



Conditional Cash Transfers for Poor Families

An efficient tool for combating poverty and improving human capital

IBRD Results

SYNOPSIS

For more than a decade, IBRD has helped countries in Latin America and the Caribbean pioneer conditional cash transfers as a proven approach to helping people out of poverty. By linking cash payments to keeping children in school or ensuring that families get proper healthcare, these programs are benefiting 21 million families—or 93 million people—each year across the region.

Challenge

Poverty and inequality are critical issues in growing economies and tend to pass from generation to generation in the same families. The poor and vulnerable are exposed to a wide range of risks and shocks that affect their current well-being and their longer-term prospects for rising out of poverty. To address these challenges, all countries need social safety nets both to protect the vulnerable from falling into poverty during crises and to help them transition out of poverty in the absence of larger crises. Safety nets are defined as non-contributory transfer programs targeted to the poor and those vulnerable to shocks. Conditional Cash Transfer (CCT) programs, originally designed in Latin America, are safety nets that provide cash to poor families on condition that they make verifiable investments in the current and future well-being of their children, such as regular school attendance or use of basic preventative nutrition and health services. CCT programs are among the most common and successful social safety net programs implemented in Latin America and the Caribbean. Latin American and Caribbean governments are adopting CCTs as a new social protection tool for combating poverty and preventing its transmission across generations. By addressing demand-side barriers such as lack of information, these beneficiary-centered programs can improve the efficiency of basic services.

Results

Countries in Latin America and the Caribbean region pioneered CCT programs and to date around 17 countries in the region have adopted them. CCTs supported by the IBRD in the last decade benefit about 21 million households annually in Latin America and the Caribbean, or almost 93 million individuals. The largest CCTs are in Brazil and Mexico serving 11 million and 5.2 million households, respectively. Colombia's program, *Familias en Acción*, reaches about 20 percent of all households and Jamaica's Program of Advancement through Health and Education (PATH) benefits about 12 percent of the population.

These programs have been evaluated rigorously on several dimensions and have demonstrated a range of positive impacts: families eat more nutritional and diversified diets, children go to school more regularly, and families in general have better health.

CCTs have had positive effects on consumption and have been shown to reduce poverty rates among participants in Mexico, Colombia, Jamaica, and Brazil. An impact evaluation of Chile's Solidario program in 2006 found that rural beneficiaries experienced an 18 percent reduction in poverty and 35 percent drop in extreme poverty. Even when

CCTs do not pull households out of poverty entirely, they can improve conditions significantly for beneficiary families. For example, there is evidence of CCTs contributing to increased per capita consumption (by 7 percent in Brazil, 8 percent in Mexico and 10 percent in Colombia). Beneficiary families also consumed more food of better nutritional quality (for example, Ecuador, Nicaragua, Mexico, Colombia), contributing to better health and nutrition outcomes.

CCTs have led to significant increases in the use of health services. Increased vaccination coverage was found in some countries that had low initial vaccination rates (for example, Nicaragua, Turkey, and Honduras), but not in countries (such as Mexico) where these rates were already quite high. Increases in visits to health centers have been substantial with a 38 percent increase in health care visits for children 0–6 years old in Jamaica and a 33 percent increase in growth monitoring of children 0–2 years old in Colombia. Child height improved as a result of CCTs in Mexico, Colombia, and Nicaragua. There is also some evidence of impacts on child development (memory, socio-emotional development, and motor and language skills) for preschool aged children in Nicaragua and Ecuador.

In Latin America and the Caribbean, CCT impacts on school enrollment rates range from 1 to 10 percentage points, with larger effects in the higher grades. Thirty-eight percent of the children whose families have benefited from the *Oportunidades* program in Mexico and have gone on to higher education. CCTs have also contributed to substantial reductions in child labor in Brazil, Colombia, Ecuador,



and Mexico. Some programs have also led to increased investment. For example, an average of 12 percent of transfers from Mexico's *Oportunidades* program was invested, leading to substantial positive impacts on investment in productive activities such as microenterprise and agriculture.

Impacts on nutrition, child development, and schooling will translate into future impacts on poverty. For example, World Bank studies in Jamaica estimate that the CCT program effect will result in a 7 percent increase in future earnings for the children who benefit from it.

Approach

The International Bank for Reconstruction and Development (IBRD) has been involved with the conditional cash transfer experience since the first programs began in the late 1990s, either through technical support or funding. IBRD engages in policy dialogue, studies, and investment lending, and has supported the exchange of information and CCT experiences among numerous developing countries. IBRD has helped clients design and strengthen monitoring and evaluation methodologies, as well as management information systems, allowing for better tracking of program activities and identification of potential process efficiencies. IBRD has produced multiple studies and reports on CCTs and invests in training and knowledge exchange to support program design and implementation. In recent years, a community of practice on CCT programs in the Latin America and Caribbean region has been established. This community, comprising IBRD staff and the managers of several CCT programs in the region, meets virtually on a regular basis to share experiences and discuss operational concerns.

Summary Time Line

In the nearly ten years that the IBRD has supported CCT programs, there has been a great deal of diversity and evolution in CCT design and implementation. After over a decade of experience, not only has the CCT model expanded quickly across national boundaries, but CCT program approaches have also been evolving by seeking to:

- Fine-tuned operations. CCT programs have contributed to important advances in the design, administration, and governance of social policy. These include novel approaches to targeting the poor, addressing gender issues, transferring funds, fostering social accountability, building error and fraud control systems, and strengthening governance. Rigorous monitoring and evaluation systems allow programs to adjust operation for greater impact, effectiveness and accountability.
- Take advantage of new technologies. CCT programs have been able to capture the opportunities afforded by new technologies, such as using bank cards for payments and cell phones for payments and educational messages to recipients.
- Build linkages to other social programs. Chile's *Solidario* program seeks to integrate cash transfers with a broad array of existing social services. Participants sign "a family contract" to improve their living conditions. The contract establishes an agreement between the government, which takes responsibility for supplying them with a range of support services and resources, and the family, which agrees to work to overcome the most precarious aspects of their lives in the areas of legal documentation, health, education, family dynamics, housing conditions, work and income. The program has increased the take-up of public transfers and the utilization of social services by the poor.
- Incorporate marginalized citizens. Most CCT programs require that beneficiaries present valid identification documents before receiving the grant. Several programs, for instance in Colombia, Panama, and the Dominican Republic, have helped to get identity documents for marginalized groups, making it possible not only for them to enroll in the CCT program, but giving them the first step toward access to other programs, voting rights, and legal protections.
- Bring beneficiaries into the financial system and promote savings as a medium-term strategy to help CCT households out of poverty. For example, in Mexico's *Oportunidades*, in addition to the cash payment, some of the transfer can be held in a beneficiary savings account. An estimated 20 percent of beneficiary households have savings accounts connected with the program. Linkages to microfinance are also being explored in some CCTs.



IBRD Contribution

During fiscal years 2005–2009, the IBRD helped deepen and expand the CCT model, approving 16 projects in 10 countries, mainly in Latin America and the Caribbean with more recent projects branching out to East Asia and Eastern Europe. IBRD approved over US\$1.5 billion for Mexico's *Oportunidades* program alone—40 per cent of total IBRD safety net lending. In fiscal year 2009, several of the region's CCT programs were expanded to protect the most vulnerable from the impact of the global crisis: the IBRD provided nearly US \$2.5 billion to help LAC countries finance the response.

In several cases, a CCT program was supported either by successive investment loans or through a combination of funding, such as investment project to establish the program and then additional funding through a budget support operation.

Partners

IBRD has work with partners such as the Secretary of Social Development (Mexico), the Minister of Social Protection (Colombia), the Ministry of Social Development and Eradication of Hunger (Brazil), the Presidential Council

of Ministers (Peru) and the National Council of Woman (Argentina), among others, providing lending and technical assistance to support CCT programs.

Good Practices Developed

CCTs started in Latin America and the Caribbean and now they are implemented in around 30 countries in all regions of the world. Many countries (including Indonesia, Philippines, and USA) have learned from the successful first generation CCT programs, such as those in Mexico, Brazil, and Colombia, and have built programs based on these experiences. International study tours have been an important tool for countries to see CCTs in action.

Next Steps

CCTs play an important role in addressing chronic poverty and delivering better lives and greater opportunities to the poor. CCTs are moving from the first generation operational issues of ensuring that money reaches beneficiaries transpar-

ently, to future challenges of integration with other programs and to helping clients graduate out of poverty. To improve the design, implementation, expansion, and evolution of effective CCT programs, further development of “best practice” knowledge and useful tools for capacity-building is needed. Lessons learned in IBRD countries are providing guidance for the expansion of CCTs to IDA countries.

IBRD will continue lending and providing technical assistance to support CCT programs and innovations to ensure these programs best meet country needs.

LEARN MORE

- www.worldbank.org/safetynets
- <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:20615138~isCURL:Y~menuPK:1551727~pagePK:148956~piPK:216618~theSitePK:282761,00.html>