As described above, the NGOs are in charge of the bulk of the programme's local activities, including: organizing events for the signing of family agreements; monitoring and reporting of the compliance with co-responsibilities; conducting lifelong learning sessions for beneficiary families; coordinating (along with the FISDL local representative) payment events; receiving complaints; and administering and updating the information that feeds into the beneficiary registry system. Most of this work requires frequent visits to beneficiary households, but local promoters interviewed during the research pointed out the difficulties in reaching the remotest communities—especially since most of them have to reach these destinations on foot.

These three key stakeholders (FISDL local representatives, municipal liaisons and NGOs for family support and follow-up) are the core of the municipal committees of the programme, which also include representatives from the health and education sectors (usually the director of the health unit in the municipality and an employee of the departmental office of the Ministry of Education), as well as community leaders and, in some cases, representatives of other government agencies working with the Red in that particular town (e.g., Ministry of Agriculture and National Registry Agency). The FISDL local representative is responsible for the coordination of the committee and its regular meetings, which should take place monthly.

The municipal committee's main role is the inter-institutional coordination at the local level for the implementation of the Red's three components. A substantial portion of its mandate is related to the infrastructure component through the selection and oversight of construction and rehabilitation projects.

In the CCT component the committee's activities include: validation of the cartographic study; follow-up and validation of the census of potential beneficiaries; validation of urban families that comply with the special targeting parameters; and monitoring of updates and exclusions with regard to the list of beneficiaries that are proposed by the NGO for family support and follow-up. Social monitoring and transparency are thus one of the objectives of the municipal committees since they can assess the exclusions of beneficiaries proposed by the NGOs, function as a channel for complaints from beneficiaries and non-beneficiaries and provide an alternative channel to the NGOs.

## 7.2 STRENGTHENING LOCAL PARTICIPATION

Intended or unintended attempts to forge new accountability relationships between central and local governments, as well as between service providers and beneficiaries are frequently present in CCT programmes (de la Brière and Rawlings, 2006). Local instances of participation are usually included in the programmes' strategy to foster community participation or civil society engagement that contributes to greater transparency and efficiency. The reason is that they can combine functions of direct accountability (as social control mechanisms) and voice (as channels for community-based or beneficiary demands) (de Janvry et al, 2005).

Nonetheless, the extent to which they are effectively put in place varies according to the degree of decentralization experienced in implementation, as well as being dependent on institutional settings and contextual factors related to local governance and politics. Furthermore, depending on how they are formed and function, their performance can be limited to merely legitimizing decisions taken elsewhere.

In *Red Solidaria*, there are shortcomings in the functioning of municipal committees. Although they have been officially set up in the 47 municipalities that the Red is expected to cover by the end of 2007, their work has not been homogeneous. It depends heavily on the engagement of its members, particularly the FISDL local representative, who makes sure that the committee meets regularly and coordinates its meetings. Some of the committees' roles, such as the validation of urban families as beneficiaries, have been taken over by a few of their members, such as the FISDL representative and the municipal liaison.

One bottleneck seems to be the lack of participation of community leaders, who receive no direct incentives to attend the meetings, having to cover long distances, usually on foot, and lose a day's work to be present. And it is not clear the extent to which the community leaders included in the committees indeed represent beneficiaries. A common feature of these leaders is that most of them are males, an outcome that might indicate the prevalence of a cultural gender bias in their choice.

Besides the municipal committee, the Red's local institutional design involves a beneficiary or community committee, which should comprise at least three beneficiaries in each district (*canton*), who function as liaisons between the community and the NGO for family support and follow-up. It seems, however, that they have not been set up in most communities. Throughout the field research, it was not possible to find evidence related to their work.

It should be noted that programme managers are aware of these shortcomings and have developed a detailed operational guide for the functioning of municipal committees, as well as a monitoring system that includes in-person oversight of committee meetings and a digital platform for a virtual follow-up of their activities. The dissemination of this guide and the implementation of the monitoring system have begun in 2007.

In any case, the vertical organizational structure of the programme, which relies on a top-down approach from the Social Investment Fund for Local Development (FISDL), might create additional challenges for the programme's expansion, since it bears the potential of creating conflict, particularly in municipalities that are not governed by ARENA.

## 8 INTERSECTORAL COORDINATION

*Red Solidaria* was launched as part of the government's social strategy called *Oportunidades*. This strategy is described as an effort to develop people's capabilities and opportunities for social and economic inclusion in El Salvador. Besides *Red Solidaria*, targeted at the poorest rural population, this strategy comprises four other strategic areas: health (Fosalud), youth (Jóvenes), information technology (Conéctate) and credit (Tu Crédito).

The way that these five programmes interconnect is, however, not self-evident. Apparently, there is no direct coordination between them, with the exception of the micro-credit projects that form part of the Red's component of family sustainability. The five components seem to have been grouped together more because of the presidential priority that they have received than being based on an articulated social strategy, as claimed.

Nevertheless, one can argue that *Red Solidaria* does achieve an important intersectoral coordination with education and health, particularly at the national level. The Ministries of Health and Education have taken part in the programme since its design, including the formulation of the logical framework, the definition of co-responsibilities and the follow-up mechanisms.

In the implementation phase, these ministers are important partners in the supply-side efforts that have to be linked with a CCT-like programme, through the programmes 'Extension of Health Services' (ESS) and 'Effective Schools Networks' (REE), which are targeted at the same municipalities reached by the Red.<sup>21</sup> The ministries are also involved in the impact evaluation planned to start in 2007. This coordination takes place not only at the political level, through the Red's Directive Council, but also at the technical level, through the Intersectoral Committee.

Moreover, the Red goes beyond simply establishing add-on responsibilities for the health and education personnel associated with its CCT component. It directs additional resources for strengthening education and health infrastructure through its second component. Thus, the Red has not led only to an additional burden or a reorientation of line ministries' funds for these areas. It has also meant an infusion of 'new money' and potentially greater impacts for the ministries' own programmes.

At the municipal level, the coordination of health and education providers with *Red Solidaria* is related mostly to feeding the information flow needed for the verification of co-responsibilities that are monitored by the NGOs for family support and follow-up. Interviews with the service providers visited during the research fieldwork indicated that the degree of familiarity with the programme appeared higher among health personnel than education officers. This could be related to the fact that the director of the municipal health unit has a seat on the municipal committee, while the education representative comes from the departmental level.

Even with a fair degree of intersectoral coordination and an integrated design, there have been supply-side constraints on the programme. For instance, newspaper articles have pointed out that the beginning of the school year after the Red was introduced in the first 15 targeted municipalities was marked by shortages of classrooms, equipment and teachers needed to respond to the increases in enrolment resulting from the programme. Officials of the Ministry of Education confirmed these difficulties, but pointed out they are commonly observed in many urban schools of the country.

The Red's novelty was that it focused on poor and remote rural areas, often 'invisible' to regular social programmes—and that a greater speed in government response was required so as to avoid jeopardizing the programme's co-responsibilities, which have been a highly valued aspect of the Red. In this sense, incentives that increase the demand for social services, especially when they are linked to such a visible programme as *Red Solidaria*, might work as positive pressures for the expansion of service coverage and motivate the population to access basic rights to which they are entitled.

## 8.1 DIRECT AND INDIRECT COSTS

An important issue, which does not appear as a specific education sector programme but is clearly linked to the Red's success, is school transportation. As most of the Red's beneficiaries are located in rural areas, often unattended by public transportation and lacking roads in

adequate condition, school distance can be an obstacle for children's attendance. Apparently, each school network incorporated into the REE programme could use part of its money to set up transportation schemes. However, there is no national programme that addresses this potential supply-side constraint and REE funds might not be sufficient to provide an appropriate solution.

In the health sector, increases in demand resulting from *Red Solidaria* have also required hiring more doctors and nurses and finding other 'creative' approaches, such as directing to the Red-covered municipalities medical students that are fulfilling their one-year social service requirements. What remains to be further investigated is whether these responses address only the immediate objective of ensuring that beneficiaries comply with the programme's co-responsibilities but do not offer them quality services in education and health that go beyond meeting the formal requirements.

Quality of service provision is an issue of concern pointed out by many analysts who have examined supply-side constraints that might jeopardize the long-term effectiveness of CCTs (Britto, 2005; Handa and Davis, 2006; Cohen and Franco, 2006; de la Brière and Rawlings, 2006).

In the case of education and health in El Salvador, the World Bank-led poverty assessment provides some interesting findings (World Bank, 2005). For instance, reasons mentioned by poor families for having children out of school related to access and affordability issues associated with direct and indirect costs of schooling, in addition to a lack of interest in school in some cases. This might reflect low perceived returns to education associated with problems of educational quality. But a general lack of availability of schools was not widely reported (although this might be a problem in some circumstances, such as secondary schooling in rural areas).

In health, there is an affordability problem related to the practice of charging user fees in health centres—although they had been legally abolished in 2002. Furthermore, despite the main focus of the Red's health co-responsibility on primary health care, which is an important issue for poor families, there is an urgent need to go beyond preventive measures to broaden access to general health insurance. More than 80 per cent of the Salvadoran population is uninsured—a proportion that reaches over 97 per cent among the extremely poor.

Besides health and education, the Red's sustainability component encompasses another relevant requirement of intersectoral coordination. This component's productive projects are implemented by the Ministry of Agriculture (MAG), and its micro-credit schemes are under the responsibility of the Multi-Sectoral Investments Bank (BMI). Although these initiatives might coincide, in terms of geographical targeting, with the CCT component, their beneficiaries are not necessarily the same households that receive the cash transfers due to differing eligibility requirements and targeting criteria.

Furthermore, the productive component of the Red lacks adequate resources: it has relied mostly on budget re-orientation towards the targeted municipalities rather than the provision of 'new money'. The reason might be related to the weak emphasis on promoting 'exit doors' for the CCT component that are not demographically based. Another possibility, mentioned during an interview, is that transferring cash or building infrastructure is more visible and less complex than promoting time-intensive productive projects that can be capable of positive and sustainable impacts over the longer term.

## 9 PROGRAMME COSTS, POLITICAL SUPPORT AND SUSTAINABILITY

We could not obtain detailed information on the disaggregated budget and costs of *Red Solidaria*. When the programme was created, estimates projected costs of around US\$ 50 million per year, covering its three components. This amount is mentioned not only in the conceptual document, but also in the legal framework of the programme. Managers have pointed out that this estimate has been maintained on average, although there have been annual variations related to phased implementation, fine-tuning and adjustments, as well as upfront fixed costs incurred in the design and setting-up of operations, such as the purchase of equipment and vehicles for fieldwork.

According to programme managers, the CCT component comprises around 20 per cent of the Red's total budget, but it is not clear how much is spent on transfers and how much is absorbed by the administrative costs involved in targeting mechanisms, delivery of transfers and programme administration. These costs comprise FISDL expenditures and the costs incurred with the NGOs for family support and follow-up. Up until now, the sustainability component has absorbed only a small portion of the Red's budget: less than US\$ 1 million annually. As a result, the bulk of the programme's resources are addressed to the infrastructure component.

A remarkable feature of the programme is that transfers are completely financed through national funds. As much as *Red Solidaria* depends heavily on external resources, these have been directed to the infrastructure component and, to some extent, to the programme's management. This might increase the prospects for the sustainability of the CCT component if one considers, in particular, that the political polarization of the country hindered the approval of foreign loans in the National Assembly.

### 9.1 EXTERNAL FINANCING

The Inter-American Development Bank (IDB) and the World Bank have been important partners in Red's conception and initial design and have negotiated loans amounting to US\$ 57 million and US\$ 21 million respectively, mostly to finance basic infrastructure and improvements of health supply in the programme's targeted municipalities, as part of Red's Component 2. Nevertheless, these loans faced strong objections from the opposition party and the deadlines for the beginning of their disbursement have not been met. Since these loans have not been approved in a timely manner, the government of El Salvador does not seem to be counting anymore on them.

The programme was able to fill in this resource gap through international cooperation grants from the European Union (totalling 37 million euros), Luxembourg (20 million euros) and Spain (10 million euros). The German bilateral cooperation agency has also had an important role in financing capacity-building activities for the Red's implementing agency. Thus, the non-approval of foreign loans for *Red Solidaria* does not seem to have jeopardized, so far, the programme's continuity.

In many interviews carried out at the grassroots level with beneficiaries, municipal personnel, and health and education personnel, widespread concerns about the continuity of the programme due to the non-approval of the loans were evident. In general, local stakeholders were not aware that the CCT component did not depend on external money and that foreign grants could fill in the gap created by the absence of the loans. In this sense, bottom-up pressures could have been used to increase the prospects of approval of the World

Bank and IDB loans. However, the political polarization of the country and the long history of foreign dependence and external debt appear to have been prominent factors influencing congressmen's deliberations.

## 9.2 POLITICAL CHALLENGES

*Red Solidaria* originates from a presidential initiative and relies heavily on this back-up. This gives the programme considerable support and commitment from top government officials and smoothes out implementing difficulties deriving from intra-governmental conflicts. Furthermore, it makes the programme highly visible to beneficiaries and to society as a whole. This strategy has been deliberately adopted by the government through considerable investments in publicity and the frequent association of the programme with the presidential image.

This high programme profile also entails difficulties, however, in the sense that the close links with the president and the party in power make the programme a preferred target for the opposition. The difficulties in the approval of the loans for *Red Solidaria* illustrate this point. As could be expected, debates in the National Assembly about the loans have been politically motivated and have not centred on conceptual or design aspects of the programme itself, but rather on the allegedly propagandistic use of it, as well as the deepening of an already unsustainable foreign debt.

Despite the political difficulties in the National Assembly, the solid design of *Red Solidaria* seems to have given it a considerable amount of technical legitimacy. Geographical targeting through the poverty map prevents discretionary politically-driven expansions. This is enhanced by the fact that the poverty map was developed by a reputed academic institution (FLACSO), with the objective of providing inputs to FISDL's activities in general, not just the Red. Only after the map was ready was the Red created and based on it.

Furthermore, in 2006 new municipal governments were elected and took office for a three-year term. This changed the political map of the country and required new terms of agreement between the national government and targeted municipalities for the Red's implementation. Despite these problems, the poverty map continued to be respected in the programme's expansion strategy. Now, of the 47 municipalities that will be part of the Red until the end of 2007, 26 are ruled by the president's party (ARENA) and 12 by its main opposition party (FLMN), while the nine others are governed by smaller parties.

The experience of other Latin American countries with CCTs served as an inspiration to *Red Solidaria*, a fact that has been used to strengthen its technical legitimacy. The conceptual document, the programme's website and even the poverty map reports refer to successful CCTs implemented in Chile, Colombia and Mexico. They provide evidence of positive impacts of this kind of programme and justify its introduction in El Salvador. Moreover, consultants from some of these countries have been directly involved in Red's initial design.

The Red has also been able to attract strong donor support. In spite of the controversy regarding the approval of World Bank and IDB loans, the programme managed to raise substantial grant funding from bilateral donors and the European Union. These countries are highlighted as strategic partners of the Red in publicity material and on the programme's website. This support is used as a kind of guarantee of Red's sound technical quality.

Another issue that seems to contribute to the programme's political support and sustainability is the fact that, since the design stage, line ministries have been politically and technically involved with it. Not only is this important in ensuring that a demand-based incentive, such as a CCT, is coordinated with supply-side programmes; but it also helps avoid or overcome bureaucratic jealousy.

In general, our impressions of the programme derived from interviews and informal talks with local stakeholders as well as newspapers articles were quite positive. Even though the limited scope of the research and the fieldwork did not allow a systematic presentation of evidence in this respect, the main criticisms of the programme have been confined to specific aspects, such as the size of the transfers (judged by some to be too small and insufficient to make real impacts on the lives of people), supply-side issues (which have not been adequately tackled) and a supposedly propagandistic use of *Red Solidaria* by the government.

## 10 CONCLUSION: PENDING ISSUES AND REMAINING CHALLENGES

*Red Solidaria* is an example of how a small country, with limited resources, can design and set up a complex CCT programme. It has drawn valuable lessons from previous CCT experiences elsewhere; counted on a technically strong and motivated team; received political championship from the top levels of government; set up inter-institutional mechanisms for administrative coordination; and drawn on technical and financial support from varied international sources.

El Salvador's specific features, especially its small size combined with an effective national institution with a widespread network and a mandate related to poverty reduction might have favoured the implementation strategy for *Red Solidario*. The programme has relied heavily on on-site supervision by FISDL personnel.

Still, there are important issues and challenges related to the programme's agenda, some of which are widely acknowledged by programme managers and identified as areas of attention in the near future.

### 10.1 LOCAL PARTICIPATION

First of all, there is a need to strengthen the mechanisms of local participation, in particular the participation of municipal committees and beneficiary committees. They are regarded as vital arenas for ensuring the legitimacy and publicity of the Red's crucial activities, such as targeting and programme follow-up. Even though these committees have been fulfilling these roles, greater efforts are needed to genuinely involve and give voice to representatives of the beneficiaries themselves.

Much of the work carried out by the committees is concentrated in the hands of local FISDL representatives and municipal coordinators from the NGOs for family support and follow-up. The former handle most of the strategic instruments and information related to the infrastructure component of the Red, while the latter handle practically all formal contacts between beneficiaries and the programme (including fielding complaints and investigating justifications for non-compliance with co-responsibilities).

Capacity-building and incentives at the grassroots level might be as important as the monitoring approach adopted by the programme's managers in broadening the scope of participation in these committees. It will be important to avoid both a concentration of discretionary powers in the hands of these representatives and the overburdening of beneficiaries and community leaders with additional tasks that have only modest practical impacts.

A minor issue related to the institutional capacity of the programme relates to the prevailing human resource profile in FISDL. Since it has traditionally been an organization oriented towards infrastructure (and the size of the infrastructure component of the Red is quite large), most of FISDL's personnel has a background in architecture, engineering or other such sciences. Certainly this need not be an obstacle that hinders their active and enthusiastic involvement in a CCT programme, but such a profile poses additional requirements in terms of training and capacity-building, especially for the local representatives who work at the grassroots level.

An important challenge for the integrated approach of the programme concerns strengthening the links between the CCT component and the sustainability component. Even if the Red does not emphasize productive projects as the 'exit door' of the transfer programme—which seems to be an appropriate view—Component 3, which covers productive projects and micro-credit schemes, still receives very small funding compared to the other two components. What is more serious is that there are no concerted efforts to ensure that this component's beneficiaries coincide with the CCT beneficiaries, presumably the poorest ones in the communities.

## 10.2 PROGRAMME DURATION

Some design issues regarding the CCT component also pose important problems. For instance, as the programme has an expected duration of three years for each beneficiary family, it does not cover the time needed for the human capital impacts intended by the Red. The whole monitoring system for children's health and immunizations covers children up to the age of five years. This means that a beneficiary family with a pregnant woman would have to be in the programme for at least six years to have the entire maternal and child health protocol covered.

In the case of education, limiting the programme's grants to families with children who have not completed 6<sup>th</sup> grade not only contradicts the goal of ensuring at least basic education to all, but might also create negative incentives for grade promotion among students who do not have the relevant age for their grade. Without any problems of repetition or drop-out, students would reach 6<sup>th</sup> grade at the age of 12, not 15 years.

Strengthening the delivery of basic education beyond 6<sup>th</sup> grade in the targeted municipalities is needed to remove this potential perverse incentive from the programme, since supply constraints have been pointed out as the main reason for the grade-related eligibility requirement. Dealing with the quality of education and providing more than just preventive health care for the poor are also important areas that need further attention.

## 10.3 TARGETING CRITERIA

With regard to accountability issues, there is a lack of transparency in the targeting criteria used by the PMT, whose actual formula still seems to be under discussion. On the one hand,

the application of an econometric formula to the census data to determine eligibility is likely to make it more difficult for potential beneficiaries to enhance their chances of being included in the programme (if they are unaware of the scoring weights being used). On the other hand, it might generate perceptions of unfairness that cannot be easily addressed because the eligibility requirements are not easily understood.

To some extent, these perceptions have already developed as a result of the application of the additional targeting parameters for urban areas. They might also worsen as the programme moves towards covering the broader population identified as the second cluster through the use of the poverty map.

The same problem affects the co-responsibilities that might not be, in reality, conditionalities for receiving the cash transfers. Participation in family training sessions is frequently presented to beneficiaries as a conditionality, similar to school attendance and health check-ups. However, even though such sessions might be an important element of the CCT component, for the sake of transparency they should be presented as what they really are: co-responsibilities that do not entail discounts in the monthly grants.

#### 10.4 ENTRY DOORS

Another area of concern relates to the static approach of the programme in the way that it identifies and includes beneficiaries. Since targeting is completely based on a census that takes place only once, it does not take into account poverty or demographic dynamics. The only continuous updating of the list of beneficiaries concerns cases of exclusion, which arise due either to the correction of previous inclusion errors or situations in which beneficiaries exceed the eligibility thresholds (e.g., children turning 16 years of age or finishing 6<sup>th</sup> grade).

More dynamically based 'entry doors' to the programme, which are also carefully designed not to create fertility incentives, could be developed to address this limitation. But this would make sense only if the programme overcomes its temporary status, i.e., it is extended beyond the year 2009.

In this sense, *Red Solidaria* would have to be institutionalized as a permanent programme and be complemented by other programmes that are part of a coherent social protection strategy. As much as the programme might achieve important impacts on the well being of poor rural households with children, many other vulnerable groups in El Salvador remain uncovered by any kind of social assistance or social insurance scheme.

Thus, an integrated social protection strategy has to consider how to reach the urban poor, the elderly and the disabled, taking account of El Salvador's specific context of pervasive informality in the labour market, serious fiscal constraints and political polarization. This is a challenge that would require designing various kinds of social programmes—a task that would be much more complex than simply expanding the CCT model itself.

## APPENDIX A

### RESEARCH FIELDWORK

Mission to El Salvador: 19-28 March, 2007

#### Interviews

	Organization, representative
Local	Health unit, Director Primary school, Director Town hall, <i>Red Solidaria</i> municipal liaison
National	FISDL, Research and development manager FISDL, Research coordinator FISDL, <i>Red Solidaria</i> registry and transfers coordinator FISDL, <i>Red Solidaria</i> local coordinator FISDL, Census coordinator FISDL, Cartography coordinator Ministry of Agriculture, <i>Red Solidaria</i> 's focal point Ministry of Education, Coordinator of REE Ministry of Education, <i>Red Solidaria</i> 's focal point Ministry of Health, <i>Red Solidaria</i> 's focal point <i>Red Solidaria</i> , Executive director <i>Red Solidaria</i> , Local development expert <i>Red Solidaria</i> , Intersectoral manager <i>Red Solidaria</i> , Social visibility coordinator Technical Secretariat of the Presidency, Coordinator of the social cabinet
International	IDB, Social programmes division expert (Washington, DC)

#### Field visits

Municipality, Department	Poverty map ranking	Poverty map cluster	Activity
Jicalapa, La Libertad	34	High extreme poverty (2)	Observation of FISDL census, informal talks with household members, census personnel (supervisor and researchers) and FISDL local representative
Jutiapa, Cabañas	8	Very high extreme poverty (1)	Visit to health unit and primary school, informal talks with beneficiaries, interviews with local stakeholders
Masahuat, Santa Ana	20	Very high extreme poverty (1)	Observation of a municipal committee session
San Agustín, Usulután	24	Very high extreme poverty (1)	Observation of <i>Red Solidaria</i> payment event, informal talks with beneficiaries, NGO local promoters, health unit personnel and FISDL local representative

**APPENDIX B**

## Targeted municipalities

	Department	Municipality	Number of households	Population	Cluster	% Poor households	% Extremely poor households
1	Morazan	Torola	342	1,801	1	88.6	60.5
2	San Miguel	San Antonio del Norte	1,126	6,373	1	78.1	59.5
3	Sonsonate	Cuisnahuat	2,356	12,854	1	76.1	52.4
4	Morazan	Guatajiagua	2,343	10,907	1	78.2	53.1
5	Sonsonate	Caluco	1,484	8,341	1	79.1	43.7
6	Usulután	Nueva Granada	1,604	8,307	1	84.4	58.9
7	Chalatenango	San Fernando	529	2,819	1	81.9	59.7
8	Cabanas	Jutiapa	1,256	7,178	1	77.8	53.9
9	Morazan	Gualococti	580	3,090	1	80.3	56.6
10	San Miguel	Carolina	2,011	10,215	1	67.9	45.6
11	Morazan	San Isidro	649	3,543	1	73.7	49.8
12	Cabanas	Cinquera	255	1,184	1	83.1	52.6
13	Chalatenango	San Jose Cancasque	421	1,915	1	81.2	58.0
14	Morazan	Joateca	838	4,176	1	74.0	43.2
15	Ahuachapan	Guaymango	3,921	19,832	1	72.7	47.2
16	Chalatenango	San Isidro Labrador	83	376	1	75.9	59.0
17	Chalatenango	San Francisco Morazan	518	2,718	1	77.2	47.9
18	Morazan	San Simon	1,567	8,062	1	70.1	44.2
19	Santa Ana	Masahut	801	4,113	1	77.8	48.2
20	Chalatenango	Arcato	590	2,895	1	72.0	48.3
21	San Vicente	Santa Clara	897	4,632	1	73.8	47.8
22	Chalatenango	San Antonio Ranchos	334	1,485	1	80.2	49.7
23	San Vicente	San Esteban Catarina	906	4,598	1	75.7	43.1
24	Usulután	San Agustin	932	4,448	1	66.3	46.6
25	Santa Ana	Santiago de la Frontera	1,539	6,589	1	68.2	44.6
26	Sonsonate	Santo Domingo de Guzman	1,471	7,278	1	71.7	44.5
27	Chalatenango	La Laguna	993	5,111	1	71.1	47.1
28	La Paz	Paraiso de Osorio	639	2,933	1	76.4	44.8
29	Chalatenango	Ojos de Agua	773	3,536	1	71.8	50.6
30	Chalatenango	Las Vueltas	418	2,045	1	75.1	45.7
31	Usulután	Estanzuelas	2,097	10,102	1	68.2	44.3
32	Chalatenango	Potonico	372	1,582	1	76.3	47.3

33	San Miguel	Nuevo Eden de San Juan	623	3,160	2	62.8	39.5
34	La Libertad	Jucalapa	1,142	6,056	2	63.9	41.6
35	La Union	Lislique	2,700	13,790	2	63.6	37.0
36	Cabanas	Dolores	1,182	6,143	2	64.6	37.9
37	Sonsonate	Santa Isabel Ishuatan	1,885	9,790	2	60.6	40.8
38	Morazan	Cacaopera	2,044	9,351	2	68.5	40.9
39	Usulután	San Francisco Javier	1,439	6,058	2	72.6	40.6
40	Morazan	Corinto	3,129	16,402	2	65.1	35.6
41	Morazan	Yamabal	807	3,880	2	63.6	38.8
42	Ahuachapan	Jujutla	5,655	28,059	2	59.9	35.7
43	San Miguel	Sesori	2,263	11,379	2	54.8	32.1
44	Ahuachapan	Tacuba	4,529	22,425	2	68.1	42.2
45	Cuscatlan	Monte San Juan	1,665	8,973	2	64.3	34.8
46	Morazan	Arambala	427	2,129	2	58.3	31.2
47	Morazan	Chilanga	1,715	8,358	2	65.5	38.7
48	Morazan	San Fernando	373	1,924	2	66.8	38.1
49	Morazan	Sensembra	692	3,127	2	63.7	40.3
50	Sonsonate	Santa Catarina Masahuat	1,702	8,635	2	74.5	34.6
51	La Libertad	Teotepeque	2,730	14,108	2	58.5	34.3
52	San Miguel	San Gerardo	1,093	5,579	2	54.8	33.6
53	Chalatenango	Nueva Trinidad	342	1,896	2	65.5	40.4
54	Morazan	Lolotiquillo	1,020	4,867	2	63.2	33.7
55	Cuscatlan	San Cristobal	1,337	7,130	2	60.5	31.3
56	San Vicente	San Ildefonso	1,811	8,704	2	60.4	36.1
57	Ahuachapan	San Pedro Puxtla	1,662	8,411	2	70.6	39.4
58	La Libertad	Comasagua	2,418	11,155	2	60.3	35.8
59	Chalatenango	Agua Caliente	1,753	8,027	2	57.3	32.9
60	La Libertad	Chiltiupan	2,172	10,988	2	55.2	36.3
61	Cabanas	Victoria	2,790	14,796	2	65.9	42.1
62	Usulután	Alegria	2,540	13,813	2	74.1	36.8
63	Usulután	Tecapan	2,593	11,475	2	64.5	35.5
64	Chalatenango	San Antonio de La Cruz	386	2,113	2	64.8	42.8
65	San Miguel	Ciudad Barrios	6,131	29,664	2	59.6	32.9
66	Usulután	Concepcion Batres	2,931	13,086	2	57.0	30.8
67	Usulután	Berlin	3,712	17,952	2	64.9	35.2
68	Usulután	Ozatlan	2,709	12,140	2	58.8	31.1
69	Chalatenango	Las Flores	490	2,072	2	68.0	41.8
70	La Paz	San Emiglio	531	2,689	2	62.1	38.8
71	La Paz	San Miguel Tepezontes	1,011	4,629	2	70.0	38.0
72	La Paz	Santa Maria Ostuma	1,249	5,660	2	63.1	34.0
73	La Union	Yyantique	1,230	5,412	2	58.4	32.0
74	San Miguel	San Jorge	2,168	9,641	2	55.4	34.4

75	Usulután	Mercedes Uamana	2,933	13,866	2	60.4	34.8
76	Chalatenango	El Carrizal	561	2,757	2	71.7	40.3
77	San Vicente	San Lorenzo	1,270	6,178	2	66.1	37.9
78	La Paz	San Juan Tepezontes	758	3,190	2	64.4	36.0
79	San Vicente	Apastepeque	3,541	18,247	2	62.5	33.1
80	Chalatenango	Nombre de Jesús	871	4,341	2	62.7	36.3
81	Usulután	Jacuarán	3,047	12,846	2	65.9	31.4
82	Cabanas	Ilobasco	11,938	66,259	2	60.4	31.0
83	Morazán	El Rosario	257	1,076	2	63.4	31.5
84	Chalatenango	Comalapa	998	4,364	2	64.6	40.0
85	Cuscatlán	Santa Cruz Analquito	561	2,387	2	62.7	36.5
86	La Paz	San Pedro Nonualco	2,017	9,430	2	59.7	32.6
87	Cuscatlán	El Rosario	737	3,762	2	60.2	33.5
88	Cabanas	Tejutepeque	1,258	5,863	2	60.5	36.0
89	La Unión	San José de la Fuente	962	3,975	2	57.1	31.3
90	Morazán	Delicias de Concepción	1,029	4,749	2	59.9	30.1
91	La Paz	San Antonio Masahuat	831	4,047	2	60.4	33.6
92	Chalatenango	San Luis del Carmen	501	1,700	2	65.9	37.7
93	La Paz	Tapalhuaca	907	3,612	2	53.5	32.2
94	San Vicente	Verapaz	1,812	7,803	2	64.2	31.8
95	Santa Ana	Santa Rosa Guachipilín	1,398	6,185	2	57.6	32.6
96	Usulután	Santa Elena	3,389	15,476	2	56.2	31.7
97	Cuscatlán	Tenancingo	1,692	7,858	2	52.3	30.1
98	Chalatenango	Concepción Quezaltepeque	1,482	6,387	2	61.7	31.9
99	Chalatenango	San Miguel de Mercedes	569	2,438	2	56.1	34.5
100	Chalatenango	San Francisco Lempa	262	1,067	2	57.4	31.9

Source: Flacso, 2005.

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## NOTES

1. International policy learning and external influence, especially from the World Bank and the Inter-American Development Bank, also played an important role in the agenda setting and technical design of the programme.
2. Executive Decree n. 11, of March 4<sup>th</sup>, 2005, modified by Executive Decree n. 42, of May 16<sup>th</sup>, 2005.
3. The Red's legal document limits its duration to 2009 but the programme's conceptual document includes goals for 2010-2015 and refers explicitly to the MDGs.
4. Nevertheless, the same poverty assessment shows surprising data related to recent poverty dynamics among the rural and urban populations. In the first half of the 1990s, economic growth was able to reduce poverty, particularly among the moderate poor and the urban poor. This process slowed down after 1995 and decelerated further in the 2000s, due to domestic factors, exogenous shocks and natural disasters. This reduced considerably the pace with which the country was able to improve the conditions of the rural poor, but the urban poor seemed to be even more affected: urban poverty actually increased between 2000 and 2002 (World Bank, 2005). This might be related to the effect of migrant's remittances, which have had greater poverty impacts in rural areas (PNUD, 2003).
5. Although poverty trends in El Salvador seem to be consistent regardless of the methodology used, the statistics regarding current estimates and the speed of poverty reduction throughout the 1990s are controversial (PNUD, 2003).
6. There is some ambiguity in the use of the terms 'poverty' and 'extreme poverty' in Red's documents. The poverty line in El Salvador is officially calculated as twice the costs of a basic food basket (US\$ 2.12 dollars per person per day in urban areas and US\$ 1.33 dollars per person per day in rural areas). The extreme poverty line is equivalent to the costs of one basic food basket (FLACSO, 2005). However, these values are contested and might be underestimated (PNUD, 2003).
7. While this is generally regarded as an empowering tool for women, Molyneux (2006) warns against overemphasizing the 'maternalistic' gender role in the poverty agenda epitomized by CCTs.
8. A field visit during pay day provided anecdotal evidence in this regard. Beneficiaries of a remote district complained about having to rent a truck to drive them to the payment location at dawn, wait for all of them to receive their stipend and bring them back home. The whole operation would take the whole morning and cost around US\$ 2.50 per person (an amount considered an overestimate, however, by programme managers).
9. Despite formally including pre-school enrolment and attendance co-responsibilities, the Red does not always enforce the schooling conditionality for children younger than seven years old, due primarily to supply constraints.
10. The schedule for check-ups and the immunizations protocol vary by children's age.
11. In a sense, the family sustainability component of *Red Solidaria* seems to have been put in place to deal with this issue, since it encompasses productive projects and microcredit schemes as income generation or diversification mechanisms. However, as will be discussed below, this component has not received much attention in the programme and its links with the CCT component are weak.
12. An exception seems to be *Bolsa Familia* in Brazil, which has no time limit for the receipt of benefits but uses registry updating mechanisms and consistency checks for the verification of family eligibility for the programme.
13. These additional parameters were not detailed in the programme's operational manual, but in the new operational guideline for the municipal committees. They are in the process of being publicized among committee members.
14. Calculations on the basis of the statistics presented in the poverty map suggest that poverty would affect between 66 per cent and 89 per cent of the households in the 32 municipalities of the first cluster (FLACSO, 2005).
15. In the second cluster, poverty levels would range between 52 per cent and 74 per cent (own calculations, based on FLACSO, 2005).
16. Although every committee receives a paper and electronic copy of the municipality's maps, there are no specific instructions or suggestions on how they could be used and who should be in charge of storing and handling them. Apparently, the FISDL local representative ends up being the person responsible for them. This casts some doubt about the real use of these inputs by local stakeholders. Moreover, the mere possession of a digital format of the maps might not be sufficient to ensure that they can be utilized at the local level, as they usually require specific cartographic software to be viewed or printed out.
17. The operational manual of the Red includes an Indigenous Development Plan, which determines not only the inclusion of specific questions in the census, but also the inclusion of inter-cultural themes in the family training sessions of the CCT component of the programme and other activities that take into account specificities of the indigenous culture. For most of the programme managers interviewed, however, this Plan resulted much more from a donor concern than a country demand. This reflects the controversial nature of the indigenous issue in El Salvador. It is important to bear in mind that in the second half of the 20<sup>th</sup> century, El Salvador underwent a process of denial of its indigenous ancestry. This resulted in a debate on the 'invisibility' of this population for the purposes of public policies (PNUD, 2003).



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