FROM THE
EDITORS

Poverty in Focus is a regular publication of the International Poverty Centre (IPC). Its purpose is to present the results of research on poverty and inequality in the developing world. Support is provided by the Swedish International Development Cooperation Agency (Sida).

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Editor’s note: IPC thanks the Swedish International Development Cooperation Agency (Sida) for supporting the publication of the Poverty in Focus series. IPC also thanks all the contributors of the articles, particularly for sharing their knowledge and experiences without any monetary remuneration.

IPC is a joint project between the United Nations Development Programme and Brazil to promote South-South Cooperation on applied poverty research. It specialises in analysing poverty and inequality and offering research-based policy recommendations on how to reduce them. IPC is directly linked to the Poverty Group of the Bureau for Development Policy, UNDP and the Brazilian Government’s Institute for Applied Economic Research (IPEA).

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ash transfer programmes are emerging as indispensable component of poverty reduction strategies. The objectives of alleviating short-term poverty and long-term human capital building are what make cash transfers, particularly conditional ones, attractive. In Latin America, where cash transfers are widely implemented, impact evaluations show significant positive impacts. Improved nutritional intakes, access to health and education as well as reduction in poverty and inequality are observed.

The International Poverty Centre has a comprehensive research agenda on cash transfer programmes. The work mainly focuses on comparative studies in selected countries in Latin America and Sub-Saharan Africa. The Centre, in collaboration with international and bilateral agencies, also carries out both quantitative and qualitative analyses of the impact of cash transfers on poverty and inequality.

This issue of Poverty in Focus presents a collection of articles covering various aspects of cash transfer programmes.

Degol Hailu and Fabio Veras Soares provide an overview of cash transfer programmes, particularly focusing on conditional transfers in Latin America and social transfers in selected African countries.

Tatiana Britto discusses Brazil’s Bolsa Família tracing its origins, outreach and the critical political support to the programme.

Ilíana Yashchine and Laura Dávila highlight the challenges faced by Mexico’s Oportunidades programme in designing exit strategies for long-term beneficiaries.

Charity Moore shows that tensions often arise when cash transfer programmes are funded externally by looking at the cases of Honduras and Nicaragua.

Rafael Perez Ribas, Fabio Veras Soares and Guilherme Issamu Hirata summarize various evaluations of cash transfer programmes and point to what we know and may not know.

Pablo S.Villatoro examines the different objectives of conditional cash transfer programmes in Latin America, particularly focusing on the relationship between the goals of the interventions and the mechanisms utilized.

Michelle Morais de Sa e Silva brings into light the cash transfer programme from the North – Opportunity New York City and points to its controversial nature.

Sudhanshu Handa and Scott Stewart point out that while directly reaching orphan children through transfer programmes may work; the strategy may exclude poor ones.

Esther Schuering notes the need for capacity development as well as political support to scale-up the social cash transfers in Zambia.

Michael Samson and Sheshangai Kaniki emphasize that social pensions are related to increases in school attendance and poverty reduction, while costing less than one per cent of GDP.

Krzysztof Hagemejer shows that African countries can afford and need basic social security to tackle poverty and inequality.

Karla Parra Corrêa and Rafael Perez Ribas describe why cash transfer programmes must be based on needs assessments for successful implementation.

Degol Hailu, Marcelo Medeiros and Paula Nonaka underscore the need for legally protecting cash transfer programmes from political changes and economic fluctuations.

We hope this collection of articles contribute to a better understanding of the design, implementation and impact of cash transfer programmes.

The Editors
Cash Transfers in Africa and Latin America: An Overview

Introduction
According to the 2005 UN Report on the World Social Situation “income transfer programmes that sustain the poorest families are essential to changing the structure of opportunities and are key to reducing the intergenerational transmission of poverty and inequality” (p. 2). In the same year, the UN Economic Commission for Africa recognised the value of cash transfers in tackling extreme poverty in Sub-Saharan Africa. The Commission promised resources of up to US$ 2 billion a year, an amount that was to rise to US$ 6 billion a year by 2015.

Given the growing popularity of cash transfers, the articles in this issue of Poverty in Focus draw attention to the conditional cash transfer programmes (CCTs) in Latin America and social transfers in Africa.

Conditional Cash Transfer Programmes
CCTs are considered innovative for several reasons: (i) their targeting mechanisms; (ii) beneficiaries receive cash rather than in-kind benefits; and (iii) the transfers are conditional. CCTs are designed to increase the human capital of beneficiaries by making transfers conditional on certain requirements, such as school attendance, visits to health clinics and renewals of immunisation. Additionally, CCTs aim to alleviate poverty in the short-term.

Pablo Villatoro’s article discusses the tensions that might arise between the goals of poverty alleviation in the short run and human capital accumulation in the long run. Most particularly, he looks closely at the debate surrounding targeting mechanisms and graduation (exit) rules. His discussion is based on the different approaches that CCT programmes can take: (i) a pure human capital accumulation approach; (ii) a targeted minimum-income guarantee scheme; and (iii) a focus on increasing the income-generating potential of adult members in beneficiary households in order to encourage graduation from CCT programmes.

An example of such tensions is that some CCTs, while having the long-term goal of sustaining human capital accumulation, also, and paradoxically, have a three- to five-year limit, after which beneficiaries are required to leave the programme. The timeframes are often the result of provisions in the external loans that finance the initiatives, or of the term limits of the governments that introduce them. Because of this short-term financing horizon, some programmes have lessened the emphasis on human capital accumulation. Exit rules are therefore established without due attention to the persistent vulnerability of “graduated” families to shocks that could pull them back into poverty. In many cases, there are neither effective exit strategies nor ex-post support programmes for families that have graduated from a programme. Broader policy options are needed to ensure that beneficiaries do not fall back into poverty after graduation.

Some of these tensions and challenges are clearly evident in Tatiana Britto’s article, which describes the process that culminated in the launch of Bolsa Família in Brazil. In particular, she poses the question of whether Bolsa Família is a conventional CCT programme like its predecessor initiatives Bolsa Escola (school grant) and Bolsa Alimentação (nutrition grant), or whether it is a first (targeted) step towards a universal basic income grant as already established in Brazilian

CCTs, while having the long-term goal of sustaining human capital accumulation, also, and paradoxically, have a three- to five-year limit, after which beneficiaries are required to leave the programme. The timeframes are often the result of provisions in the external loans that finance the initiatives, or of the term limits of the governments that introduce them.

Needs assessments can help define feasible conditionalities, indicate the need for supply-side interventions, and provide information on the cost of the programmes.

The cost of the social cash transfer components—those not related to health—would vary within a range of 3 to 6 per cent of GDP for countries like Burkina Faso, Cameroon, Ethiopia, Kenya, Guinea, Senegal and Tanzania.

Cash transfer programmes have been suggested as a way of helping families that care for orphans and children affected by HIV/AIDS.
legislation. Tatiana Britto also discusses the implications of the programme’s strategy regarding the implementation of complementary programmes and graduation rules. On the same issue, Iliana Yaschine and Laura Dávila explain the changes made to the graduation strategies of Mexico’s Oportunidades. The strategy was reviewed to respond better to chronic poverty and vulnerability.

Impact evaluations of CCTs have shown promising results. First, there is evidence of positive impacts on education and health outcomes. Second, there is some evidence of positive impacts on nutrition, mainly when the CCTs have been accompanied by the distribution of food supplements. Third, no major negative impact on labour supply has been observed (despite criticisms that CCTs foster dependency). Fourth, large-scale programmes have had impressive results in reducing inequality and some impact on poverty measures, especially by narrowing the poverty gap and lessening the severity of poverty.

Rafael Ribas, Fabio Soares and Guilherme Hirata summarise what we have learned from those evaluations and review what we still need to learn. Most particularly they consider the added value of conditionalities and complementary activities, and discuss the fact that these programmes are likely to have some externality effects that can either lessen or heighten their potential impact. They argue that greater understanding of the mechanisms through which CCT programmes work is needed, in order to provide policymakers with better information on design options.

Conditionalities have been controversial in the cash transfer debate. In some cases, they are perceived as tools to guarantee access to universal basic rights (education and health). In other cases, the mere existence of conditionalities have led to the exclusion of some localities from programmes because of the inadequate supply of services.

As a result, the discourse has changed in many Latin American countries and the term “co-responsibility” has been adopted instead of conditionality. This change seeks to emphasise that governments have the responsibility to guarantee the adequate supply of education and health services, so that beneficiary families can comply with the programmes’ requirements. In such a context, and as argued in the article by Karla Correa and Rafael Ribas, needs assessment exercises may be crucial to designing CCT programmes. Needs assessments can help define feasible conditionalities, indicate the need for supply-side interventions, and provide information on the cost of the programmes.

The immediate challenge is to convince finance ministers and governments generally that social cash transfers are not simply hand-outs but necessary social investments.

The conditionality issue is clearly evident in the only case from the North, Opportunity New York City, which is discussed by Michelle Morais de Sa e Silva. She points out the implications of the programme for policies designed to improve pupils’ performance at school. She also questions the effectiveness of linking transfers to individual student performance, since that approach may divert education policy away from supply-side issues.

The low cost of CCTs, relative to traditional in-kind social assistance interventions, is another attractive feature of the programmes. The costs of Brazil’s Bolsa Família and Mexico’s Oportunidades—the two largest programmes in the region—are much less than 1 per cent of GDP. The way programmes are financed, however, can have crucial implications for their financial and political sustainability.

In her article, Charity Moore analyses the cases of PRAF II in Honduras and the Red de Protección Social (RPS) in Nicaragua, and observes that external funding through loans poses new challenges to CCT programmes. She shows the difficulties encountered in integrating the externally funded PRAF II with the domestically funded PRAF I in Honduras. She also recounts the brief history of RPS: although it exhibited the best results in impact evaluations, the programme failed to gain enough internal support to ensure its continuity.

Ownership and domestic political support are critical to the success of CCTs, and these can only be gained by institutionalising the programmes. It is crucial to generate a minimum consensus so that CCTs are not viewed as simply a “single government programme”, but as part of a broader policy geared towards strengthening a country’s social protection and poverty reduction strategies.

National ownership and domestic political support, however, are complex issues. On the one hand, as Tatiana Britto notes, strong support from incumbent governments and the programmes’ association with senior political figures (usually the president) help facilitate implementation.

On the other hand, this high visibility may compromise the continuity of the programmes when governments change. Again, this trade-off can only be minimised by institutionalising transfer schemes. This in turn requires transparency in the initiatives’ implementation and financing. A clearly defined legal framework, as argued by Degol Hailu, Marcelo Medeiros and Paula Nonaka, is an essential element of the institutionalisation process.

The integration of CCTs with broader social policies can minimise the risks involved in consolidating the dual system that characterises social protection in Latin America. In most countries, for instance, social policy consists of social insurance systems that cover only formal sector workers, as well as residual social assistance initiatives that protect the extremely poor during crises (Bastagi, 2007). CCTs can complement such systems, especially if they are institutionalised and integrated into a national social protection strategy.
Social Cash Transfers

Social cash transfers (SCTs) have been widely discussed in a number of African countries. Since the Livingstone Conference on Social Protection in March 2006, governments and multilateral institutions such as the African Union have been increasingly engaged in the discussion of SCTs in the region. SCTs, however, are not a novelty in Africa. Mauritius has a universal basic pension scheme that was established in the 1950s. Namibia also has a longstanding social pension programme.

South Africa is well known for its rights-based approach to cash transfers, with large programmes such as the old age pension, the disability grant and the child support grant. Even less-developed Mozambique has implemented the Programa de Subsídio de Alimentos (PSA), a non-contributory social transfer to people unable to work. The PSA, which has more than 100,000 beneficiaries, can be considered a large-scale programme in comparison to the present pilot schemes in other African countries. SCT initiatives, however, are more the exception than the rule in the continent.

The challenges to establishing SCTs in Sub-Saharan African countries are numerous. First, there is a deeply entrenched belief that cash transfers are hand-outs that would reduce labour participation. Second, there is a widespread perception that transfers would divert resources from investment in infrastructure and much-needed spending on social services such as public (free) provision of primary and secondary education and primary health care.

The immediate challenge is to convince finance ministers and governments generally that SCTs are not simply hand-outs but necessary social investments. They also should be conceived as complementary to the expansion of social services, with a view to reaching poor families.

The article by Michael Samson and Sheshangai Kaniki sums up the available evidence on the developmental impact of social pensions. They present evidence showing that cash transfers have a positive impact on education and health outcomes even in the absence of conditionalities. SCTs are also conducive to an increase in the investment made by households, and help households to manage social risk.

Esther Schuering’s article describes the present pilot cash transfer programmes in Zambia and analyses the challenges of institutionalising SCTs within the country’s mainstream social policies. She highlights the difficulties involved in securing support from the Ministry of Finance to develop a national programme based on the lessons learned from the pilot schemes. Extending the programmes to large-scale national coverage is constrained by cost concerns.

Krzysztof Hagemejer’s article makes the case for basic social security. He shows that a basic social security package is affordable and can encompass: (i) universal access to essential health care services; (ii) a universal basic old-age and disability pension; (iii) basic child benefits for the first two children; and (iv) basic social assistance providing a 100-day employment guarantee to the poorest 10 per cent of household heads of working age.

The cost of the SCT components—those not related to health—would vary within a range of 3 to 6 per cent of GDP for countries like Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania. He also proposes ways of achieving those goals gradually.

The HIV/AIDS pandemic has eroded traditional family support networks and many orphans have to be cared for by their grandparents and/or uncles and aunts. This situation is particularly worrying in East and Southern African (ESA) countries. Cash transfer programmes have been suggested as a way of helping families that care for orphans and children affected by HIV/AIDS.

The article by Sudhanshu Handa and Scott Stewart discusses alternative targeting approaches to extend the coverage of SCTs. The alternatives are based on current versions of SCT schemes in ESA countries. These include: (i) the labour-constrained households model that gives support to households without an adult member who is able to work (Kalomo pilot in Zambia and Malawi); (ii) households with elderly or disabled members (Mozambique); (iii) households with orphans (Botswana); and (iv) households with children. Their evidence for Uganda and Malawi suggests that targeting children is the best way of reaching the poorest households and guaranteeing significant impacts on school enrolment.

One of the challenges for SCTs is that limited resources make choosing among different targeting options problematic. For instance, even if universal social pension schemes are to be implemented, the eligibility age would be the targeting criterion. This in turn is determined by the budget available rather than by the impact on poverty and/or on other developmental outcomes.

Careful and robust evaluations of relatively well-established STC schemes—such as the PSA in Mozambique and the current pilot schemes in Zambia, Malawi and Kenya—may offer important insights into how to expand SCT programmes within the current fiscal constraints faced by most Sub-Saharan African countries. Such evaluations will be powerful tools of advocacy to win support from society at large.


Brazil’s Bolsa Família: Understanding Its Origins and Challenges

Currently, Bolsa Família reaches 11.1 million families across the country.

Although Bolsa Família enjoys multi-partisan support and has managed to share credit with municipal governments through decentralised implementation, it has become very strongly associated with President Lula.

No single transfer programme, on its own, can lift beneficiaries out of poverty permanently. This can only be done with a synergistic combination of public policies and economic growth, which is far beyond the scope of Bolsa Família.

If the programme is to be understood as a minimum income grant, perhaps it would make more sense to talk about its expansion strategy rather than its graduation rules.

Brazil’s Bolsa Família, the world’s largest conditional cash transfer programme (CCT), has yielded very positive results in terms of targeting and its effects on poverty and inequality (Soares et al., 2007). The programme is the flagship initiative of President Lula’s umbrella social strategy, “Zero Hunger” (Fome Zero), established in line with his campaign slogan that every Brazilian should be entitled to at least three meals a day.

Bolsa Família now reaches 11.1 million families across Brazil and provides two different kinds of benefits: a basic transfer, completely unconditional and given to extremely poor families; and a transfer that varies according to the number of children in the family up to the age of 17. This is for poor and extremely poor families and is conditional on human capital investments such as school attendance, immunisation of children and pre-natal check-ups.

The programme’s rationale is very similar to that of most CCTs in Latin America: to combine the short-term goals of poverty alleviation, through the cash transfers, with the long-term objectives of breaking intergenerational poverty traps, through the conditionalities on health and education.

The origins of Bolsa Família can be traced to long before Lula took office. After 21 years of military dictatorship, Brazil underwent a peaceful transition to democracy in the mid 1980s. A new constitution in 1988 emphasised recognition of social rights and the need to address a historical debt to the poor.

This constitutional emphasis set the stage for a controversial debate in the Brazilian Senate in the early 1990s on the establishment of a universal minimum income.

At the time, scholars had given the press the idea that income alone was far from enough to tackle the persistent problem of poverty. What was needed was an approach that addressed poverty’s structural causes, which were seen as being directly related to the population’s low levels of schooling. These two ideas were combined in a proposal for a cash transfer that would encourage families to ensure that their children received schooling, and the basic design of an education-related CCT emerged (Lindert et al., 2007).

From 1995 onwards, several Brazilian municipalities initiated such CCTs. These were given some prominence in the press and generally had positive results. In 2001, President Fernando Henrique Cardoso introduced an education CCT, Bolsa Escola, at the national level. This built on a smaller programme that transferred resources for municipalities to implement their own CCTs. Another large CCT programme, related to health and nutrition (Bolsa Alimentação), was created shortly afterwards (Britto, 2008).

When Lula took office at the start of 2003, in addition to these two large and targeted CCTs, Brazil had an unconditional transfer to compensate poor families for the end of fuel subsidies (Vale Gás) and a smaller CCT designed to eradicate child labour (PETI).

The president created his own CCT initiative (Cartão Alimentação). This was closely linked to the idea of Zero Hunger, in that it targeted the most impoverished areas of the country and nutrition was its main goal. Symbolically, this latter programme
was placed in the new Extraordinary Ministry for Food Security. At the programme’s start, there was an attempt to make the transfers conditional on the purchase of food, but this idea was dropped after fierce criticism from different stakeholders and scholars.

This array of similar programmes, directed at the same target population, caused inefficiency and led to a duplication of efforts. Hence the proposal to establish a reform programme that would consolidate its predecessors. In October 2003, therefore, Bolsa Família was created and shortly afterwards a new government agency, the Ministry for Social Development and the Fight against Hunger, was established to lead its implementation. Social assistance and food security policies were also put under the Ministry’s administration.

In January 2004, talk of a minimum income grant regained momentum as a bill that had been under discussion in Congress for 10 years was finally passed and approved by Lula. The law affirms the right to a guaranteed basic income in order to cover the fundamental rights of citizens such as food, education and health. This basic income is to be introduced gradually, giving priority to the neediest groups and in line with budgetary considerations.

The understanding of the bill’s supporters was that Bolsa Família, although targeted at the poor, was a first step towards this universal basic income. Hence the secretariat in charge of Bolsa Família in the Ministry for Social Development was called the National Secretariat for Citizenship Income.

Today there seems to be some dispute as to whether Bolsa Família is a conventional CCT or a first step towards a universal basic income. Although this dispute might help harness support for the programme from different political viewpoints, it also entails some controversies.

For instance, much has been written in the Brazilian press about potential disincentives to work and dependence on the transfers. Interestingly, evaluation results indicate that the programme has had no negative impact on the labour market. On the contrary, in general its beneficiaries have a higher rate of participation in the labour market than non-beneficiaries. This might be related to the value of the cash transfers, which perhaps is insufficient for beneficiaries to stop working unless they have highly unstable incomes or precarious jobs. It could also be because the provision of steady incomes for the poor might function like a microcredit scheme, allowing them to make more rational investments and expenditures (Medeiros et al., 2008)

As regards dependence on the transfers, this matter is part of the debate on exit from the programme, a debate that is present in most CCTs. When Bolsa Família began there was a strong emphasis on its link with what were called "emancipatory strategies". Although this issue is still present, it appears to have lost strength in the programme’s official discourse. This is probably because of a perception that transfers might be needed for a long period before beneficiaries can be lifted out of poverty sustainably.

Currently, Bolsa Família does not have clear exit rules. The first question to be asked in a discussion of graduation or exit rules is: graduation from what? From the programme or from poverty? Clearly, no single transfer programme, on its own, can lift beneficiaries out of poverty permanently. This can only be done with a synergistic combination of public policies and economic growth, which is far beyond the scope of Bolsa Família. And if the programme is to be understood as a minimum income grant, perhaps it would make more sense to talk about its expansion strategy rather than its graduation rules.

The programme faces three significant challenges in the future. The first is the question of political sustainability. Although Bolsa Família enjoys multi-partisan support and has managed to share credit with municipal governments through decentralised implementation, it has become very strongly associated with President Lula. This might jeopardise its continuation under a different administration.

Another challenge is to minimise exclusion errors, either by making greater efforts to reach the poorest (this might have substantial political economy costs, since it would mean excluding a significant number of near-poor beneficiaries) or by expanding its coverage (which would require additional funds). *

Finally, there is a debate about the sustainability and replicability of the programme’s impressive impacts on poverty and inequality. It can be argued that these results stem from its sizeable expansion of coverage in a relatively short period. Are these one-time impacts that cannot be replicated? Future research will answer this question.


* Contrary to anecdotal evidence often presented in the Brazilian press, the main targeting issue for Bolsa Família seems to be under-coverage. Since the programme works with municipal quotas of beneficiaries, there is a significant waiting list in almost all municipalities. Leakage does occur, but mostly to those who are very close to the programme’s eligibility threshold (Medeiros et al., 2008).
The success of conditional cash transfer programmes (CCTs) in improving various indicators of wellbeing is one of the reasons for their replication worldwide. However, many issues concerning the design of these programmes are still under debate. One such issue is the duration of benefits. Should the benefits be permanent or temporary? If temporary, what criteria should dictate beneficiaries’ exit from the programme? What type of social protection system should be in place to ensure that an exit scheme does not run counter to the programme’s objectives?

Mexico’s Oportunidades (formerly PROGRESA) is one of the best known CCT programmes. Its experience with design, implementation and evaluation has provided a very important learning tool for international institutions and numerous countries. The programme was created in 1997 to help break the intergenerational transmission of poverty. The provision of conditional benefits seeks to build the human capital of extremely poor families.

Those benefits include: a cash transfer for food consumption; nutritional supplements for small children, as well as for pregnant and lactating women; access to primary health services; scholarships for education from third to twelfth grade; additional cash incentives for transition from secondary school to high school, and for finishing high school; and cash transfers for elderly beneficiaries. The benefits are conditional on the beneficiaries’ attendance at health education sessions, health check-ups and school. Oportunidades started in highly marginal rural communities and was then expanded to rural and urban areas throughout the country. It now provides benefits to 5 million extremely poor households in all of Mexico’s municipalities.

The question of duration was considered in the programme’s original design. The plan was that beneficiary families could stay in the programme if they remained eligible. The duration of the benefits was based on a reassessment of their socioeconomic status. The reassessment was to be carried out three years after the beneficiaries’ admission to the programme.

It was later established that those families above a reassessment line—equivalent to the eligibility line used for admission, plus the amount of the monthly cash transfer for food consumption—would be transferred to a differentiated scheme. This was to happen three years after the reassessment survey in rural areas, and one year after the survey in urban areas. The families would stay in the differentiated scheme for three more years and then they would leave the programme. This differentiated scheme consists of the former benefits minus the cash transfer for food consumption and the primary school scholarships, which are assumed to be affordable by beneficiary families above the eligibility threshold.

The exit strategy is intended to avert dependence on the programme and to ensure that only eligible families remain on the roster. Additionally, the departure of some beneficiary families would make room for the inclusion of other eligible families that were not in the programme because of budgetary constraints. The implementation of this strategy, however, raised significant concerns. The main concern was whether the income of those households reallocated to the differentiated scheme was at least enough to guarantee a minimum level of wellbeing.

The challenge was to determine if beneficiaries would be able to sustain
their improved wellbeing over time—especially whether they could uphold their children's health and nutrition status, as well as guarantee continued school attendance, without monetary incentives. One of the main discussions was whether families should leave the programme according to poverty or human capital indicators. This highlighted the fact that Oportunidades is designed to build human capital in the medium and long-term, not to fight poverty in the short-term, even if both objectives have become intertwined in practice.

After the first families were transferred to the differentiated scheme in 2003, independent studies were commissioned to provide data that would inform possible adjustments to the strategy (Escobar and González de la Rocha, 2004; Escobar, González de la Rocha and Cortés, 2005; Todd, 2006; Solís, Banegas and Mora, 2007). These studies relied on quantitative analysis based on panel data, and qualitative research that focused on the beneficiaries who were first admitted to the programme (those living in rural areas and highly marginal communities). The research findings include the following:

- Reaching the improved level of wellbeing that could move households above the eligibility line is a long-term process. After three years, the deprivation of 98 per cent of the households in the programme was not sufficiently reduced to take them above the eligibility threshold. After six years, only about 20 per cent of households crossed this line.
- Many households that were transferred to the new scheme could cope with the reduction in benefits without endangering their investment in human capital. However, some were extremely vulnerable and were forced to reduce their basic food consumption and/or withdraw children from school. They included households with only elderly and sick members; young households with a high dependency rate; households with chronically ill members; and the households of recent migrants from rural to urban areas.
- Of the households that crossed the eligibility line, 42 per cent eventually returned below the line. Only 4 per cent of the households analysed in the panel were able to cross the eligibility threshold and remain there.

The results of these studies reveal the need to adjust the exit scheme in order to take account of the longer-term nature of the process of poverty reduction. They suggest the prevalence of chronic poverty among the beneficiaries, as well as a high degree of vulnerability. On the basis of these findings, the following changes were made to the scheme between 2006 and 2008:

- The period before the first reassessment of households was increased from three to six years. If households cross the reassessment line after this period, they will be transferred immediately to the differentiated scheme for six more years. After 12 years they leave the programme.
- The timeline was equalized for rural and urban households.
- Households composed wholly of elderly people were exempted from the exit strategy.
- Households that leave the programme may ask to be readmitted if their living standards deteriorate.
- Households that remain eligible after the first reassessment of their socioeconomic status undergo a second reassessment eight to nine years after their admittance. If they are above the reassessment line, they are transferred immediately to the differentiated scheme and must leave the programme three years later.

To date, almost 200,000 households (4 per cent of those reassessed), mainly from highly marginal rural communities, have been transferred to the differentiated scheme. Some of these have already left the programme and the rest will do so according to the rules outlined above. Households from less marginal communities and urban areas have recently been reassessed. The results available so far suggest that a higher percentage will be transferred to the differentiated scheme in the coming years, but this will not exceed 12 per cent of the beneficiary households. The small percentage of households that form part of the exit strategy is consistent with the fact that Oportunidades is a well targeted programme with a long-term objective.

Oportunidades is leading the way in innovation and learning for CCTs. As a result of the recent changes, the strategy now responds better to chronic poverty and vulnerability. But there are still challenges that have to be considered in the future. First, while recent changes give households more protection against threats to their children's human capital development, exit from the programme is still determined by poverty criteria rather than by human capital indicators. This issue might be addressed in the near future, since Oportunidades will revise its targeting criteria in line with recent regulations.

Second, leaving the programme means that families are above the extreme poverty line at a particular moment, but it does not mean that they are no longer poor. This is particularly significant in Mexico’s case, given the limitations of its social and economic policy. The country lacks an effective social protection system, and thus it is not possible to ensure that households leaving Oportunidades will have access to other social programmes or will benefit from overall economic and labour market conditions. Families that leave CCT programmes must have recourse to other policies that enhance their living standards and guarantee their social rights in order to allow them escape from poverty.


By definition, conditional cash transfer programmes (CCTs) are directed towards poor beneficiaries who must meet specified requirements in order to receive the transfers. Beneficiaries are typically female household heads, since policymakers assume that these household members are more inclined to invest benefits in ways that most favour children. The programmes focus on some combination of poverty reduction and long-term human capital accumulation, and these goals are met by requiring beneficiaries to invest in education and health care.

CCTs, while having similar characteristics, may vary greatly in their composition and their environments. In particular, externally-financed programmes in small countries face challenges that differ from those of self-funded programmes in larger countries.

According to their objectives, PRAF and RPS were to focus on long-run human capital accumulation, but the shortness of the loan terms and deadlines directed most attention to short-run objectives.

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programmes, and to make PRAF a central component of the president’s network of social protection policies.

Nicaragua’s RPS arose from a joint undertaking of Nicaraguan officials and the IDB. Similar in its components to the Honduran programme, RPS focused on poverty alleviation and human capital accumulation among the extremely poor. It required beneficiaries to ensure that children attended school and received health checks, and it encouraged supply-side provision by compensating providers of education and health services.

RPS also included a strong educational component for beneficiaries in order to encourage behavioural changes. IFPRI’s evaluation of RPS found that it improved education-related variables and significantly improved nutritional outcomes relative to a control group.

The impacts of RPS were greatest among the poorest households. The transfers represented about 18 per cent of a typical beneficiary household’s expenditures (Maluccio and Flores, 2004).

RPS officials made adjustments to the programme and a second IDB loan phase lasted from 2002 to 2004. The most significant change in the second phase was that the programme’s headquarters moved from the Fondo de Inversión Social de Emergencia (FISE) to the Family Ministry (MiFamilia). The programme lost much of its autonomy with the move to MiFamilia. This change also forced RPS officials to assume responsibilities outside of the programme and to share resources with other programmes. These developments were the beginning of the end of RPS. Although it was recognized internationally for its success, domestic support for it was weak and the loan programme was not renewed after RPS II was completed.

A lending relationship was necessary and helpful for both the Honduran and Nicaraguan programmes. The IDB provided invaluable guidance to programme officials, encouraging efficiency and effectiveness. In particular, the loan-financed programmes were led by technically capable and competent individuals who held the initiatives to high standards. This relationship, however, also posed significant challenges to PRAF and RPS, which had to cater to both external and internal stakeholders. The challenge was to adhere to the lender’s stipulations while aligning the programmes with the countries’ long-term social protection strategies.

PRAF and RPS officials were concerned that their CCTs might be unduly influenced by domestic pressures, and they tried to leverage their institutional structures in order to limit such influences. PRAF II began after a domestic programme had already been established, and it created a completely new space within which to operate. It functioned separately from the domestic PRAF, ensuring that it met the IDB’s standards in hiring practices and programme features.

This arrangement divided the loan-financed CCT from the domestic initiative, essentially creating two programmes that shared little more than a name. Integrating the programmes required significant time and financial resources.

RPS, created as a pilot programme, was able to maintain relative independence in its first loan phase because it was located in a government agency known for its efficiency. That agency’s focus was unrelated to RPS, and thus it allowed programme officials the autonomy they needed. In the second loan phase, when the Nicaraguan government wanted the programme to fit into its proper position within the Family Ministry, the programme lost the independence that had allowed it to function effectively.

According to their objectives, PRAF and RPS were to focus on long-run human capital accumulation, but the shortness of the loan terms and deadlines directed most attention to short-run objectives. When the RPS and PRAF loans ran their course, it was not clear that the programmes had made long-term impacts. This was especially true for PRAF, whose cash transfers were small and infrequent.

The focus on long-term objectives was even harder to maintain when complications arose in programme implementation, as happened in PRAF’s case. This matter may be mitigated if the CCT is designed to foster long-term goals even if it faces difficulties or is discontinued. For instance, long-term behavioural changes among beneficiaries were more likely in a programme like RPS, which emphasized the adult education component.

Another issue that merits attention is the need to promote the programme to domestic officials throughout the life of the loan. PRAF officials have had to justify PRAF’s existence continually to government officers. Recent domestic support has been a boon to the programme. One of RPS’s weaknesses is that officials were so busy trying to implement the programme that they spent insufficient time communicating its success to domestic stakeholders.

Although RPS was internationally renowned, Nicaraguan officials were unaware of how the programme operated or its accomplishments. Its success was not enough to ensure its sustainability; a strong public relations campaign was also vital.

The challenges faced by Honduran and Nicaraguan CCT officials were not anomalies. They reveal some of the pitfalls that countries may encounter when they develop CCTs with the support of external financing. This lending relationship, though helpful in many ways, poses additional challenges.

Policymakers must work to balance the short- and long-term interests of internal and external stakeholders in order to create efficient and effective programmes. These can eventually be transformed into broader social protection strategies.
Conditional cash transfer (CCT) programmes are known for their double objective of short run poverty alleviation and breaking intergenerational poverty in the long-term. The short run effects on standard measures of poverty and inequality are relatively easy to assess, but it is quite difficult to determine whether long-term objectives are being met. Short- to medium-term evaluations can only provide indications of whether inputs that could lead to a break in the intergenerational cycle of poverty, such as higher school attendance, better nutrition and higher health service utilization, are being achieved.

At the end of the 1990s, the rigorous impact evaluation of the Mexican CCT programme PROGRESA/Oportunidades, conducted by the International Food Policy Research Institute (IFPRI), set a new benchmark in how developmental policies should be assessed. Its experimental framework, which included the use of a sound control group, allowed researchers to develop consistent analyses of the programme’s impacts. This approach was replicated by IFPRI in evaluations of the Programa de Asignación Familiar (PRAF II) in Honduras and the Red de Protección Social (RPS) in Nicaragua, and by the World Bank in the evaluation of Bono de Desarrollo Humano (BDH) in Ecuador.

Other countries have also carried out impact analyses of their CCT programmes. For instance, Familias en Acción in Colombia evaluated by the Institute of Fiscal Studies (IFS), Bolsa Familia in Brazil by the Center of Development and Regional Planning (Cedeplar), Program for the Advancement Through Health and Education (PATH) in Jamaica by Mathematica Policy Research Inc and Tekoporã in Paraguay by the International Poverty Centre (IPC). But the design of these evaluations was not experimental. They used “quasi-experimental” techniques to estimate the impacts of those programmes.

Impact evaluations usually assess both the core objectives of CCT programmes and possible unintended effects on household behaviour. We already know that these programmes have had positive effects on both primary and secondary school enrolment (increases of between four and eighteen percentage points), as well as on raising attendance rates and reducing dropout rates.

Evaluation of PROGRESA, however, has also yielded dismaying results in the area of educational achievement; namely beneficiary students have not got better test scores than non-beneficiaries. Similarly, the evaluation of Bolsa Familia in Brazil has shown that beneficiary children are almost four percentage points more likely than non-beneficiaries to fail at school. This evidence raises concerns about the quality of the schooling that beneficiary children are receiving. A current challenge is to determine how CCT programmes could interact with other educational programmes in order to improve school quality and student performance.

With regard to child health and nutrition, the results have not been so clear-cut. On the one hand, evaluations of PROGRESA
and *Familias en Acción* indicate significant reductions in the incidence of child illness and improvements in child height. In Mexico, the supply of nutritional supplements for children might be the main reason for this positive impact. In Colombia, positive outcomes are supported by effective enforcement of the health check-up conditionality. In contrast, *Bolsa Familiar*'s evaluation shows no evidence of an impact on child nutrition or immunisation. Although it has raised the number of visits to health centres, Paraguay's pilot programme, *Tekoporã*, has not managed to increase immunisation either.

These results suggest that health co-responsibilities ("conditionalities") might be more difficult to enforce and monitor than educational ones, for two reasons. First, in poor areas the service-supply constraint is greater in health than in education. The physical and human resources required to keep a health centre working normally pose more challenges than those required by a school. Second, households in poorer communities are more reluctant to change their attitude towards preventive health care than towards school attendance.

Almost every programme evaluation shows an increase in food acquisition. But rising food consumption does not necessarily imply an improvement in nutrition, because this causal relationship depends on other factors such as intra-household allocation and bargaining, as well as the quality of the diet. Both PROGRESA and *Familias en Acción* have increased food acquisition, along with total household expenditure.

Nonetheless, only the PROGRESA has affected household expenditure share, as well as diet diversification. Other programmes, such as *Bolsa Familia*, BDH, and PRAF II, have not increased total expenditure. In the first two programmes, however, there has been an increase in consumption of food and child clothing because of changes in the expenditure share of those components.

It is clear that CCT programmes tend to affect decisions on time and budgetary allocations, mainly in favour of children. Nonetheless, it is still unclear whether these changes stem from income increases caused by the transfer or from other components of CCT programmes.

The fact that women receive the transfer and that co-responsibilities are required might affect household behaviour. Many CCT programmes also have complementary activities. These range from informal talks on health and hygiene, nutrition and budget planning to the encouragement of productive activities and social participation.

If impacts were mainly explained by the relaxation of the budget constraint (which allows families to plan their decisions in a more forward-looking manner), then the other components of CCT programmes might represent an unnecessary cost. But if the monetary transfers were not enough to induce desired changes, other components would be relevant. In this case, the cash transfer would simply act as an incentive to encourage families to comply with the conditionalities and/or to engage in complementary activities. In Mexico, for instance, only 50 per cent of PROGRESA's diet diversification effect was explained by the monetary transfer (income effect). The remaining effect has been attributed mainly to the talks on health and nutrition.

Another important issue related to CCT programmes is the role of externality effects. Households can be affected by the mere existence of a social programme and the presence of other beneficiaries in their community, whether or not they themselves are participating. The two most convincing examples of externalities are the effects of general equilibrium, which changes prices and expectations in the economy, and social interaction, which changes households' preferences. Since externality may affect beneficiaries and non-beneficiaries, this effect can either lessen or heighten the programme's potential impact. For obvious reasons, if this kind of effect is not taken into account in designing an evaluation, impact estimates may be completely biased.

Recent studies on PROGRESA have shown that ineligible households are also affected by the programme. Non-beneficiary households in areas where the programme operated have also increased their consumption because of its effect on the local economy. Moreover, the school enrolment rates of non-eligible children have risen in districts that took part in the programme due to the so-called peer effect.

Similarly, the evaluation of *Tekoporã* fielded two comparison groups, within- and between-communities, to disentangle the programme's impact into participation effect (being a beneficiary) and externality effect (being in a community where there are beneficiaries). These effects were further decomposed into "income effect" and "other programme components effect" (see Figure).

The total impact on per capita consumption has been negative, despite the positive effect of both participation components—income and other programme features. The negative result is completely due to the externality effect, possibly derived from social interactions among households. By the same token, most of the total positive effect on household saving is explained by externality. *Tekoporã*, therefore, has encouraged saving in rural areas and consequently led to a reduction in total household consumption.

*Tekoporã* also had a negative impact on food share, mainly because of the participation effect caused by other programme components. The externality effect has been positive but no income effect was identified. On child-clothing share, there have been neither income nor externality effects. The positive impact stems entirely from other components of programme participation. The main reason is that the programme encourages households to spend money in the best interest of their children, since the conditionalities are mostly related to child development.

All the components of CCT programmes may have some effect on the desired outcomes, but managers should know which of them are more effective and efficient for the purposes of meeting programme goals, and through which channels they work. Future impact evaluations can shed some light on the black-box of CCT programme impacts.


As the previous articles in this issue of Poverty in Focus have discussed, conditional cash transfers (CCTs) have become important tools for poverty reduction policies in Latin America. Impact evaluations have shown that CCTs are efficient in promoting access to public services and alleviating poverty in the short-term. It might be too early, however, to determine if their effect on human capital will be enough to stop the reproduction of poverty.

At the same time, there is a clear need for better ex ante analysis that takes account of specific national circumstances and makes it possible to tackle the tension arising from the multiple objectives pursued by CCT programmes (see the article by Karla Parra Corrêa and Rafael Perez Ribas).

First, the managers of CCTs face the challenge of prioritising the different goals that the programmes seek to meet. There are trade-offs between poverty reduction in the short- and medium-term, and the increase in human capital in the long-term. For instance, if a programme targets those segments of the population with low rates of school attendance, the effects on human capital might be greater than if it had targeted poor families in general. But the impact on poverty would be less because large numbers of the poor would not take part in the programme. Conversely, if a programme focuses solely on the (extremely) poor, the transfers would go to children who are already in school, which may not be efficient in terms of the accumulation of human capital.

Alternatively, poverty reduction could be prioritised in the medium-term by developing the productive capacity of adult members of beneficiary households. The human capital objectives should be integrated with complementary programmes and activities that enable families to increase their capacity to generate income. Such a medium-term strategy would allow families to graduate from the programmes. But some tension would arise between this approach and one based on human capital accumulation, since the latter may result in fewer opportunities to build and/or increase the productive capacity of adult beneficiaries.

Another approach is to give priority to the population affected by the greatest overlap between poverty and a deficit in human capital. This approach might lead to an increase in transfers to pre-school age children, minimising the tension between human capital accumulation and poverty relief. It would also tackle poverty in the short run because of the demographic composition of the poorest homes.

Moreover, it would facilitate labour market participation among poor women, since it lowers the opportunity cost associated with child care. With regard to human capital accumulation, it would cover the level of education (pre-school) that has the greatest long-term returns in human capital investment and where the greatest asymmetries of information are likely to be found.

In Latin America, however, pre-school education has the lowest level of coverage, a circumstance that highlights the need for a careful assessment of supply-side constraints. Second, the problems that CCT programmes aim to tackle are at least partly caused by demand constraints. Empirical evidence showing that most vulnerable children use fewer health services supports a focus on demand-side solutions. This approach would ensure that children with the greatest potential benefit from CCT programmes, thereby reducing the tension between poverty reduction and human capital accumulation.

There are trade-offs between poverty reduction in the short- and medium-term, and the increase in human capital in the long-term.

Interventions based on demand incentives should be undertaken when families are forced to make suboptimal decisions and when the supply of services can meet all the potential demand.

If a country’s social protection strategy gives priority to equity and rights, and it does not regard the labour market as the only means of access to social protection, a cash transfer programme should guarantee a minimum income for the purposes of social inclusion.

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1. This article is based on Villatoro (2007).
and education services is not enough to warrant the conclusion that an intervention on the demand side will solve the problem. Hence the need to determine why there is limited use of public services.

Poor school attainment, for instance, may stem from the fact that families underestimate the benefits of schooling because of asymmetries of information and/or because they face negative economic shocks. In such cases, parents prioritise the family’s immediate survival over future returns from their children’s education. Interventions based on demand incentives should therefore be undertaken when families are forced to make suboptimal decisions and when the supply of services can meet all the potential demand.

Poor quality education and health services, however, can seriously compromise the impact of interventions. In that event the line ministries will have to develop initiatives to improve the services, in close coordination with the CCT programmes. In this context CCTs do not replace or compete with health and education programmes; in fact they are complementary.

Third, the question of whether to establish conditionalities poses a serious dilemma. This controversial issue has been at the heart of the discussion about cash transfer programmes, for four reasons: (i) there is a debate on the rationale of using conditions; (ii) the need to gain political support from the middle class; (iii) the lack of conclusive empirical evidence on the extra benefits of conditioning; and (iv) the practical difficulties of monitoring conditionalities.

De Janvry and Sadoulet (2004) argue if underinvestment in human capital is caused by market failures, income effect (unconditional transfer) is not enough to correct them: the beneficiaries’ behaviour can be more efficiently aligned with the social interest by using conditionalities. Similarly, Handa and Davis (2006) suggest that it is unlikely that unconditional transfers increase demand, because of the low monetary value of the benefit and the poor quality of the services. But if the aim is to alleviate poverty, using conditionalities makes it harder to achieve that aim, since they limit the beneficiaries’ freedom of choice and imposes extra costs.

If a programme uses conditionalities, it should seek the most cost-effective monitoring mechanisms. In fact, implementing a system to monitor compliance with conditionalities might be a cumbersome task because of the number of actors involved (beneficiaries, service providers, programme agencies, local government officials and so on). The system may place an extra burden on line ministries, mainly because of the related technological requirements. Additionally, many programmes already use complex systems to select beneficiaries, which can lessen the time available for monitoring and for inter-ministry coordination.

Another problem may be that both local managers and beneficiaries have incentives to report full compliance with conditionalities. This behaviour may be caused by unduly stringent supervision mechanisms or by the need to keep the transfers. A related issue is identifying the appropriate conditionalities to have the greatest impact.

Conditionalities on school attendance might not make much sense in middle-income countries whose indicators of school access are good. For this reason, it has been suggested that transfers should be conditional on educational achievement as a means of improving learning outcomes (see the article by Michelle Morais de Sa e Silva on New York’s CCT programme).

Fourth, the graduation mechanism is another hotly debated issue. It should be kept in mind that the phasing-out procedures used must be consistent with each country’s social protection strategy. For example, if a country’s strategy gives priority to equity and rights, and it does not regard the labour market as the only means of access to social protection, a cash transfer programme should guarantee a minimum income for the purposes of social inclusion.

On the other hand, an approach that focuses on the programme’s efficiency might take account of budgetary constraints and develop mechanisms to minimise dependence. The question of graduation is further complicated by the multiple goals of the programmes and the practical implementation issues that affect them. These include the need to include more families and maintain political support, and the duration of external credits when the programmes are externally supported. Theses issues are addressed in Charity Moore’s article on Honduras and Nicaragua.

To reduce poverty in the short term, cash transfer programmes would have to impose time limits in order to obviate dependence and graduate beneficiaries who are no longer poor. A programme that seeks to reduce poverty in the medium-term requires complementary policies that foster the adult beneficiaries’ autonomous capacity to generate income, as well as policies that increase local demand for work. Programmes that focus sharply on building the human capital of children and adolescents have to provide transfers until the beneficiaries acquire sufficient human capital to increase the probability that they will escape poverty in the future.
The success of an incentives-based programme such as Opportunity NYC depends partly on how well beneficiaries understand how it operates, so that they can respond to its incentives as expected.

The programme does not intend to alter the governance structure of the school system, nor does it involve innovative pedagogies or new classroom teaching practices.

It simply assumes that, by giving students monetary incentives, it will bring about improvements in test scores.

**During a recent** public speech at Teachers College, the Chancellor of New York City’s Department of Education, Joel Klein, revealed that his department has sought to embrace every educational experiment that seems promising. Indeed, New York City, home to the largest school system in the United States, has witnessed the establishment of a very innovative and also controversial experiment: Opportunity New York City. Currently, the programme is being implemented as a two-year pilot, to be funded entirely by private donors, with a total budget of more than US$50 million.

Why should attention be paid to such a new programme? The reasons can be found in three of its very interesting features: the complexity of its incentive structure; the strategy used by the city’s mayor to try to bypass opposition; and the implications it may have for education reforms and other conditional cash transfer (CCT) programmes around the world.

Opportunity NYC comprises three sub-programmes: (i) Opportunity NYC Family Rewards; (ii) Opportunity NYC Work; and (iii) Opportunity NYC Spark. The latter is the programme’s main educational component and is being managed separately by the city’s Department of Education (see Figure).

Opportunity NYC Family Rewards also involves a number of cash incentives related to school attendance and academic performance. To be eligible, beneficiaries must: (i) have at least one child entering fourth, seventh or ninth grade in a New York City public school in September 2007; (ii) have a family income of less than 130 per cent of the federal poverty level; (iii) have at least one parent who is a US citizen or permanent legal resident; (iv) live in one of the designated community districts (Opportunity NYC, 2008). The Table presents a comparison of Spark and Family Rewards, and draws attention to the different conditions and rewards attached to educational activities.

The two sub-components of Opportunity NYC also differ in the way targeting and registrations were carried out. Spark’s...
targeting was at the school and grade levels. Sixty low-performing schools were chosen and, within them, all students enrolled in fourth and seventh grades.

In contrast, targeting for Family Rewards was initially at the community district level. The six poorest community districts in the city’s five boroughs were chosen: two in Harlem (Manhattan), two in Brooklyn and two in the Bronx. Charities and community organisations operating in each of those districts were then contracted in order to locate and contact families that met the eligibility criteria.

The family “search process” started with information from the Department of Education on children enrolled in the eligible grades (fourth, seventh and ninth) who received free or reduced-price lunch (eligibility for which is commonly used as a proxy for poverty in the United States). With that information in hand, the contracted organisations began looking for eligible families in order to complete their applications for admission to the programme. Each organisation was responsible for at least 850 family applications. From the total applicant pool, beneficiary families were selected through a lottery.

Understanding how these two sub-programmes differ in their operation but overlap in purpose is fundamental to an analysis of how likely they are to secure the public support necessary for the scheme to endure and expand in the future. It can be argued that the success of an incentives-based programme like Opportunity NYC depends partly on how well the beneficiaries understand how it operates, so that they can respond to its incentives as expected. In this case, however, the existence of two education-related schemes (Spark and Family Rewards) may cause confusion and have suboptimal results—not to mention the complexity within each sub-programme, which offer different cash amounts for an array of activities and performance improvements (see Table).

A second interesting feature of Opportunity NYC is that, since it is a privately funded initiative, political acquiescence and legislative approval were not needed. In the first pilot phase no public deliberation took place, since taxpayers are not funding the programme. As regards sustainability, however, what will happen when the initial budget of US$50 million has been spent? Currently, both conservatives and liberals, as well as most teachers, oppose the programme in principle. Only some very positive evidence from its impact evaluation may be able to counter such resistance.

In any case, it should be remembered that besides the political lobbying that teachers can undertake through their unions, there are various ways in which they can exhibit their opposition in their own classrooms. For instance, they can refuse to provide beneficiary students with the extra teaching support they need in order to gain better grades and receive cash rewards.

Additionally, what would be the future implications of a successful Opportunity NYC? Note that the programme does not intend to alter the governance structure of the school system, nor does it involve innovative pedagogies or new classroom teaching practices. It simply assumes that, by giving students monetary incentives, it will bring about the improvements in test scores that educational policymakers have wanted for so long. Given the influence of positive evaluation results, therefore, and frustration in the United States with past education reforms, there are reasons to believe that if Opportunity NYC succeeds it may induce a change in the focus of education policies. Concern may shift from improving teacher quality and accountability to raising demand by buying student motivation and effort.

Those repercussions may spread beyond New York City, “contaminating” not only other US cities and states but also CCTs in the developing world. Unfortunately, more often than not, programmes and policies are transferred from one country to another for political and economic reasons, frequently with disregard for their suitability to the new contexts in which they will be implemented (Steiner-Khamsi, 2004). Countries should therefore be wary: much prior scrutiny and accompanying supply-side measures are needed before performance-based conditionalities can be introduced. Betting on cash rewards for academic performance, without assuring access and quality, can be a true waste of public money.


Social cash transfers (SCTs) are relatively new social protection instruments in East and Southern Africa (ESA). In the HIV and AIDS policy dialogue in particular, the “protective” dimension of programming increasingly calls for the use of SCTs to support families that care for orphans and other children affected by AIDS (UNICEF and UNAIDS, 2004). AIDS experts advocate such programmes because AIDS is the leading cause of prime-age mortality in sub-Saharan Africa (SSA) and the region has 25–30 million orphans, a third of whom have lost a parent to the disease.

AIDS-related prime-age adult mortality has caused a dramatic decline in life expectancy rates in the region, and has severely weakened family support systems already stretched thin by extreme chronic poverty. In this context, SCTs are increasingly being demanded as AIDS-mitigation measures, to help families cope with growing dependency ratios and the associated burden of care, and to protect the health and human capital development of orphans in particular.

The largest cash transfer programme for children in ESA is South Africa’s national child support grant, which reaches more than 9 million children. Several countries have smaller programmes, either demonstrations (Kenya, Malawi, Zambia), or established programmes with low coverage (Mozambique). Lesotho is currently designing a SCT that targets orphans and vulnerable children, while both Botswana and Namibia have either in-kind or cash assistance programmes for families that care for orphans. Several other countries are currently considering SCTs on a trial basis, including Angola, Rwanda, Tanzania, and Uganda. Such programmes, therefore, are very much part of the social policy dialogue in ESA.

As momentum gathers around SCTs in ESA, there are many technical questions about programme design parameters such as targeting, transfer levels and overall affordability. As regards orphans, an important policy question is how to expand such programmes so that they reach the children most in need of assistance. Should governments explicitly target households with orphans for receipt of cash assistance? Or should the programmes focus more broadly on poverty as the key underlying determinant of vulnerability?

To answer these questions, we use micro-simulations to determine who would be reached under different targeting schemes in terms of demographics and poverty, using household surveys from selected countries. The schemes analysed are stylised versions of those currently operating in ESA: (i) labour-constrained households (Malawi, Zambia); (ii) households with elderly or disabled members (Mozambique); (iii) households with orphans (Botswana); and (iv) households with children (Kenya).

A fixed budget of 0.5 per cent of GDP, with 20 per cent administrative costs, is used. A flat transfer of 30 per cent of

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**The Orphan Targeting Dilemma in Eastern and Southern Africa**

Targeting households with children has a greater impact on school enrolment than other targeting strategies.

The experience of four countries in Southern Africa demonstrates that an orphan-targeting approach reaches more orphans but excludes many of the poorest children, since orphans are not necessarily clustered in the poorest consumption decile.

In Malawi, targeting households with children yields an increase in enrolment of five percentage points among children aged 6–17, while targeting households with orphans yields an increase of 4.2 points.

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**Figure 1**

Coverage of Alternative Targeting Schemes in Malawi

<table>
<thead>
<tr>
<th>Percentage reached</th>
<th>Labour Constrained Households</th>
<th>Elderly</th>
<th>Children</th>
<th>Orphans</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Children bottom decile</td>
<td>Orphans bottom decile</td>
<td>Children bottom 3 deciles</td>
<td>Orphans bottom 3 deciles</td>
</tr>
<tr>
<td>80</td>
<td></td>
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<td>60</td>
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<td>0</td>
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median consumption of the bottom quintile in each country is provided.

A subset of these results, focusing on Malawi and Uganda, is shown in Figures 1 and 2. These usefully illustrate the policy trade-off faced by governments in ESA as they seek to protect the most vulnerable children through targeted SCTs. The first two bars in each cluster show the percentage of all children and all orphans reached in the poorest decile. The last two bars show these same percentages for the lowest three deciles.

In general, more children of any kind are reached by either the child- or orphan-centred scheme in the two countries shown, particularly children in the poorest consumption decile. In both countries the orphan scheme reaches all orphans in the bottom decile, but fewer children in that decile. In Malawi, for example, the orphan scheme reaches only about 25 per cent of children in the poorest decile, as it does in Uganda. This illustrates the potential trade-off in targeting poor families with children versus those with orphans only.

The trade-off becomes less clear when all children in the bottom three deciles are considered. In Uganda, for instance, if the bottom three deciles are taken together, then the “coverage” of the orphan scheme among all children is about the same as the child-focused scheme—but the coverage of orphans is significantly higher. The same is true in Malawi: the coverage among all children in the bottom three deciles is about the same in both schemes, but the coverage of orphans is higher in the orphan-focused scheme.

Hence it is only when the focus is on the ultra-poorest children—that is, the children in the bottom decile—that the distinction between the two schemes (child-focused versus orphan-focused) becomes apparent. If policymakers give greater weight to this group, and if good targeting is possible, then the scheme that favours children over orphans will reach many more children in the poorest decile relative to an orphan-targeted scheme. Such a scheme would also reach about 50 per cent of orphans in the bottom decile.

In all four countries, the proportional gain in per capita consumption among recipient households is higher for strategies that target children explicitly, as compared to strategies that target labour-constrained, age- and disability-vulnerable or orphan households.

In Malawi, for example, the increase in recipients’ consumption is 40 per cent for the orphan scheme but 48 per cent for the child-focused scheme; in Uganda the corresponding figures are 34 and 48 per cent, respectively.

This underscores the fact that the child-focused scheme connects with poorer households, suggesting that orphans are not necessarily clustered in the bottom consumption decile. Similar results are obtained when the squared poverty gap (SPG) is analysed—this is the poverty indicator that is most sensitive to changes in welfare among the very poorest. In all four countries the greatest improvements in SPG are brought about by strategies that target households with children, while strategies that target labour-constrained households have the least effect.

Simulations of the impact of SCTs on school enrolment were also estimated with these data, using a probit model to estimate the relationship between expenditure and schooling, and including standard control variables such as the education of the household head, the age and sex of the child, region of residence and distance to the nearest school. The estimates were made for the target population—the bottom three deciles of the consumption distribution—in order to obtain relevant behavioural responses.

In all countries, a comparison of the estimated impact across targeting strategies indicates that reaching households with children has a greater impact on school enrolment than other strategies. In Malawi, for example, targeting households with children yields an increase in enrolment of five percentage points among children aged 6–17, while targeting households with orphans yields an increase of 4.2 points. Other schemes yield lower increases in school attendance because they reach fewer children, and those they do reach are relatively affluent.

SCTs in ESA that target households with orphans reach the highest number of orphans, but they include households in the third consumption decile while excluding many of the poorest children living in the bottom two deciles. Targeting poor families with children, however, leads to a greater concentration of resources among the very poorest households and the highest coverage of children in the bottom decile. This highlights the key dilemma faced by policymakers in a context where social protection is driven by the HIV and AIDS-mitigation agenda. There is a trade-off between pure poverty targeting, or targeting poor households with children, and targeting households with orphans. This trade-off is particularly important when the focus is on the ultra-poorest households—that is, the bottom consumption decile.


Social Cash Transfers in Zambia: A Work in Progress

Zambia was one of the first countries to try social cash transfers. This was a novelty in a country where other forms of support were erratic and irregular.

There were questions about the implementing agency, the Ministry of Community Development and Social Services (MCDSS). The ministry has neither a large pool of experienced and trained officers nor the political influence to effect greater policy changes. All these uncertainties made piloting seem the obvious choice. Piloting would allow a radical approach to be tested; evidence could be collected; policymakers, implementers and the public could be sensitised; and implementing capacity and structures could come under scrutiny.

Now, four years after the Kalomo Social Cash Transfer Scheme was officially launched, it is time to assess whether it has been merely an interesting learning experience for social assistance programming or whether it will continue as a nationwide programme.

Trial and Error: The social cash transfer scheme was set up in Kalomo district towards the end of 2003 as an intervention aimed at households affected by HIV/AIDS and to make the support provided through the Public Welfare Assistance Scheme (PWAS) more cost-effective. The first results of the test were promising. The scheme was officially launched in May 2004 and then extended to the rest of the district. The constant adjustments to the Kalomo scheme were necessary, but they also posed a challenge for the MCDSS. The Ministry’s structures and capacities, as well as its lack of performance-based incentives, were not conducive to the effective management of the programme. Mini-pilot initiatives for a performance-based incentives scheme, a management information system, and various training programmes were meant to strengthen these rather fragile management structures.

The Quest for Impact: The first impact evaluation of Kalomo allowed preliminary conclusions on how household conditions had changed. Of particular note were:

- higher satiation levels after meals (households still hungry after each meal decreased from 56.3 per cent to 34.8 per cent);
- greater variety in food intake (more households consuming vitamins and proteins in the form of vegetables, fruit, fish and meat);
- reduced incidence of sickness (from 42.8 per cent to 35 per cent);
- increase in asset ownership (ownership of goats increased from 8.5 per cent of households to 41.7 per cent); and
- enterprising attitude (four times more households investing, and a doubling of the amounts invested).

The first impact evaluation lacked a control group, which proved particularly problematic during the drought year of the assessment. A second evaluation was therefore commissioned to secure better

### Cash Transfer Pilots in Five Districts: Reviewing Policy Options

<table>
<thead>
<tr>
<th>District</th>
<th>Policy Options</th>
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| Kalomo     | Capacity requirements for implementation at local, district, provincial and national level.  
             | Development of training modules and planning tools to extend the social cash transfer scheme to other districts.  
             | Combination of the regular PWAS and cash transfers.                             |
| Kazungula  | Retargeting and graduation mechanism.                                         
             | Implementation in a remote and sparsely populated district.                    |
| Monze      | Soft conditionality in health and education.                                  
             | Implementation of the social cash transfer without direct technical assistance. |
| Chipata    | Urban transfers: expansion requirements and governance issues                  
             | Transfer value (school bonus).                                                 |
| Katete     | Universal age-based targeting.                                                |
data. But most impacts are long-term in programmes like this and will only become apparent over the medium and long run.

At the same time, impact evaluations from comparable programmes, such as in Malawi, may legitimately be used to support arguments in favour of such interventions. Hence research does not stop at the country’s border.

**Analysing Policy Options:** The pilot region now includes five districts, and Zambia is currently examining the different needs of a peri-urban scheme. The plan is to review different targeting mechanisms (community-based targeting versus a universal old-age pension scheme), explore distribution mechanisms other than the pay-point system (such as smart cards and mobile banking), and determine if soft conditionalities are an added value. The different pilots are meant to inform the design of a national scheme, which the MCDSS envisages for this year.

**Institutionalisation:** The danger of any pilot scheme is that it is an isolated solution that is not well integrated into existing systems and overall policies. Usually, pilot schemes do not have a legal basis. In Zambia, social cash transfers are rooted in the social protection strategy and the national development plan, and they are also mentioned in social welfare and social security policies. The MCDSS has even created a separate budget line for them. Hence there is awareness that social cash transfers cannot be stand-alone efforts.

Additionally, the first attempts have been made to merge social cash transfers with other social assistance initiatives managed by the Ministry, and to examine complementary programmes. But the legal basis is not strong enough for citizens to claim their entitlements, and the funds currently provided would have to increase dramatically for a national programme to be established (more than twice the Ministry's present budget would be needed for a national programme).

**Political Will in Slow Motion:** While the MCDSS has become an active advocate for social cash transfers, the Ministry of Finance has not yet authorised a national programme. Poverty reduction is still supposed to be a consequence of growth, and social programming stresses early graduation rather than effective poverty alleviation.

Civil society has tried to enter into a dialogue with the Ministry of Finance, but it struggles to make its voice heard and to induce a re-thinking. The situation is further complicated because politics in Zambia is sometimes personalised. This is especially true if individual actors with substantial decision-making power do not favour the programme irrespective of its results.

Although social assistance is part of the national development plan and social welfare policy, the government is not required to honour its obligations. It can be assumed that social assistance programmes are the first to be trimmed in the event of budgetary difficulties.

Active advocacy, involvement of members of parliament and the constitutional review commission, will help sustain the programme. Further cooperation with civil society and dialogue with the Ministry of Finance are all part of an effort to generate the necessary political will.

**Time to Expand?** The MCDSS is currently organising a review in order to take a critical look at all the lessons learned. While it is always tempting to continue at a small scale. A decision to continue the pilot phase can also lead to an eternal pilot. What is needed is for the MCDSS, on the basis of research and evaluation, to drive the process further.

Support from civil society and the media can help raise interest among parliamentarians, who may make a case for social cash transfers for the purposes of their political agenda. There is a window of opportunity to engage in an effective dialogue with the Ministry of Finance.

It is also important to keep in mind that the end of a pilot does not mean the end of lesson-learning. Since any expansion of the programme would be gradual, there would still be ample room to make adjustments to its design. In Zambia, the decision on expansion now hinges on the capacity of the MCDSS to take advantage of this window of opportunity in order to create more political, institutional and fiscal space by means of the appropriate strategy in the areas of advocacy, communication and capacity building.

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**Social Cash Transfer Scheme in Zambia**

<table>
<thead>
<tr>
<th>Implementing institution:</th>
<th>Ministry of Community Development and Social Services.</th>
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<tbody>
<tr>
<td><strong>Target group:</strong></td>
<td><strong>Option 1:</strong> households that are destitute (no regular external support, no productive valuable assets, no substantive income) or incapacitated (more than three dependents for every productive member). <strong>Option 2:</strong> elderly above the age of 60, possibly means-tested in the future.</td>
</tr>
<tr>
<td><strong>Targeting system:</strong></td>
<td>Community-based targeting with checks and balances.</td>
</tr>
<tr>
<td><strong>Payment system:</strong></td>
<td>Pay points operated at schools or health centres by government workers.</td>
</tr>
<tr>
<td><strong>Transfer amount:</strong></td>
<td><strong>Option 1:</strong> US$10 per household, US$2.5 for children, paid bimonthly. <strong>Option 2:</strong> US$15 per pensioner.</td>
</tr>
<tr>
<td><strong>Monitoring:</strong></td>
<td>Decentralised internal monitoring system.</td>
</tr>
<tr>
<td><strong>Evaluation:</strong></td>
<td>At present, two impact evaluations (Kalomo 07 and Kalomo/Kazungula/Chipata 08). Third evaluation (Monze) imminent. Additionally, analysis of design features such as targeting, payment, management and conditionalities.</td>
</tr>
</tbody>
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References for this article are found at: [www.socialcashtransfers-zambia.org](http://www.socialcashtransfers-zambia.org).
Social Pensions as Developmental Social Security for Africa

Social pensions are designed to address old-age poverty. They are non-contributory cash benefits paid to older people, either universally or sometimes subject to a means test. Botswana, Lesotho, Mauritius and Namibia pay universal pensions. South Africa provides a means-tested pension but has begun a process that is likely to lead to the elimination of this cumbersome targeting mechanism. There is an emerging consensus in Southern Africa that social pensions should be universal. A growing body of evidence in several Southern African countries demonstrates that social pensions not only tackle poverty broadly but also contribute to pro-poor economic growth. Research shows that social pensions in these countries reduce hunger and extreme poverty while improving health care, education and gender equality.

Household survey evidence reveals that older people in Africa are often disproportionately poorer than the rest of the population. In 1997, for example, the poverty rate for older persons in Kenya was nearly 50 per cent, compared to 45 per cent for the population as a whole. The severity and depth of poverty are also often higher among the elderly.

The social pension in South Africa reduces the country’s overall poverty gap by 21 per cent, and by 54 per cent for households with older people. The pension virtually eliminates the poverty gap for households with only older members—a reduction of 98 per cent. In Mauritius, the share of older people households below the poverty line is 64 per cent without the social pension, but only 19 per cent with it. Income poverty is significantly reduced across all age groups.

Simulation results for African countries show that a social pension would reduce the poverty rate for older people by 13 per cent to 19 per cent. Social pensions, especially if indexed to inflation, can play a critical role in cushioning the poor against rapid increases in the price of basic commodities, particularly food.

Additionally, an emerging evidence base from Africa reveals several channels through which social pensions contribute to economic growth. First, social pensions mobilise one of the most under-used resources in many developing countries: the skills of older people in allocating household resources. Extensive studies have documented how social pensions increase human capital investment for children, particularly in terms of nutrition, health and education. Second, social pensions relax household liquidity constraints and contribute to investment. Third, these regular income transfers provide a mechanism that helps households to manage social risk, encouraging productive behaviour—particularly labour market participation. Fourth, in many countries, social pensions foster changes in spending patterns that reinforce economic growth. Fifth, social pensions enhance social cohesion and political stability.

While social pensions directly target poor older people, many of the resources support human capital development for children and help them grow into more productive adults. In South Africa, children in households that receive the social pension are more likely to attend school and succeed academically than children in similar households that do not receive the grants. Children (particularly girls) in households receiving pension payments are also more likely to have better health and nutrition indicators. Social pensions provide critical support for the increasing number of older persons acting as primary caregivers for orphans and other vulnerable children, a demographic change exacerbated by HIV and AIDS.

by Michael Samson and Sheshangai Kaniki, Economic Policy Research Institute

In South Africa, children in households that receive the social pension are more likely to attend school and succeed academically than children in similar households that do not receive the grants.

Social pensions provide the regular income security that households need to manage social risk and invest in high-return activities.

The social pensions in Botswana and Namibia absorb 0.4 percent of GDP and 0.7 percent of GDP respectively. Simulation results show that Kenya can provide a social pension to all persons aged 55 and above for 1 per cent of GDP.
Sixty per cent of pensioners in Lesotho care for children who are studying at school or college. Pension money is used to buy uniforms, books and stationery. The pension in Lesotho is also important for the nutrition status of recipient households. Before receiving the pension, one in five recipients responded that they never had enough food to satisfy their hunger. This dropped to one in ten following the introduction of the social pension, while the proportion always having enough food rose from 36 per cent to 46 per cent.

Social pensions provide the regular income security that households need to manage social risk and invest in high-return activities. Some older people in Namibia, for example, use their social pension to invest in livestock and other agricultural activities. In South Africa, the social pension supports access to credit, funds the renting of capital equipment, and finances inputs for agricultural activities.

Social pensions reduce the downside risk of job search and also relax liquidity constraints. They enable workers to invest in more productive job search, providing the critical support they need to look for decent work and avoid attaching themselves to the worst forms of labour. They allow the poorest households to avoid less efficient insurance mechanisms and improve employment prospects by reducing the risk and cost of job search. These grants also directly support productivity-enhancing expenditures such as nutrition and access to transport services.

South African households receiving social pensions and other transfers are more likely to participate in the labour force and have more success in securing employment. This impact is significantly greater for women in the poorest households. The old-age pension in South Africa is also associated with a reduction in child labour, since children do not need to work and they receive educational support. Twenty-one per cent of social pension recipients in Lesotho spent part of their grant income creating jobs, ranging from general household chores to farm work.

Social pensions help finance women’s migration for job search and help older people care for the workers’ children, leading to positive and significant employment impacts for female labour migrants. These results corroborate earlier studies showing positive labour market impacts, and indicate that social pensions provide crucial resources for job search.

Social pensions can stimulate demand for local goods and services. In South Africa, social pensions shift the composition of national expenditure from imports to local goods, increasing savings and economic growth. In Namibia, the spending power created by social pensions supports the development of local markets and revitalises local economic activity. As one Namibian observed, “the wheels of the local economy begin to turn on pension day”.

In the middle of the last century, Mauritius had a vulnerable mono-crop economy and high poverty rates. Today, it has the lowest poverty rate in Africa. An International Monetary Fund report, “Who Can Explain the Mauritian Miracle?”, recognises a number of inter-related reasons for this, including the social pension established in 1950 that helped create the social cohesion needed to restructure the economy onto a high-growth path.

Similarly, Botswana’s social pension is the government’s most effective mechanism for tackling poverty and supporting the social stability that has encouraged the high investment rates required to drive Africa’s fastest-growing economy over the past three decades. The national cash transfers system in South Africa (of which the social pension is a major component) significantly reduced inequality, lowering the Gini coefficient from 0.80 to 0.73.

Governments can design social pensions in line with available fiscal resources. The size of the transfer and the eligibility age are two variables that can be calibrated to ensure affordability. The social pensions in Botswana and Namibia absorb 0.4 per cent of GDP and 0.7 per cent of GDP, respectively. Simulation results show that Kenya can provide a social pension to all persons aged 55 and above for 1 per cent of GDP.

Evidence from Southern Africa demonstrates that social pensions constitute the governments’ most effective poverty-reducing intervention. They are also an affordable investment in pro-poor economic growth and a starting point for an effective and comprehensive system of developmental social security.

**Suggested literature related to this article**


Many African governments allocate less than 1 per cent of GDP for pensions, other cash transfers and in-kind social assistance.

A basic social security package is demonstrably affordable in Africa, but its implementation requires a joint effort by the countries and the international donor community.

The Case for Basic Social Security
We know that social security is a declared human right. It is accepted as part of an international labour standard. We know from worldwide experience, both historical and current, that social security is a powerful tool not only to alleviate poverty, but also to reduce inequality (ILO, 2008a).

The experience of all developed market economies has proved that social security is an indispensable part of any efficient market economy. Countries in Africa urgently need to develop and put in place basic social security provisions.

How Much Would It Cost?
Many studies have analysed the possible costs of a basic social security package for low-income countries, including those in Africa. For example, a recent study by the International Labour Office (ILO, 2008a) looked at the costs of basic package consisting of:

- universal access to essential health care services;
- universal, basic old-age and disability pension;
- basic child benefits for the first two children; and
- basic social assistance providing a 100-day employment guarantee to the poorest 10 per cent of household heads of working age.

As Figure 1 shows, the non-health part of the package would cost (in expected 2010 demographic and economic conditions) between 3 and nearly 6 per cent of GDP. Financing universal access to essential health care would require additional resources: between 1.5 per cent of GDP (Guinea) and 5.5 per cent (Burkina Faso).

The cost of the whole package would be between 5 and 10 per cent of GDP, depending on a country’s particular conditions. Another ILO study (ILO, 2008b), conducted as a part of the social protection expenditure and performance review in Zambia, analysed the cost of a similar package of hypothetical cash benefits (but with the child benefit limited to the first child, and thus much less costly). It showed that in the longer run it would cost no more than 1.5 per cent of GDP (excluding administrative costs).

A similar exercise for Tanzania (ILO, forthcoming) put the costs for the same package at a little more than 1.8 per cent of GDP.
The total government spending (including social security funds) of lower-income countries in sub-Saharan Africa is 25–30 per cent of GDP. Most of these countries, however, allocate a very small percentage of the available domestic and external resources to financing the provision of social security.

Many countries allocate less than 1 per cent of GDP for cash transfers and in-kind social assistance. All but a few governments allocate less than 2 per cent of GDP (Figure 2).

Even if a larger portion of the total available public resources is allocated to social security benefits in some of these countries, most of the benefits reach only a small part of the population—in most cases, only government employees and those in the private sector who have regular contractual employment. Virtually none of the benefits go to the majorities, those working in subsistence agriculture and the urban poor. In Zambia and Tanzania, for example, governments and donors allocate the equivalent of less than 0.2 per cent of GDP to all current social assistance programmes.

Even with current resources, there is a potential fiscal space to provide the financing necessary to build up basic social security systems and gradually reach all of those in need. But achieving that would require shifts in the current allocations of budgetary resources.

This requires:
- Rationalising existing social programmes, by making them less costly and/or more effective in meeting poverty reduction goals—that is, integrating or coordinating current social assistance or social insurance programmes to avoid overlap and waste; cutting administrative costs in existing contributory pension programmes; and improving design and overall governance.
- Reassessing all current government spending programmes to determine whether they serve the broader policy objectives of reduced poverty and inequality (for example, is there sufficient economic justification for fuel subsidies, which are "cash" transfers to the rich?).

Most Sub-Saharan African countries increased domestic revenue on average from 15 per cent of GDP in 1997 to 19 per cent in 2006, mainly through more effective tax collection. The tax base will have to be significantly broadened and tax systems will have to be reviewed and modified, in order to secure the maximum resources.

The Way Forward
As countries attain higher levels of economic development, their social security systems can advance in parallel, extending the scope, level and quality of the benefits and services provided. A basic social security package is demonstrably affordable, but its implementation requires a joint effort: the low-income countries would have to reallocate existing resources and raise new ones, and the international donor community would have to refocus international grants on direct financing of social protection benefits, on strengthening the administrative and delivery capacity of national social protection institutions, and on providing the necessary technical advice.

Several low-income countries in Africa and elsewhere have started to take these steps (recent developments in countries such as Mozambique, Nepal, Tanzania and Zambia are just a few examples), and there are signs that the process will accelerate in the near future.


Needs assessments are valuable tools for planning and managing CCT programmes.

A needs assessment would reveal whether, when sending their children to school, poor households face costs related to forgone domestic or other economic activities.

A comprehensive needs assessment based on school data can help the different needs to be placed in priority order, so as to ensure better planning and more effective allocation of resources.

As the previous articles have shown, conditional cash transfer (CCT) programmes ensure that poor households have a minimum level of income, and thus such initiatives can be effective in alleviating poverty. Moreover, the existence of conditionalities introduces direct links between impacts on income poverty and results in other areas, such as education and health.

CCT programmes, however, might not always meet their stated goals. In some circumstances their design and implementation might not be properly tailored to local social, economic and institutional conditions. In order to address those conditions more effectively, ex ante assessments of gaps and needs are crucial.

Needs assessments are meant to provide empirical evidence on the state of access to social services, institutional capacities to administer the programmes and their affordability. Policymakers can then evaluate the relevance and feasibility of programmes before they are implemented. Needs assessments are valuable tools for planning and managing CCT programmes.

A needs assessment seeks to measure the extent and nature of a particular population’s needs and the services that are required. When identifying shortfalls in access to basic services, evidence of the profile of the population excluded from a service and the reasons for the exclusion should be highlighted.

Sectoral analyses, for instance, can identify whether access to social services is at a desired level or if there is any shortfall. Such analyses provide programme designers with information on access constraints and on which improvements are required. For example, a CCT programme might aim to improve prenatal care among poor women. But if almost every pregnant woman regularly uses such a service, that programme component will not be relevant.

A needs assessment may reveal that poor school attendance could be due to both demand and supply factors. On the demand side, household income and family background are the most significant determinants of schooling. The poorer and less educated the parents in a household, the higher the opportunity cost of putting their children in school.

Even when education services are accessible and affordable, household decisions about child schooling are made according to the immediate cost and the expected longrun return. A needs assessment would reveal whether, when sending their children to school, poor households face costs related to forgone domestic or other economic activities.

Needs assessments can also offer ex ante evidence of how an increase in household resources affect school attendance and achievement, the so-called income effect of a cash transfer programme.

However, income is not the only determinant of school attendance and achievement. Parent’s education and other family background features also matter. Lloyd and Blanc (1996) show for some selected African countries that the education of the household head also determines the educational outcomes of their offsprings. To address these types of determinants, some cash transfer programmes have included conditioning components, since the cash alone might not be enough to neutralize the parental background effect.
Based on the assessment of the supply-side determinants, governments may focus on increasing the number of schools and related facilities, and on improving the quality of education. In this regard, a comprehensive needs assessment based on school data can help the different needs to be placed in priority order, so as to ensure better planning and more effective allocation of resources.

CCT programmes are usually based on encouraging the demand (household) side of access to public services. Nonetheless, it is widely acknowledged that social gaps are not only determined by demand factors.

Scarcity of facilities and poor service quality also explain why there are high rates of child mortality and malnutrition, and why most children are not in school. In rural Mozambique, for example, building more schools has a greater impact on primary school attendance than programmes that increase household income (Handa, 2001). A needs assessment can provide such information, indicating whether the constraints are on the supply or demand side.

CCT programmes are, in general, perceived as a demand side intervention (see article by Pablo Villatoro in this issue). However, due to the recognition that supply-side constraints might jeopardise their success, many programmes have already been applying the word “co-responsibility” rather than “conditionality” to highlight governments’ responsibility in addressing supply-side shortcomings.

In Honduras, the Programa de Asignación Familiar (PRAF II) included a supply component. However, an ex ante evaluation, which is part of a needs assessment, shows that primary school coverage has no significant impact on school attendance among boys, a circumstance explained mainly by family background and the availability of pre-school facilities.

Increasing supply has a significant impact only on school attendance by girls. In this case, a cash transfer programme with conditionalities would be appropriate because there is a group of children whose attendance is not affected by improvements in the supply of primary schools (Ribas et al., 2008).

A profile of the population that is excluded from a service is also essential for choosing the proper targeting method to be used. Efficiency in resource-allocation is related to whether and how the programme is targeted.

On the one hand, targeting methods entail efficiency gains given the same amount of transfers. On the other hand, they also involve some costs. When a good targeting mechanism is very expensive for a specific country, the country could be advised to adopt a less expensive method, even if it is less technically complex, that gives more fiscal space to provide benefits to other poor households. Such a decision will surely depend on local constraints. It can also raise political concerns about the method of targeting and calls for the management of risks. In this case, different scenarios may have different costs that could be outlined in a prior needs assessment.

Another issue that must be assessed before implementing a CCT programme is the capacity of the institutional settings. Targeting mechanisms, payment systems, and the monitoring and enforcement of co-responsibilities depend on institutional capacity.

In Brazil, for instance, the decentralized targeting system works because there had already been local systems for managing social policies before Bolsa Família.

In other countries without a similar background, such a system might result in clientelism if central government guidelines are poorly enforced at the local level. Such capacity for implementing a centralized or a decentralized system can be evaluated by a needs assessment before the programmes are implemented.

With regard to basic social protection interventions, such as CCT programmes, affordability is another source of discussion. Policymakers may draw attention to all kinds of costs involved and the sources of financing.

The fiscal space surrounding the implementation of a CCT programme depends on the available national budget resources and donations. It has been found that the former source can be more sustainable when aligned with a poverty reduction strategy, indicating that a particular government has made a strong commitment to social protection. A needs assessment can show that social protection benefits are not out of reach for low-income countries, even if international assistance is needed temporarily (see Krzysztof Hagemejer’s article in this issue).

Finally, by providing empirical evidence on the specific determinants of access to social services, as well as on the institutional and financial capacities that are required and available, needs assessments serve as strategic tools in the design and implementation of CCT programmes, especially in places where poverty eradication is still far from being achieved.


**Legal Protection for Cash Transfers:**

*Why We Need It*

**Pensions** usually have legal protection that is enshrined in constitutions or binding legal documents. These legal provisions protect social transfers from budgetary cuts resulting from economic downturns and political changes. But not all cash transfer programmes are subject to such provisions—by which we mean a framework, established by a legislature, which is not easily reversible. We also mean a framework that provides constitutional and statutory rights with the purpose of guaranteeing access to basic services.

Cash transfer programmes are proliferating, but problems may arise if they have a fragile legal framework or none at all. It is important to provide beneficiaries with legal protection, especially given the long-term objectives of human capital building. In the first article of this issue of *Poverty in Focus*, Degol Hailu and Fabio Veras Soares note that cash transfer programmes attract votes. The programmes’ association with prominent politicians may compromise their sustainability, and thus it is of great help to institutionalise them. One way of doing this might be to strengthen the legal framework under which the programmes are regulated.

Table 1 presents programmes that have clearly defined legal frameworks. These laws and decrees are specifically designed for the programmes listed, which we consider the best way to guarantee sustainability and continuity.

It is useful to look closely at the country case studies. In her article for this issue of *Poverty in Focus*, Tatiana Britto explains the process leading to the establishment of Brazil’s cash transfer programme, *Bolsa Família*. In January 2004, a bill was finally approved by President Lula after 10 years of deliberations in Congress. The law affirms the right to a basic income in order to obtain food, education and health care. Although it falls short of providing universal rights, it gives priority to the poorest. Brazil also has a less well-known but equally important unconditional targeted cash transfer programme, the *Benefício de Prestação Continuada* (Continuous Cash Benefit), which is a monthly transfer to poor people aged over 65 or with disabilities. This cash transfer scheme is also guaranteed by the constitution.

The Chilean *Chile Solidario* conditional cash transfer programme is regulated by the May 2004 *Chile Solidario* Law. Indexation of benefits to inflation is one of the strengths of this legal framework.

South Africa has developed an extensive social security system, including the Children’s Support Grant, Old Age Grant, Disability Grant, Grant in Aid, Care Dependency Grant and Foster Child Care Programme. These are regulated and legally recognised by constitutional legislation. This approach marks a new strategy in the field of social protection in South Africa, and makes the national government responsible for ensuring social security rights.

Mozambique’s *Programa de Subsídio Alimentar* (Food Subsidy Programme), established by decree on 25 August 1993, is an important initiative in the fight against poverty and inequity. Under this decree, eligible individuals are entitled to receive cash transfers.

In September 2005, the government of the Dominican Republic issued a decree that created the *Solidaridad* programme as an important component of the country’s social protection network. The decree set out the programme’s vision and
strategies, as well as its functional and institutional structures.

India’s National Rural Employment Guarantee Act of 2005 supports a cash transfer programme known as the Rural Employment Guarantee Scheme. The act enforces the government’s provision of social protection and the public’s right to it.

The six programmes outlined above are regulated by a legal apparatus, and thus represent a fundamental rights-based approach to social protection. Moreover, their legal status strengthens their sustainability and continuity, protecting them against fiscal shocks and political changes.

By contrast, the programmes listed in Table 2 are only vaguely covered by constitutions and general laws. They are based mainly on policy statements, as well as on operational manuals and guidelines, and we consider them to be less protected from political and economic fluctuations. Compared to the programmes in Table 1, they are relatively vulnerable. The programmes function well and their impacts may be positive, but their scope, continuity and legitimacy would be greater if they had a legal framework.

In Ethiopia, the Productive Safety Net Programme does not enjoy constitutional recognition. It may come under the aegis of some related legislation, but it is not supported by its own specific law. The programme is regulated by an implementation manual and a management plan.

Mongolia’s programme, Child Money, is based on the 2005 Social Welfare Law and its 2006 amendments. This law, however, covers social protection in broad terms, and thus the programme does not fit into the category of schemes with a specific protective legal framework.

In Bangladesh, the Primary Education Development Programme is based on the Primary Education Act, but as in Mongolia the law does not provide a specific legal framework for the programme.

Ghana’s social grants programme, Livelihood Empowerment Against Poverty, provides both conditional and unconditional cash transfers to its target populations. There are general laws and policies that may constitute a legal framework for the programme, such as the 1992 constitution and the 1991 Social Security Law. But a specific regulation is still lacking, although this is under discussion.

In conclusion, cash transfer programme need comprehensive legal support that is carefully designed for each initiative and established by statute. Policymakers and the designers of such programmes should be aware that their sustainability is threatened if they have fragile legal frameworks or none at all.
The International Poverty Centre has a comprehensive research agenda on cash transfer programmes. It is currently focused on comparative studies in selected countries in Latin America and Sub-Saharan Africa.

IPC’s research encompasses both quantitative and qualitative methods and ex ante and ex post analyses of the impact of cash transfers on poverty and inequality.

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