

# Do CCTs Lessen the Impact of the Current Economic Crisis? **Yes, but...**

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**The recent financial and economic crisis** has sparked a debate on whether conditional cash transfer (CCT) programmes make families less vulnerable to that crisis. This link between the crisis and CCTs was made because countries like Brazil, which have large CCT programmes, were enduring the impacts better than most others.

CCTs can help families to sustain their food consumption levels. That in turn reduces any negative impact on the nutritional intake of children; it also keeps them in school and away from work. If the spillover effects documented in the literature are to be believed, the flow of income into communities can also help alleviate the fall in overall economic activity. CCTs that can expand during a crisis help to mitigate the effects of the crisis. They work as local-level automatic stabilizers, similar to how unemployment benefits do in the developed world. They can both avert the short-term impact of the crisis and attenuate its long-term negative effects on human development outcomes.

Nonetheless, it is one thing to say that countries with CCT-like programmes are sheltering the more vulnerable from the worst consequences of the crisis, and another to recommend that CCT programmes be designed and implemented during a crisis. It is not easy to design and implement CCTs. Several steps are involved, political will is required, and funds must be committed. In Brazil, the number of beneficiaries of *Bolsa Família* has increased, as has the value of the benefit as an anti-crisis measure. In Mexico, a new stipend designed to compensate for the rise in food prices has been included into the grant components of *Oportunidades*. These changes were only possible because the programmes are well established and have been working smoothly for some time.

It can be even more challenging to implement CCTs in low-income countries. In most such programmes in Africa, the conditionalities have been much less strict than in some Latin American countries, and community targeting has been widely used. It can be costly in terms of funds and time to establish targeting and monitoring mechanisms. Moreover, it might not be feasible to provide financing during a crisis period, when government revenues are falling. Authorities should be cautious about relying on donor funds to implement these programmes, since sustainability becomes an issue.

Even assuming that it is possible to design and implement CCTs fairly quickly, a well-crafted strategy has to be thought through with commitment from both donors and recipient countries.

This is particularly true as regards the question of how to phase-in and phase-out external aid, so that programmes do not lose political support and face being discontinued.

Policies and programmes can only be effective if they are implemented under a sustainable social protection strategy. Such a strategy should enable better coordination among programmes, between the central and local levels, and among the different international players in order to avoid duplication of effort and waste of resources.

In relatively successful cases, such as *Chile Solidario* and *Bolsa Família*, policy integration has been facilitated by the presence of registries of potential beneficiaries for CCTs and other social programmes. Such databases enable the authorities to build an array of indicators on families' socioeconomic conditions. This makes them powerful tools in mapping the different needs of various communities, and they could be used to guide other policies. They can be useful not only to line ministers whose work is closely related to the conditionalities or complimentary programmes, but also to providers of basic utilities such as water and electricity. Registries enhance monitoring of the poorest families' access to social services and infrastructure in a more calibrated way than household surveys. The latter, though they are nationally representative, are often based on small samples that do not facilitate sound analysis for local-level interventions. This knowledge base allows rapid crisis response when programmes may need to expand in order to cover a larger proportion of those that fall into poverty.

Some CCTs have proven strong enough to avoid becoming isolated elements of a minimal safety net and have developed into more inclusive social policies (Bastagli, 2009). They have reached that stage through trial and error that is finally paying off, though many challenges still lie ahead.

In sum, CCTs are not panaceas to strengthen the (emergency) resilience of families and states. But they have features that can be used to lessen the impact of a crisis as long as they are integrated in a broader social protection strategy whose goal is not solely to work as a minimal and temporary safety net.

#### Reference:

Bastagli, Francesca (2009) "From Social Safety Net to Social Policy? The Role of Conditional Cash Transfers in Welfare State Development in Latin America" (forthcoming). *IPC-IG Working Paper*. Brasilia, International Policy Centre for Inclusive Growth.