



Issue 01 - February 2010

Conditional Cash Transfers: a Global Perspective

Conditional Cash Transfers (CCTs) are social protection programmes that transfer cash based on premise that households – typically those with children and young family members – will use health, education or other services that policymakers consider of public interest. The increasing popularity of CCTs is one of the most significant developments in global social policy since the expansion of social security in industrialized countries. Following decades when combining economic growth with provision of basic social services was considered the hallmark of development, CCTs have focused attention on addressing the demand for these services and barriers to access. This shift is highly relevant for the **Millennium Development Goals**. Over the last two decades, poor and disadvantaged populations have benefitted little from economic growth and improving services, undermining countries' progress on nutrition, education and health-related goals in many countries.¹

CCTs are based on a multidimensional perspective of poverty reduction, broadening the development impact of growth. Similar to other social protection programmes, they also help protect people and productive assets from the lasting effects of idiosyncratic and aggregate shocks. CCTs have, indeed, been a major tool for implementing the World Bank's social protection strategy 'From Safety Nets to Springboards'.² More recently, CCTs have also been included in the 'Social Protection Floor' initiative of the UN System, which aims to secure a "minimum level of access to essential services and income security for people in the context of current crises and beyond".³

The number of people who benefit from these programmes in the developing world is already quite large, making CCTs a valued tool for fighting poverty and generating support for reforms. For example, CCTs such as the Bolsa Família in Brazil and Oportunidades in Mexico cover approximately 12 and 5 million families respectively with relatively modest budgets (less than 0.5% of GDP). Indonesia is currently working to replace an unconditional cash transfer programme currently reaching 19 million households with a CCT programme (Keluarga Harapan). This first issue of the MDG Insights series looks into some key questions around CCTs in order to gain insights on how social protection systems could be used to offer more extensive coverage to poor and vulnerable populations worldwide; how they can improve governance around poverty reduction; and how they can make a real difference in people's lives.

Background: The predecessors of the programmes mentioned above in Brazil and in Mexico were both introduced in the mid-1990s. Since then, these programmes have been evaluated, extended, studied and with some alterations replicated, to the extent that few other social programmes have been in history. However, the idea of using cash transfer programmes to create incentives for service uptake is much older. In Europe, after the Second World War, for example, birth grants were conditional on birth registration. Romania was conditioning universal child allowances to school attendance to restore its falling enrolment rates following the 1989 revolution; and Bangladesh started the Female Secondary School Assistance project to address gender imbalances in education (MDG 3) in 1993. Nonetheless, conditional transfers have proven particularly popular in Latin America, where governments have had to tackle high inequality and persistent social exclusion. A World Bank research report, reviewing global experience with CCTs found 16 out of a total of 27 countries in Latin America with such programmes.⁴ The recent introduction of CCTs in countries like Ghana, Nigeria, Zambia, Turkey, Indonesia and Pakistan, and in cities such as New York and Washington DC, creates more information on how they work in diverse contexts and how they can be used effectively and creatively.



Mr. Gaspar Fajth,
Chief, Social Policy and
Economic Analyses,
Policy and Practice, UNICEF



Ms. Claudia Vinay,
Policy Specialist, Poverty
Group, Bureau for
Development Policy, UNDP

The UNDG Policy Network for MDGs is pleased to present a series of "MDG Insights." Each issue is written jointly by advisors from two different UNDG agencies to provide a wide range of approaches to achieve MDG targets.

This issue is also available at www.undg-policynet.org

The Policy Network facilitates UN joint technical advisory support to UN Country Teams. The Policy Network is coordinated by the same team of the MDGNet.

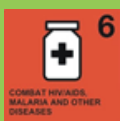
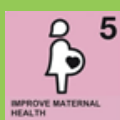


Why CCTs are relevant for the MDGs? CCTs have been hailed as a way to reduce inequality, help households break out of a vicious cycle whereby poverty is transmitted from one generation to another, and promote child health, nutrition and schooling.⁵ Much of the credit for this success is due to the large programmes of Bolsa Família and Oportunidades, referred to above, which cover a quarter of all households in Brazil and a fifth in Mexico. One major factor of success has been the practice of rigorous programme evaluations, which have repeatedly found improved food consumption and increased use of health and education services among recipient households, as well as beneficial effects on child outcomes. Participation in Oportunidades, for example, is associated with reductions in infant mortality (MDG4), better nutrition and improvement in anthropometry among young children (MDG1), better cognitive and language skills and fewer behavioral problems among children aged 8-10, and improved school enrolment and attendance, including among girls (MDG2 and 3).^{6,7} CCTs are also considered effective in reducing child labour.⁸ At the same time, there is little evidence that adult beneficiaries reduce work efforts; at times beneficiaries have even increased their labour market participation.⁹ While some studies found recipient-women reducing informal sector work in exchange of more time for childcare and other work at home, none of them gave up formal sector jobs due to programme participation.¹⁰ The combination of low cost, proven results in human development, and significant population coverage presents policymakers with a fiscally affordable and politically viable option, worth sustaining even when governments change. Results from evaluations help portray CCTs as smart investments for tax dollars and lending arrangements, in particular through securing better population health, higher earnings, and more formal sector jobs in the future. CCTs, therefore, are highly relevant for the MDGs. Nonetheless, CCTs have their limitations and they do not always have an edge over other types of social protection programmes.

Do CCTs increase resilience to impacts from economic crises and climate change? Recently, CCTs have been promoted as good mechanisms to buffer the impact of aggregate economic shocks,¹¹ highlighting the capacity of CCTs as counter-cyclical economic and social stabilizers. Unstable food and commodity prices, financial meltdown, economic downturns,

high intensity and frequency of floods or droughts associated with climate change have made many countries vulnerable; and sudden increases in poverty tend to hit persistently poor populations the worst. Malnutrition and unemployment rates could increase sharply, and households may adopt unsustainable coping strategies. For example, families may sacrifice livestock, pull children out of school, refrain from seeking medication and health care, and place children out of family care. Before crises occur, CCTs could be instrumental in increasing resilience by helping children get immunized, better-fed, and educated, and helping get families better-informed and better connected to service providers and community support systems. However, once crises occur, conditional programmes are relatively poorly equipped to provide emergency support; unconditional transfers may be more effective as rapid crisis response. This is because they require less complex administration, and because their coverage may be expanded at lower costs and much more rapidly to counteract sudden deteriorations in well being. Importantly, while CCTs can provide a ready-made channel for increased transfers to those households which are already in the programme, they do not act as automatic stabilizers (as do, for example, unemployment benefit claims) hence they require active management in times of crisis.

Do CCTs represent 'safety nets'? 'Safety nets' imply last minute intervention before tragedy occurs; hence they reflect a residual approach to welfare interventions. As CCTs address structural poverty through investment in children's human capital, the terms 'family support' and 'social assistance' are more proper. However, in many ways CCTs represent a new type of social assistance. They work best as a 'contract' between government and families: a mutual commitment where both partners are required to step-up efforts. Households are expected to meet one or more pre-specified conditions, such as school enrolment and regular school attendance, participation in parents-teachers meetings, compliance with national immunization plans, participation in bimonthly checkups for pregnant women, as well as other similar human development-centered public interventions. CCTs, therefore expected to increase demand for social services (this may be served by other or additional interventions such as awareness-raising programmes, better transparency on entitlements). However, governments are also expected to work



on supply side measures to ensure high coverage among poor and disadvantaged populations and help meet this demand. This can be done through public investments in social services; public-private partnerships; and better coordination among the different sectors and territorial units of the state.

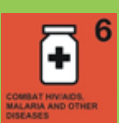
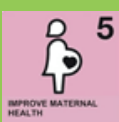
Do CCTs have an edge in covering vulnerable populations?

The global gap in social protection coverage is huge: according to the ILO only one out of five people currently has access to meaningful social security.¹² There is little hope that private or social insurance, i.e. traditional forms of social protection, can cover this gap anytime soon. Those systems are best suited for people in formal sector employment. In developing countries the informal sector is the main employer – even in the urban areas. Over a half of urban employment in Africa and Asia and over a quarter in Latin America is informal, with rising trends since the 1990s.¹³ Enhancing support and protection for vulnerable people, including youth at risk, low-wage, low-skilled workers and their families in the informal economy remains a particular challenge.¹⁴ As CCTs are financed from normal tax revenues (or loans which will be paid back from tax revenues), they do not require contributions from employment in the formal sector (as do insurance-based programmes, addressing unemployment, old age, sickness or maternity). Moreover, because of their human development focus, CCTs tend to have longer time windows and different exit thresholds than do the more traditional forms of social assistance.¹⁵ Accordingly, CCTs could play a major role in strategies that recognize the need for strengthened social protection and services for poor and disadvantaged populations in the current global context.

The decision to introduce a CCT, however, requires careful consideration of costs and benefits. Central and local governments need to consider its alternative: providing unconditional cash transfers (or non-cash transfers), improved social services and public infrastructure in coordinated manners, but without employing conditionality. As noted earlier, CCTs in general need significant programme administration: Bolsa Família and Oportunidades spend one in every 25 dollars and one in 16 dollars, respectively, on programme administration; and many smaller programmes spend as much as one in five dollars on programme administration rather than benefits. Moreover, the use of conditionality can imply further costs in terms of coverage and

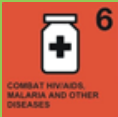
social outcomes (e.g. by excluding some very vulnerable groups).¹⁶ Culture, political economy, financing options and the availability of a basic service infrastructure are all factors to consider. In contexts where the infrastructure for social services is missing, CCTs may have limited effect. A pilot CCT in Zambia, for example, shows less convincing results in rural than in urban areas, which may be associated with disparities in service availability.¹⁷ Also, CCTs cannot substitute, for example, for social pensions or proper health insurance schemes, which in many ways serve similar goals. CCTs, therefore, need to be positioned in the wider contexts and needs of a society and within the overall social policy or protection framework of a country.

Is conditionality important? CCTs may be more viable than unconditional transfers in political economy contexts where simple ‘cash handouts’ are seen with suspicion.¹⁸ But is conditionality really needed for results? Experience with unconditional child allowances and other social protection measures in OECD countries, Eastern Europe, and Southern Africa shows that income inequality and relative consumption poverty can also be addressed by non-conditional transfers. A UNICEF study, looking at how state intervention reduced ‘market child poverty rates’ in the late 1990s, found that the immediate effect was 30 %-points in Hungary and Poland, over 20 %-points in Sweden and France, 18 %-points in Luxembourg, and 16%-points in the United Kingdom.¹⁹ The seminal research, which showed that the efficiency of public transfer programmes may depend on whether the beneficiary recipients are women – a lesson widely incorporated in CCTs – also found a positive impact of unconditional social pensions in South Africa on child anthropometrics.²⁰ An independent evaluation of the Mchinji pilot unconditional transfer in Malawi has also found significant improvements in child well being, including better diet quality and diversity, less child sickness and more use of health care services.²¹ Child poverty, therefore, could clearly be addressed by social protection programmes without conditionalities. Some evaluations, nonetheless, did find some specific, additional impact of conditionality for service use by programme recipients.²² Still, it appears that, overall, less the presence and enforcement of conditionality, more the information, awareness programmes provide and the local administrative capacity they require and strengthen are the keys to success.



Are CCTs well-targeted? CCTs typically use a mix of proxy means-testing and categorical targeting e.g. through geographical targeting and local community involvement; a key factor in the broad political acceptance of CCTs is that they are generally considered to be well-targeted. As evidence from Bolsa Família cited above show, CCTs are indeed, often well-concentrated on poor households. However, the multidimensional and multi-sectoral approach of CCTs to poverty reduction makes assessing their targeting efficiency far from straightforward. Are CCTs well targeted when they cover only households under the official poverty line (hence post no 'inclusion errors') and when they, indeed, cover all these households (i.e. showing neither 'exclusion errors')? Empirical efforts to quantify targeting show a disquieting picture. For Oportunidades and Bolsa Família, one study showed 36-49% inclusion errors ('programme leakage' to non-poor households) and 59-70% exclusion errors (eligible households having no programme participation) respectively.²³ In reality, however, these may reflect the imperfect overlap among the multiple dimensions of deprivation rather than imperfection in programme design and implementation. There is no guarantee that only children living in households under the official poverty line will be missing from schools: some children from families above the income poverty thresholds may too lack enrolment, while other children will attend schools anyway. Accordingly, some analysts have proposed targeting to maximum efficiency, whereas the programme would seek to cover, for example, only those households who otherwise would not send their children to school.²⁴ Such service-centered interpretation of targeting gets support from findings which often show diminishing marginal returns to transfer size in terms of school enrolment or attendance. However, this does not make income security for vulnerable populations less important in its own right. Because CCTs generally serve multiple objectives, an overly narrow interpretation of programme objective may work against the broader mission of social protection in societies.

Reflections: CCTs, in general, show promising results in addressing structural poverty and breaking the intergenerational cycle of disadvantage. They can provide a windfall in human development in contexts where basic social services are already there but demand is still inadequate. They can also create pressures to improve service provision. They do not represent, however, the panacea for inadequate supply of basic social services; and they do require significant administrative capacity. They may also be difficult to introduce as a response measure to sudden economic shocks or natural disasters. The decision whether a country needs a CCT or a different type of social policy instrument requires context-specific analysis and wide-scale political and social consultations. While CCTs do raise some difficult questions, there is no doubt that they have created new optimism and dynamics around how to protect and promote the wellbeing of children, and disadvantaged populations in particular. This puts CCTs at the forefront of debates and policy initiatives on enhancing developing countries' progress towards the MDGs, creating social protection floors for vulnerable populations, making social protection child-sensitive, and preventing and responding to idiosyncratic risks as well as aggregate shocks.



References and useful links:

The literature on CCTs is large and rapidly growing. The World Bank Policy and Research Report (2009) *Conditional Cash Transfers – Reducing Present and Future Poverty* by Fiszbein A, Schady N et al. 2008, Washington, DC: The World Bank provides a major review. Grosh M, Del Ninno C, Tesliuc E, Ouerghi A, 2008, *For Protection and Promotion: The Design and Implementation of Effective Safety Nets* Washington, DC: The World Bank, offers a shorter discussion. Readers will find further resources at the links below as well as at the references quoted in the endnotes.

Readers will find further resources at these links:

ILO: <http://www.socialsecurityextension.org/>

UNICEF: http://www.unicef.org/socialpolicy/index_48560.html

UNDP: <http://www.undp-povertycentre.org/cctafrica.do>

The World Bank: <http://www.worldbank.org/sp>

¹ UN 2009, *Implementing the Millennium Development Goals: Health Inequality and the Role of Global Health Partnerships*. United Nations Department of Economic and Social Affairs, New York; UNESCO, 2010, *Education for All - Global Monitoring Report Reaching the marginalized*, UNESCO, Paris

² Holzmann, R (ed.) 2009, *Social Protection and Labor at the World Bank, 2000-2008*, The World Bank, Washington DC

³ ILO et al. 2009, *The Social Protection Floor Initiative: Manual and strategic framework for joint UN country operations*. <http://www.socialsecurityextension.org/gimi/gess/ResShowResource.do?ressourceId=14484>

⁴ Fiszbein A, Schady N, et al. 2009 *Conditional Cash Transfers: Reducing Present and Future Poverty*, The World Bank, Washington DC

⁵ Fiszbein A, Schady N, et al. 2009 p29

⁶ Fernald LCH, Gertler, PJ, Neufeld, LM, 2008 *Role of cash in conditional cash transfer programmes for child health, growth, and development: an analysis of Mexico's Oportunidades* Lancet 2008; 371: 828–37

⁷ Barham T, 2006, *Providing a Healthier Start to Life: The Impact of Conditional Cash Transfers on Neo-Natal and Infant Mortality* Department of Economics and Institute of Behavioral Science, University of Colorado, Boulder

⁸ Issamu Hirata G, 2008, *Cash Transfers and Child Labour: An Intriguing Relationship* International Poverty Centre, Centre for Inclusive Growth (IPC-IG), One Pager Number 71, November 2008, Brasilia

⁹ Veras Soares F, Perez Ribas R, Guerreiro Osório R, 2007, *Evaluating the Impact of Brazil's Bolsa Família: Cash Transfer Programmes in Comparative Perspective* IPC Evaluation Note No. 1. International Poverty Centre, Number 1 December, 2007, Brasilia

¹⁰ Gondim Teixeira C, 2009 *What Is the Impact of Cash Transfers on Labour Supply?* International Policy Centre for Inclusive Growth (IPC-IG) IPC One-Pager Number 85, July 2009, Brasilia

¹¹ Ravallion M, 2008, *Bailing Out the World's Poorest*, World Bank Working Paper Series, World Bank, Washington DC.

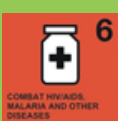
¹² ILO et al. 2009, p3

¹³ Chen MA, 2001 *Women and Informality: A Global Picture, the Global Movement* SAIS Review 21.1 p71-82

¹⁴ ILO, 2009, *Recovering From Crisis: A Global Jobs Pact*

http://www.ilo.org/public/libdoc/ilo/2009/109B09_101_engl.pdf

¹⁵ Barrientos A, and Santibanez, C, *New Forms of Social Assistance and the Evolution of Social Protection in Latin America*. Journal of Latin American Studies 41. 1-26 Cambridge University Press



¹⁶ Standing G, 2008, *How Cash Transfers Boost Work and Economic Security* DESA Working Paper No. 58 ST/ESA/2007/DWP/58 October 2007 (Revised April 2008) United Nations, New York

¹⁷ Freeland N, and Tembo G, 2009, *Social Cash Transfers in Zambia: What Is Their Impact?* IPC One Pager # 91. International Policy Centre for Inclusive Growth (IPC-IG) August 2009, Brasilia

¹⁸ Fiszbein A, Schady N, et al. 2009, pp11-12

¹⁹ UNICEF, 2000, *Innocenti Report Card No.1 'A league table of child poverty in rich nations'* June 2000, UNICEF Innocenti Research Centre, Florence, Italy

²⁰ Duflo E, 2004, *Grandmothers and Granddaughters: Old Age Pensions and Intra-household Allocations in South Africa* The World Bank Economic Review Vol 17 No 1. 1-25

²¹ Miller C, and Tsoka M, 2007, *Second Evaluation Report Presentation*, Lilongwe, Malawi, quoted in UNICEF, 2008, *Social Protection in Eastern and Southern Africa: A Framework and Strategy for UNICEF*, Nairobi; Kachikho A, 2008, *Evidence Based Policy Development for Social Protection Social Cash Transfers in Malawi*. Special Focus Session on Policy and Advocacy for Children's Rights, New York, 17 September 2008 Kachikho A, 2008, *Evidence Based Policy Development for Social Protection Social Cash Transfers in Malawi*. Special Focus Session on Policy and Advocacy for Children's Rights, New York, 17 September 2008

²² De Brauw A, Hoddinott J, 2008, *Must Conditional Cash Transfer programs be conditioned to be effective? The impact of conditioning transfers on school enrollment in Mexico*, IFPRI Discussion Paper 00757, March 2008 International Food Policy Research Institute, Washington DC

²³ Veras Soares, F, Perez Ribas, R, Guerreiro Osório, R, 2007, pp2-3

²⁴ de Janvry A, and Sadoulet E, 2006, *Making Conditional Cash Transfer Programs More Efficient: Designing for Maximum Effect of the Conditionality*, World Bank Economic Review 2006: 20

The findings, interpretations and conclusions expressed in this publication are those of the author(s) and do not reflect official policies of the UNDG agencies or governments they represent