

Do CCT Programmes Work in Low-Income Countries?

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Conditional cash transfer (CCT) programmes have worked fairly well in large upper middle-income countries such as Brazil and Mexico. But this does not mean that the CCT model can be exported to all countries, especially the poorest. As the table shows, programmes in low-income countries are reaching a much smaller share of their population and of the extremely poor. The number of beneficiaries of CCT programmes in Brazil and Mexico is larger than the number of the extremely poor, whereas in Nicaragua the beneficiaries are equivalent to 7.8 per cent of the extremely poor population. Low-income countries also have a much more limited capacity to spend on these programmes. For instance, Mexico invests 0.44 per cent of its GDP and 4.3 per cent of total social spending in CCTs, while Honduras invests 0.02 per cent of GDP and 0.2 per cent of social spending.

A recent paper on Guatemala, Honduras and Nicaragua reveals the challenges that CCT programmes face in small, low-income countries with weak institutional settings (Cecchini et al., 2009). First, because of their multidimensional approach to poverty reduction, CCT programmes require coordination among the different sectors and territorial units of the state. In the Central American countries cited above, however, state institutions are quite fragile and coordination is far from effective.

In Honduras, an attempt is being made to coordinate efforts to fight poverty by means of the *Red Solidaria*. But there is still an overlap of actions between the *Programa de Asignación Familiar* (PRAF), which is the nationally financed cash transfer programme, and the pilot programme funded by the Inter-American Development Bank (IDB). Guatemala has no Ministry of Social Development and its CCT programme, *Mi Familia Progresa* (MFP), was launched in 2008 without sufficient coordination with the education and health sectors.

Second, successful and sustainable programmes must endure over time and be considered as a state policy that is not subject to governmental change. This entails setting up state-based funding mechanisms, not simply depending on foreign donors. In Nicaragua, the *Red de Protección Social* (RPS), financed by an IDB loan, was reasonably successful, but the present government replaced it with other poverty reduction initiatives such as *Hambre Cero* and *Usura Cero*.

Third, CCT programmes require an ability to implement and manage sound and transparent beneficiary information and

Coverage and Investment of Selected CCT Programmes

Country (programme), year	Coverage		Investment in CCT	
	% of total population	% of extremely poor ^a	% of GDP	% of social spending
Brazil (<i>Bolsa Família</i>), 2006	22.7	> 100.0	0.43	2.0
Mexico (<i>Oportunidades</i>), 2006	23.8	> 100.0	0.44	4.3
Guatemala (MFP), 2008	13.6	46.7	0.06	0.8
Honduras (PRAF), 2006	6.8	14.9	0.02	0.2
Nicaragua (RPS), 2006	2.5	7.8	0.04	0.4

Note: ^a Does not consider exclusion or inclusion errors.
Source: Cecchini et al. (2009) and ECLAC, calculated on the basis of official figures.

payment systems. Low-income countries, however, often have weak statistical capacity and fragile banking systems. Guatemala lacks an information management system to register beneficiaries. Payments are made in cash at mass events often attended by the first lady. In Nicaragua, the RPS cash transfers were distributed by security companies hired for that purpose.

In Guatemala, Honduras and Nicaragua, which are marked by widespread poverty, geographical or other categorical targeting for poverty reduction programmes may be sufficient. Second-level targeting based on complex proxy means tests may lead to the exclusion of potential beneficiaries, as well as to tensions and feelings of discrimination. Similarly, conditioning cash transfers on school attendance or health check-ups is somewhat inappropriate in areas where these services are either absent or of dismal quality. It is equally unsuitable to announce the imposition of conditionalities when the proper information systems are lacking.

It is thus quite evident that in low-income countries funds should be devoted not only to increasing the demand for social services but also to expanding their supply. Efforts in that direction were made with RPS in Nicaragua and are under way as part of the PRAF in Honduras. These CCT programmes include cash transfers for the provision of education and health services in order to meet the increased demand that they generate.

Reference:

Cecchini, S.; A. Leiva; A. Madariaga; and D. Trucco (2009). *Desafíos de los programas de transferencias con corresponsabilidad: Los casos de Guatemala, Honduras y Nicaragua*. Santiago, Chile, CEPAL-Asdi. ECLAC website, <http://www.eclac.cl/publicaciones/xml/3/35903/DPW248_Programas_Transferencias.pdf>.