30165

No. 0416

Social Protection Discussion Paper Series

A New Approach to Social Assistance: Latin America's Experience with Conditional Cash Transfer Programs

Laura B. Rawlings

August 2004

Social Protection Unit

Human Development Network

The World Bank

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Social Safety Net Primer Series

A New Approach to Social Assistance:
Latin America's Experience with Conditional Cash Transfer Programs

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Abstract[1]

Conditional cash transfers are a departure from more traditional approaches to social assistance that represents an innovative and increasingly popular channel for the delivery of social services. Conditional cash transfers provide money to poor families contingent upon certain behavior, usually investments in human capital such as sending children to school or bringing them to health centers on a regular basis. They seek both to address traditional short-term income support objectives, as well as to promote the longer-term accumulation of human capital by serving as a demand-side complement to the supply of health and education services. Evaluation results from a first generation of programs reveal that this innovative design has been quite successful in addressing many of the criticisms of social assistance such as poor poverty targeting, disincentive effects, and limited welfare impacts. There is clear evidence of success from programs in Brazil, Colombia, Mexico and Nicaragua in increasing enrollment rates, improving preventive health care and raising household consumption. Despite this promising evidence, many questions remain unanswered about conditional cash transfer programs, including the replicability of their success under different conditions, their role within a broader social protection system, and their long-term effectiveness in preventing the inter-generational transmission of poverty. One of the main challenges facing policymakers today is how to build off of the established success of conditional cash transfer programs to tackle the more difficult issues of improving the quality of health and education services and providing a more holistic approach to both social protection and chronic poverty.

[1] Laura Rawlings is a Senior Monitoring and Evaluation Specialist in the World Bank's Human Development Department. Feedback from Fabio Bertranou, Ariel Fiszbein, Gillette Hall, Margaret Grosh and Gloria Rubio is gratefully acknowledged. This paper has been submitted to the International Social Security Review for publication. The interpretations and conclusions in this paper are the author's own and should not be attributed to the World Bank or its Board of Directors. Please send comments directly to lrawlings@worldbank.org.

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I. Introduction

Conditional cash transfer (CCT) programs are a new type of social assistance program that represents an innovative approach to the delivery of social services. As their name implies, conditional cash transfers provide money to poor families conditional upon investments in human capital, usually sending children to school and/or bringing them to health centers on a regular basis. The cash transfer is aimed at providing short-term assistance to families often in extreme poverty without the means to provide for adequate food consumption, while the conditionalities aim to promote longer term human capital investments, especially among the young. CCT programs are part of a new generation of social programs that use demand-side financing to target the poor that includes school voucher programs and certain subsidized health insurance schemes. These programs' reliance on market principals, using demand-side interventions to directly support beneficiaries, is a marked departure from traditional supply-side mechanisms such as general subsidies or investments in schools, health centers and other providers of social services.

Conditional *cash transfer (CCT) programs aimed at providing social assistance and improving children's human capital have been established in numerous countries in recent years, particularly in Latin America and the Caribbean where they were originally developed. The most popular type of program includes a combination of health, education and nutrition objectives and includes initiatives such as Mexico's* Programa de Educación, Salud y Alimentación *(PROGRESA*[2]*) launched in 1997, the first large scale CCT program both in the region and globally; Colombia's* Familias en Acción *program (FA); Honduras'* Programa de Asignación Familiar *(PRAF); Jamaica's Program of Advancement through Health and Education (PATH); Nicaragua's the* Red de Protección Social *(RPS); Bolivia's* Beca Futuro*; Ecuador's* Bono de Desarrollo Humano; *Chile's* Subsidio Unitario Familiar; *and, recently, Brazil's* Bolsa Familia *program. Other programs provide education grants only, including Brazil's established* Programa Nacional de Bolsa Escola, *the* Programa de Erradicaçao do Trabalho Infantil *(PETI), and* Agente Joven*. A third category are focused on health and nutrition objectives including Brazil's* Bolsa Alimentação *and* Cartão Alimentação.

Several of these programs have acquired an important role in individual countries' portfolio of poverty alleviation strategies. In 2002, Mexico's CCT program reached more than four million families, representing 20 percent of the Mexican population, and commanded and annual budget was around Mex$18 billion (US$1.8 billion equivalent to approximately 0.32% of GDP). In Jamaica, PATH is being introduced as a national program to replace three major income transfer programs, while improving targeting and cost-effectiveness. Its 2004 annual budget is US$23 million (0.32% of GDP). In Colombia, the program was introduced as a cornerstone in their new safety net strategy designed to respond to the worst recession in close to 70 years; the approximately US$100 million allocated for 2002 is equivalent to 0.12% of GDP. Other established programs in the region are considerably smaller both in terms of scope and financing, such as Nicaragua's

[2] In March 2002, *PROGRESA* changed its name to *Oportunidades* and introduced several changes to its objectives and operational features, including an expansion to urban areas.

Red de Protección Social with its annual budget of approximately US$5 million for 2002. However, in Brazil, *Bolsa Familia* is presently being introduced as an overarching welfare reform program that will consolidate numerous smaller programs to become the largest CCT program internationally, both in terms of coverage and financing.

Each of the seven conditional cash transfer programs reviewed for this paper promotes long-term human capital accumulation as a primary objective, recognizing its role in breaking the inter-generational transmission of poverty (see Table 1). This focus is a departure from traditional social assistance strategies that have used redistributive transfers as a means for short-term poverty alleviation during times of crisis. Correspondingly, CCT programs focus primarily on children as the recipients of the human capital investments promoted by the programs and closely monitor compliance with conditionalities as a pre-requisite for receiving the transfers. The implementation of CCT programs has been accompanied by systematic efforts to measure their ability to promote human capital accumulation and understand their broader impact on households' behavior, a marked departure from the limited attention that has been paid to rigorous impact evaluations in the past in the Latin America region. Results from the evaluations applied to the first generation of these programs are now available and are shedding light on CCT programs' effectiveness.

This paper reviews the experience of the Latin America and Caribbean region in introducing a widespread social experiment that provides an innovative alternative to traditional social assistance programs. After placing CCTs in the social assistance context in Section II, the paper provides a brief overview of the objectives and characteristics of CCT programs in Section III, explores the main innovative features associated with CCT programs in Section VI, reviews available evidence concerning their impacts in Section V, and reflects upon program design and the available evidence on effectiveness in Section VI before concluding in Section VII.

II. The Social Assistance Context

Conditional cash transfers can be classified within the family of social assistance programs that constitute a country's formal, publicly provided safety net system. These programs' traditional role has been as a transfer mechanism aimed at redistributing income and resources to the needy in society, helping them to overcome short-term poverty during periods of crisis. Formal, publicly-provided safety nets may take the form of cash or income transfers, such as child allowances; transfers in kind, such as food or housing subsidies; or they may provide income support to the vulnerable by providing jobs in an emergency situation through a public works program.

Social assistance programs have generally been considered separate from social insurance systems, not sharing the latter's focus on addressing market failures or providing longer-term solutions to risk management. Conversely, social insurance systems have traditionally not contemplated non-contributory social assistance components with targeted benefits for the poor. This separation is now being questioned, however, as the increased sophistication of social assistance programs on the one hand, and the growing use of poverty-targeted minimum social insurance benefits such as minimum pensions on the other, are introducing more of a continuum between assistance and insurance.

What has sparked this evolution in social assistance policy? Social assistance programs have traditionally been associated with a focus on reducing current poverty with little attention to issues of long-term, structural poverty. The problem has been viewed as a trade off between short-term equity objectives achieved through redistribution and long-term objectives of efficient economic growth. The short-term equity focus has often been associated with the use of perverse incentives developed as part of crisis-driven approaches that have often been criticized for reducing the current labor supply, crowding out private transfers and encouraging dependency.

Recently, the design of safety nets policies and programs has evolved, going beyond the limited focus on short-term poverty alleviation and income redistribution, encompassing longer-term economic growth and human capital development objectives. This maturation is underpinned by a renewed debate on the theoretical rationale for social protection. The renewed debate centers on a re-examination of the presumed the trade-off between equity and efficiency, which is being questioned by new perspectives on the long-term social and economic costs of uninsured risks and unmitigated inequalities, and the potential role of safety nets in addressing some of those problems. As explained by Ravallion (2003), by supporting minimum levels of consumption, helping credit-constrained poor people be productive workers, and providing incentives for long-term investments in human capital, safety nets are seen as having a potentially important role in compensating for the market failures that help perpetuate poverty, particularly in high inequality settings. Das, Do and Ozler (2004) expand on this line of thinking, pointing out that conditionalities can be used to internalize positive externalities such as children's education and health that would otherwise not be captured.

With their emphasis on human capital accumulation and long-term poverty reduction, conditional cash transfers are perhaps the clearest policy manifestation of this new thinking on the long-term role of social assistance programs. The technical design features of CCTs associated with this evolution are discussed in more detail below. Political discussions and popular debate also reflect this new emphasis, with a generalized acceptance of these new programs' emphasis on work, on investing in human capital (especially children), on temporary assistance and on co-responsibility. The work requirements that have been introduced as part of the restructuring of the flagship U.S. cash transfer program can be included as part of this evolution in thinking that has crossed party lines. These features have played an important role in generating support for these programs, highlighting the importance of the political economy of implementing this new generation of programs.

Social assistance programs have also been subject to a number of criticisms, many of which are often leveled at social programs more generally. Though these criticisms don't always have a strong empirical basis, they have been an important factor in shaping the evolution of social assistance policy, particularly as concerns conditional cash transfers. One common criticism involves poor poverty targeting, though a review by Coady, Grosh and Hoddinott (2003) revealed that only up to one-fourth of the social assistance programs in developing countries had regressive poverty targeting, but that that there was

tremendous variability in progressiveness across types of programs, suggesting that it is not so much the type of program that determines targeting effectiveness, but rather its implementation. Second, social assistance programs are often accused of having high administrative costs or excessive costs of components such as materials in workfare programs that reduce the percentage of resources actually transferred to vulnerable families. Again, empirical reviews of administrative costs show high variance across types of social programs, including social assistance programs, from 0.4 percent to 29 percent (Grosh 1994). Fourth, reviews of countries' social safety net strategies often point to social assistance programs being composed of a collection of small, often disparate projects with a multiplicity of overlapping or unrelated goals (Marques, 2003). Finally, there have been criticisms of paternalism, clientelism and corruption in social assistance programs, many of which have been perceived as vehicles for political patronage.

Beyond the realm of social assistance, conditional cash transfer programs are also a response to the perceived failure of traditional supply side interventions such as schools and health clinics to effectively reach the poor. Research has documented that these services have often been underutilized by the poor because of unmanageable out of pocket expenditures, high opportunity costs, difficult access, and a lack of incentives for investing in children's human capital. Though CCTs can provide incentives for using these services, as is argued below, CCTs are not a substitute for the provision of quality supply-side investments nor are they designed to address supply-side issues. Yet the target population is critically dependent upon access to high quality health and education services, and issues of access and quality which CCTs cannot address loom large. The provision of quality health and education services should be a pre-requisite to the implementation of a CCT program lest the transfer be conditioned upon the mandated use of poor quality, ineffective services with little hope for anticipated welfare impacts, particularly over the long-term.

III. Conditional Cash Transfer Programs Overview[3]

The conditional cash transfer programs reviewed in this paper combine several key program design elements: the provision of cash, targeted to poor households, based on conditionalities tied to investments in education and, often, health and nutrition. Numerous other programs share one or more of these design elements, and each of these design elements could be incorporated into a program without the others. Indeed on of the challenges is assessing CCT programs is the inability to 'unbundle' the intervention to understand which component can be linked to which outcomes.

Education and Health Components

There are two components associated with most conditional cash transfer programs: an education component and a health/nutrition component. The education component consists of a cash grant targeted to primary school-age children. In countries with higher educational attainment such as Mexico, Colombia and Jamaica, this component also seeks to benefit secondary school-age adolescents (Table 1). The receipt of education grants

[3] For a more in-depth description of CCT programs see Ilahi, et al. 2000, Legovini and Regalia 2001 and Morley and Coady 2003. This section draws from Rawlings and Rubio 2004.

(and in some cases cash or in-kind support for school materials) is conditioned on school enrollment and regular school attendance (usually 80-85% of school days). Given its objective of reducing child labor, Brazil's PETI also requires participation in an after-school program.

The levels and objectives of the education grants vary considerably across countries (see Table 2). In Mexico and Honduras, the education grant covers both direct costs (school fees, school supplies, transportation costs, etc.) as well as opportunity costs derived from the income lost as a result of sending children to school rather than work. In Colombia and Mexico educational grants for secondary school are higher than for primary school to reflect the increasing opportunity cost of work as children grow older. In Mexico, grants at the secondary level are higher for females to provide an added incentive for reversing a pattern of unequal gender participation in secondary education and to internalize education externalities that accrue as they raise families of their own (Skoufias, 2001).

Health and nutrition grants consist of a cash transfer aimed at food consumption, combined with an incentive for the provision of health care for children and nutrition education for mothers. Receipt of the cash transfer is conditional on compliance by participating household members with a pre-determined number of health center visits and health and nutrition workshops These grants are usually family-based and are targeted to newborn children up to the age of 2 or 3, and in some cases, children up to the time they enroll in primary school. In Honduras, Jamaica and Mexico, pregnant and lactating women are also among program beneficiaries (see Table 2). The value of the monthly cash grant per family for the health and nutrition component varies across countries. In Honduras, for example, researchers calculated the level of the nutrition and health voucher as equivalent to the value of the time invested by the mother during the trip and waiting at the health center. In Colombia, the amount of the health and nutrition grant was set equivalent to the mean income required to allow an average indigent family to reach the extreme poverty line whereby they were able to consume a nutritiously adequate amount of food.

Supply Side Support

In some countries CCT programs go beyond providing demand-side monetary incentives to families by strengthening the supply of health and education services. In Nicaragua, teachers receive a modest bonus per child participating in the program, half of which is intended to pay for school materials. In addition, NGOs are contracted to provide health services. In Mexico, resources are set aside to cover the costs of additional health services demanded due to the program and ensure an adequate supply of equipment, medicines and material. In Honduras, the CCT program provides grants directly to schools and health centers as part of an experiment designed explicitly to compare the effectiveness of three alternative interventions combining demand and supply incentives.

IV. An Innovation in Social Assistance

Conditional cash transfer programs represent an innovation in the provision of social assistance. The first generation of programs have proven successful in limiting some the arbitrariness associated with traditional social assistance programs and in achieving

concrete advances in human development, as evidenced by the evaluation results described in Section V. As outlined below, these advances have been achieved by introducing several key design features.

Changing accountability relationships. Conditional cash transfer programs address many of the criticisms levied at traditional social assistance programs by changing the accountability relationships between the national government, service providers in health and education, and poor households. Through the provision of cash grants directly to poor households, CCT programs allow the national government to forge a one-on-one relationship with the target population, without the intermediation of local government or the use of local service providers. CCT programs are commonly administered directly by the central government, including the identification of beneficiaries, verification of compliance and delivery of cash transfers. CCT programs are promoted as fostering "co-responsibility" between the government and families by requiring families to assume responsibility for schooling, health and the appropriate use of the cash grants. This approach has been heralded as an alternative to more traditional, paternalistic approaches to social assistance and has helped counter criticisms of CCT programs as handouts. However, it has drawn criticism from others because CCT's often centralized administration runs counter to efforts to support local governments and the decentralized provision of social services. Other critics point to the problem of conditioning the transfer on the consumption of services of indeterminate value, effectively limiting the choices of the poor. On another level, the provision of the grants to mothers in the household, combined with the election of mothers' local representatives to serve as conduits between beneficiary families and the CCT program, has introduced changes in empowerment dynamics that are playing out in households and communities throughout the region, with reported positive and negative effects. Finally, the conditionalities required by the CCT grants provide an incentive for poor households to use available health and education services, strengthening the link between service providers and the poor. Indeed there is often an additional requirement for the provision of specific services for the target population such as training in health, hygiene and nutrition provided by health clinics for beneficiary families. However, time allocation assessments have not been conducted to gain a clearer understanding of the level of commitment involved from mothers to meet these requirements, much less evaluations of the utility of these additional conditionalities with respect to health outcomes.

Addressing both current and future poverty. All CCT programs seek to foster human capital accumulation among the young as a means to breaking the inter-generational cycle of poverty, as well as provide income support as a means for improving consumption in the short-term. Conditionalities provide the primary vehicle aimed at achieving long-term development impacts by providing the means to address market failures and internalize the positive externalities accrued through increased investments in health and education among the young. These dual objectives are present in all programs, but the balance between the two varies considerably from program to program. For example, in Colombia the CCT program *Familias en Acción* was introduced as the cornerstone of a broader safety net program designed to protect the poor during a period of economic crisis. It was designed as a counter-cyclical instrument, and has received financing for the expected duration of

the economic crisis. By contrast, in Jamaica, Mexico, and now Brazil, CCT programs have been introduced to replace an existing array of less efficient social assistance programs and have been adopted as cornerstones in each country's national welfare strategy.

Targeting the poor. Poverty targeting mechanisms can provide effective channels for reaching the poor, minimizing errors of inclusion and exclusion, but these efficiencies must be balanced against increased administrative costs and other problems often associated with targeting, including opportunities for corrupt behavior on the part of officials, and for beneficiaries, perverse incentives to remain part of the target population and social stigma. In assessing this balance, CCT program designers have opted strongly in favor of targeting and most CCT programs use both geographic and household level targeting to channel scarce resources to poor areas and households (Table 3). A variety of approaches are used to identify poor areas, depending primarily on the type of data available and ranging from a marginality index based on census data in Mexico to the Height Census of First Grade School Children in Honduras. In most countries, the selection of eligible communities also includes a consideration of the supply capacity to respond to the increased demand in health and education services. At the household level, many programs are experimenting with proxy-means tests that estimate households' poverty levels as a criteria for program participation. These tests use easily-measured characteristics such as the physical properties of a dwelling as a proxy for amore in-depth measure of poverty, such as income or consumption. In many countries these proxy means tests have been adopted from other programs for use in identifying CCT beneficiaries or are being adopted by other programs once introduced as part of the CCT program, creating economies of scale and promoting the use of empirical data for determining program eligibility. As a consequence of this aggressive prioritization of the poor, in the countries where they have been introduced, initial results suggest that CCTs are among the better targeted social assistance programs. From the perspective of the criticisms outlined earlier, while CCT programs as currently designed minimize labor disincentives by focusing on children and using proxy means tests to target the poor thereby minimizing price effects, the income effect with respect to the parents remains unaddressed.

Providing cash. The use of cash is seen as having many advantages over the provision of in-kind transfers, food stamps, vouchers or the use of generalized subsidies. First, it addresses information asymmetries by giving households discretion over how to best allocate the assistance received, be it on food, health care, housing or other needed expenditures. It also avoids the creation of secondary markets and price distortions that often arise from the provision of goods, and facilitates targeting since cash transfers allow for less errors of inclusion than other approaches such as generalized subsidies. The transfer of cash is generally more cost-effective since it involves lower transaction costs that other types of transfers, particularly in-kind transfers, and allows benefits to be transferred directly to households, as opposed to being spent on materials – a common criticism of workfare programs. Finally, the use of cash also allows policymakers to adjust the level of the transfer over time and across populations.

Fostering synergies in human development. By focusing on health, nutrition and education, most CCT programs recognize and foster the complementary relationships

between these elements of human capital development that are crucial to breaking the inter-generational transmission of poverty. This direct fostering of the synergies between these areas is also a recognition of the evidence concerning the ineffectiveness of certain human capital investments, such as education, without the provision of other basic inputs, such as adequate nutrition.

Using evaluations strategically. Unlike most development initiatives, many CCT programs have used impact evaluations to provide an empirical basis for guiding the introduction of a fairly large-scale social experiment. These evaluations have formed a cornerstone of the policy initiative and have been carefully planned well in advance with strong support from program staff and policymakers. As explained in the next section, these evaluations are technically rigorous and have already provided evidence regarding these programs' effectiveness. The provision of sound, empirically based evidence on effectiveness has facilitated the scaling up of CCT programs nationally, their adoption internationally, and their continuity from one political regime to another.

V. Evaluation Designs and Results to Date[4]

This section reviews the evaluation strategies applied in the first generation of CCT programs in Brazil, Colombia, Honduras, Mexico and Nicaragua. Each of these programs prioritized the early use of robust evaluations that included baseline and follow-up data, as well as the use of comparison groups, as a key element for informing program design and expansion. These technically rigorous impact evaluations provide empirically-based evidence to explore whether the welfare effects observed are indeed attributable to the CCT program interventions, and not other factors.

The CCT programs in Mexico, Honduras and Nicaragua used gradual geographic implementation in order to randomly incorporate beneficiaries as the program expanded, taking advantage of the opportunities provided by logistical complexities, fiscal constraints and uncertainty about the magnitude of program impacts. This randomized approach to program implementation allowed for the introduction of an experimental evaluation design, using the first areas to receive the program as the treatment group and the last as the control group. Experimental designs are generally regarded as the most robust type of evaluation methodology since the process of randomization ensures equivalency in the treatment and control groups (Rossi, Freeman and Lipsey, 1999; Grossman, 1994).

The *Familias en Acción* program in Colombia and the PETI program in Brazil used quasi-experimental designs, specifically matching methods. Matching consists of constructing a comparison group by selecting non–program participants comparable in essential characteristics to participants. Although not generally considered as rigorous as experimental designs, these approaches can provide credible evidence of program impact, especially when combined with the use of both baseline and follow-up data on treatment and comparison groups.

[4] The evaluation designs and results summarized in this section are discussed at greater length in Rawlings and Rubio (2004).

Results to Date

Evaluation results are available for PROGRESA in Mexico, PETI in Brazil, the RPS pilot in Nicaragua and *Familias en Acción* in Colombia. These evaluations reveal that conditional cash transfer programs are administratively efficient and serve as an effective means for promoting human capital accumulation among poor households.

1. Education

In education[5], CCT programs have demonstrated a positive effect on enrollment rates for both boys and girls.

- In Mexico, primary school enrollment rates before PROGRESA were between 90 and 94 percent. Estimates of program impact controlling for household and community characteristics range between 0.74 and 1.07 percentage points for boys and 0.96 to 1.45 percentage points for girls. At the secondary level, baseline enrollment rates were 67 and 73 percent for girls and boys respectively. Estimates of program impact for girls range from 7.2 to 9.3 percentage points and from 3.5 to 5.8 for boys.

- In Colombia, the *Familias en Acción* program has raised enrollment rates among the primary school age population (7-13 years old) 1-2 percentage points from a baseline value of 92% in rural areas, but has had no impact on raising already high enrollments of 94% in urban areas. Among the secondary school age population (14-17 years old) in rural areas, enrollment rates have gone up 4-6 percentage points from a baseline value of 50%, while impressive gains of 12-14 percentage points have been made in urban areas from a baseline value of 64%.

- In Nicaragua, program impacts are even more impressive. Average primary school enrollment rates in treatment areas increased nearly 22 percentage points as a result of the program from a low starting point of 68.5 percent.

Program impact on attendance rates are mixed. In Nicaragua, the evaluation indicates a higher impact on attendance than on enrollment rates; the RPS produced an increase of 30 percentage points in the percentage of children who had less than 6 unexcused school absences in a two-month period. By contrast, the evaluation of PROGRESA showed more pronounced effects on enrollment that on attendance rates.

Conditional cash transfers are also effective in reducing child labor. In Mexico, the CCT program reduced the probability of working among aged 8 to 17 by 10 to 14% relative to the level observed prior to the program. The impact is higher for boys aged 12 to 13 years old: a 15 to 20% reduction in the probability of working relative to the level prior to the program, but no significant reduction was found for boys aged 16 to 17. For girls, there was also a significant reduction in the probability of working despite their overall lower participation in the labor market (Parker and Skoufias, 2000). In Brazil, the evaluation

[5] For a comprehensive discussion of education impacts see Schultz, 2000a-c; Behrman, Sengupta and Todd, 2000; IFPRI, 2002a; and Coady and Morley, 2003.

shows that as a result of participating in the PETI program, the probability of working fell between 4-7 percentage points in Pernambuco, close to 13 percentage points in Sergipe and nearly 26 percentage points in Bahia which has the highest child labor force participation rate in Brazil – 38 percent of children aged 7 to 14 (Yap, Sedlacek and Orazem 2001). Moreover, PETI also decreased the probability of children working in higher risk activities. Nonetheless the program is less successful in limiting the probability of working 10 hours or more. Another interesting result is that even though the after-school program was available to all households in PETI municipalities, only children in households that received the cash transfer spent significantly more time in school. This suggests that demand incentives may have an important role in accelerating behavioral changes.

2. Health and Nutrition

Child health and nutrition has also improved as a result of CCT programs.

- In Mexico, the PROGRESA evaluation shows a significant increase in nutrition monitoring and immunization rates. Infants under three years old participating in PROGRESA increased their growth monitoring visits between 30 to 60 percent, and beneficiaries aged 0 to 5 had a 12 percent lower incidence of illness compared to non-PROGRESA children (Gertler, 2000). In addition, the data suggest that PROGRESA has had a significant impact on increasing child growth and lowered the probability of child stunting for children aged 12 to 36 months old (Behrman and Hoddinott, 2000).

- In Colombia, the proportion of children under 6 enrolled in growth monitoring is up 37 percentage points. The incidence of acute diarrhea in children under 6 was reduced by 10 percentage points in urban areas and 5 percentage points in rural areas, but there has been no measured impact to date on the probability of malnutrition.

- In Nicaragua, approximately 60 percent of children less than 3 years old participated in nutrition monitoring before the RPS was implemented. After a few months of program operation, more than 90 percent of children in RPS areas benefited from nutrition monitoring compared to only 67 percent in control areas. In terms of immunization rates, the RPS increased timely immunization among children 12-23 months old by 18 percentage points (IFPRI 2002a).

Consumption levels have also improved as a result of participating in CCT programs. In Mexico, the average consumption level of PROGRESA households increased by 14 percent, and median food expenditures after just over a year of program operation were 11 percent higher compared to non-PROGRESA households. The increase in household consumption is in large part driven by higher expenditures on fruits, vegetables, and animal products. Median caloric acquisition in PROGRESA households increased by 7.8 percent (Hoddinott, et. al. 2000). In Colombia, improvements in the dietary intake of treatment households was also observed. In Nicaragua, control households experienced a sharp decline in consumption due in part to low coffee prices and a drought, whereas the

average per capita annual household expenditures in RPS areas did not change (IFPRI 2002a). The net program impact translates into a 19 percent increase in per capita consumption and suggests that CCT programs may help poor people protect consumption in times of crisis, a risk management role worthy of further analysis.

3. Efficiency

CCT programs' efficiency in terms of targeting and costs has also been evaluated. A recent review of CCT programs' targeting concludes that on average 81% of CCT program benefits go the poorest 40% of families (Grosh, Coady and Hoddinott, 2003). In Mexico, the evaluation revealed that CCT investments are delivered in a cost-effective manner. As discussed in Coady 2000, the administrative costs of delivering cash transfers to poor households appear to be small relative to the costs of previous Mexican programs as well as to targeted programs in other countries. For every 100 pesos allocated to the program 8.9 pesos are absorbed by administrative costs. The largest components are the costs associated with targeting at the household level (nearly 30 percent), followed by the costs associated with conditioning the receipt of transfers (26 percent).

VI. Reflections on Program Design and Evaluation Results

Conditional cash transfer programs have been successful in achieving important gains both regarding the provision of immediate short-term assistance and regarding longer-term human capital development impacts. In contrast to many development programs, the recent expansion of conditional cash transfer programs throughout the Latin America and Caribbean region is based on solid evidence of program impact, albeit from a handful of programs. Evaluation results from the first generation of CCT programs in Brazil, Mexico, and Nicaragua show that they are an effective and efficient means for transferring income to the poor and for promoting human capital accumulation among poor households. In particular, there is clear evidence of program success in increasing enrollment rates, improving preventive health care and raising household consumption.

Despite these promising results, several concerns have been voiced about the design of CCT programs, about their replicability and sustainability, and about their prioritization relative to other public investment options. These are discussed below.

Institutional design: the unfinished agenda

Concerns have been raised with respect to the institutional design of conditional cash transfer programs and the related accountability relationships between central governments, local governments and clients. Critics contend that although CCTs represent a creative approach to providing social assistance, they constitute an 'end-run' around the more difficult task of reforming inefficient public services. In this respect, CCTs are subject to the same criticisms as social funds and education vouchers, both of which have been identified as strategies for bypassing non-responsive bureaucracies. The risk here is that the relatively rapid creation of pockets of effective service delivery allow politicians to respond (albeit often effectively) to pressing needs, but ultimately undermine necessary, difficult and time-consuming efforts at broader public sector reform.

Of particular concern to CCT programs is the related lack of coordination with traditional providers of health and education services. Without greater attention to the provision of quality services, CCT program conditionalities run the risk of mandating the poor's use of low quality services, tying them to ineffective service providers and undermining the potential impact of CCT programs on long-term welfare impacts. This is related to concerns about the geographical selection criteria applied by most CCT programs which can leave out poor areas with limited health and education supply capacity, or limited financial infrastructure. Since the evaluation results are only generalizable to the population of similar individuals and areas from which the sample was drawn and for which the counterfactual was constructed, results to date have shed little light on this debate. These supply-side concerns have led to calls for renewed attention to the basic task of providing accessible, high quality health and education services in poor areas.

A related concern involves the role of local government. Although administrative arrangements vary considerably across programs, CCT programs (especially those with highly centralized administration such as Mexico and Colombia) have been accused of undermining local governments' effectiveness by bypassing their authority. This concern has particular resonance in countries where democratically-elected governments are in their infancy, where efforts are being made to strengthen the capacity and autonomy of local governments, and where central governments have a long tradition of clientelism and paternalism. Strong centralization also limits the program's ability to address beneficiaries' needs and build in local response mechanisms for basic operational tasks such as targeting, verifying compliance with conditions or addressing beneficiaries' concerns. It may also limit the programs' ability to effectively coordinate with service providers in health and education. To address many of these concerns, CCT programs have set up channels through groups of mothers' representatives who act as conduits of information between the centrally administered program and the local beneficiaries. This system has led to the empowerment of women and provided a channel for communication with local communities, but operates independently of elected local officials.

The transformation of CCT programs into cornerstones of several countries' social assistance policies has also raised questions concerning their position within the broader social security system. At the forefront of the policy debate on CCT programs are questions regarding how to structure incentives and administrative processes within CCT programs to encourage families to graduate from social assistance; questions on how to ensure the adequate coverage of a social protection system serving the needs of the poor and non-poor alike, irrespective of their labor market status; and how to structure a coherent, integrated social protection system that is both tailored and flexible so that the needs of particular populations are addressed even as their circumstances change. Several programs in Latin America are at the forefront of addressing these concerns. *Jovenes con Oportunidades* in Mexico provides CCT beneficiaries who finish secondary school with a stipend that can be used for savings, education or housing. Chile's *Puente* program combines the provision of a temporary cash grant with intensive family-based psychosocial support provided by a social worker to help families reach established minimum levels of well-being in identified areas including employment, health, education and family dynamics, often through links with other social programs.

Targeting concerns

Beyond the geographical targeting concerns discussed above, there are questions about the effectiveness of and need for the household targeting mechanisms used by CCT programs.

The proxy means tests used to target individual households within poor communities as well as the practice of targeting of women as the transfer recipients, has been criticized for fostering discord within households and communities, and has been put forward as inappropriate in particular situations such as indigenous communities where collective decisionmaking and the provision of group-based benefits are valued. Second, the fact that household-level proxy means tests that are often based on criteria unknown to potential beneficiaries has invited criticism because the selection of beneficiaries is often perceived as arbitrary.[6] Third, existing targeting mechanisms and program requirements may not be appropriate to specific vulnerable groups, such as the disabled, who may have trouble meeting program requirements; or mobile populations such as migrant workers or those displaced by violence since their eligibility is not portable. Fourth, limiting the program to families with children excludes a set of needy individuals – notably the elderly poor – whose need for at least the transfer component of the program may be considerable. Finally, if CCT programs are to be used as safety net mechanisms for addressing short-term consumption needs during periods of crisis (as has recently been suggested by experience in Nicaragua during the coffee crisis), the use of a static measure of poverty such as proxy means tests may not be as appropriate as other more dynamic targeting approaches such as self-selection.

Sustainability and replicability issues

There are concerns about the long-term sustainability of both the programs themselves and their achieved welfare impacts. Many of the programs are financed through a combination of general tax revenues and international lending, with the latter raising questions about the long-term viability of the programs particularly as they become an increasingly integral part of countries' social assistance strategies. With respect to the sustainability of the long-term welfare impacts, fortunately, most of the impact evaluations have contemplated follow-up studies so that at least the medium-term welfare impact of the programs can be determined. Long-term evaluations are needed, however, to assess the crucial question regarding CCT programs' ability to break the inter-generational transmission of poverty.

The question of context looms large as policymakers assess the ability to translate the initial successful experience of a handful of programs in their early stages of operation into generalizable lessons, applicable under a variety of circumstances. Certain situations raise questions about the external validity of the evaluation results. For example: Can these programs function as successful safety nets in times of crisis; would they need to be adapted to target vulnerable populations affected by the crisis? How should the education component of the program be adapted –or is it even needed? – in areas with high school enrollment rates? Can the programs be successfully exported to countries where the

[6] see Adato (2000) and Adato, de la Brière, Mindek, and Quisumbing. (2000) for additional information on the effect of CCT programs on intra-household and community relations.

administrative infrastructure for successful program implementation (for monitoring compliance, ensuring timely payments, etc.) may be limited? Are there ways to introduce the programs in geographical areas with limited health and education supply capacity, perhaps through mobile health clinics and other innovations? Are these programs appropriate for populations with particular characteristics such as the indigenous or the disabled? These questions remain unanswered, but have gained particular relevance as conditional cash transfer programs have been scaled up within countries, such as the recent expansion into urban areas in Mexico, and adopted internationally as is now being contemplated in parts of Africa and Asia.

The scope of conditional cash transfer programs

Related to the question of context are questions of scope. Conditional transfers are clearly useful when there are both immediate consumption needs combined with constraints faced by poor households with young families to using available, high quality health and education services. It is not clear that this situation is always the one encountered, for example, among populations with high levels of school enrollments. Indeed, striking a balance between the short-term poverty alleviation objectives and the long-term human capital accumulation objectives presents policy challenges. DeJanvry and Sadoulet (2003) argue that *Oportunidades'* long-term human capital accumulation objective is of pre-eminent importance and would be best met by changing the program's targeting strategy to focus it directly on the population most at risk for being out of school. In a review of education-focused conditional cash transfer programs, Morley and Coady (2003) use data from the Nicaraguan and Mexican CCT programs to estimate the short-run poverty effects as well as the long-run effects of investing in human capital accumulation based on estimations of the future earnings of beneficiaries. They conclude that for every dollar received by the poor as a transfer, the present value of future earnings go up by 1.52 in Mexico and 1.13 in Nicaragua, implying that the benefit from the investment component is of greater value than the transfer component. Bourgignon, Ferreira and Leite (2002) reach a similar conclusion pointing to the relatively greater poverty alleviation benefits of the conditionalities, as compared to the benefits of the transfer alone, in their ex-ante simulation of the benefits of Brazil's *Bolsa Escola* program.

A debate has arisen about the concurrent need for addressing issues beyond the current scope of CCT programs, particularly the promotion of income generating activities among poor households, which is seen by many as a natural complement and necessary condition for the sustainability of human capital investment of future generations. However, it is far from obvious that CCT programs themselves should take on this additional objective. It may well be that a better solution is to focus on the creation or strengthening of separate income generation programs, while ensuring adequate coordination with CCT and other poverty reduction programs, as is done in the Chilean *Puente* program. So far, the tendency in Mexico as well as Nicaragua has been to expand the mandate of CCT programs to include training and other activities to promote income generation. Fortunately, both programs are planning to conduct evaluations of these initiatives that will help inform the current debate.

There are some critical questions about trade-offs that are likely to remain the subject of considerable debate. There are basic questions about the optimal balance between the twin objectives of short-term poverty alleviation and the long-term human capital development, as well as between transfer sizes and numbers of beneficiaries. On a broader scale, there are fundamental questions about the optimal use of resources to achieve specific policy objectives. For example, would the resources devoted to CCT programs be better spent ensuring the availability of key inputs such as vaccinations, schoolbooks or preventative health campaigns? Answers to these questions can be informed by empirical evidence but are likely to remain the subject of considerable debate, with decisions most likely taken in light of policy priorities and budgetary constraints.

Finally, it is becoming increasingly recognized that CCT's are but one instrument in what needs to be a comprehensive approach to social protection. First, despite CCT's recognized success in reaching the extreme poor, many of the extreme poor who would otherwise qualify for the program have been left untouched by CCT programs even in countries with national coverage, either because they live in areas without schools, health clinics, banks or local administrative agencies; or because their conditions are such that even with the incentives provided by the CCT programs, households face constraints in taking advantage of these opportunities. In situations such as these, which arise in all countries, the social protection network should be prepared to offer program alternatives and ensure that these are known, such as the social worker-based approach in Chile's *Puente* program or the one-stop-shops for an array of social assistance programs in the U.S. Second, while CCT programs have benefits for risk management, in other areas they are uncorrelated with risks frequently faced by households, particularly adult household members, such as job loss, natural disasters or health problems. Third, CCTs are clearly inappropriate as currently designed for addressing the needs of poor households without young children. This does not translate into a need for CCTs to address these needs, but it does call for a more coherent, integrated approach to social assistance than is currently found in most countries in the Latin America and Caribbean region.

VII. Conclusions and Recommendations

The experience with the rapid introduction of conditional cash transfer programs in Latin America and Caribbean holds several lessons regarding the reform of social assistance and the introduction of large-scale social experiments more generally.

One of the first lessons is that substantial reform in the delivery of social services is possible within a short period of time under different country circumstances. In just a few years, CCT programs have grown and multiplied rapidly, fueled by their compelling design features and promising evaluation results. This experience provides an example of the speed with which innovation can be adopted and scaled up, following a dynamic demonstration effect.

Second, the experience demonstrates the powerful role that can be played by the strategic use of sound impact evaluations. In a radical departure from most social sector initiatives, notably in developing countries, impact evaluations were included as an integral part of the development and application of CCT programs. These evaluations have served not only a

technical purpose in informing program expansion and modification decisions based on solid evidence of welfare impacts, but also a political purpose allowing policymakers to protect effective programs during political transitions and fueling their adoption internationally. Evaluation results were critical to the preservation of CCT programs during political transitions in a number of countries where the norm in social assistance has been for each successive administration to ignore or discard previous efforts and come up with its own policy initiatives. The practice of keeping established programs based on a review of empirically valid results is a watershed for both the practice of social assistance policy and for the sustainability of programs for the poor. The difficulties overcome by CCT program administrators in ensuring that sound evaluations were carried out are also part of this important lesson, underscoring the need to secure a solid commitment from policymakers from the program design stage forward to maintain the integrity of the program and evaluation designs. However, since few development initiatives have been evaluated as rigorously as CCT programs, a debate has arisen on whether other programs with similar objectives would have performed better or worse had they too been evaluated. It is difficult to judge the comparative effectiveness of CCT programs without evidence from alternatives, a situation calling for the expanded use of impact evaluations specifically and results-based monitoring and evaluation systems more broadly as a foundation for effective program management.

Finally, the continuing debate on CCT programs shows that there is no magic bullet for reforming social protection programs. Although the evaluations of CCT programs have provided compelling evidence concerning their effectiveness, these programs cannot function effectively in isolation from the provision of quality health and education services, and while the new accountability relationships forged by CCT programs may solve certain problems they can also create new ones, particularly regarding community and household-level power relationships. Nor are CCTs and related experiences with social funds and educational vouchers a substitute for the pressing need for fundamental reforms among traditional service providers. The introduction of CCTs has not resolved longstanding issues of quality, efficiency and effectiveness within social sector ministries, across the myriad of often uncoordinated social assistance providers, and in often outdated and financially insolvent social insurance programs. A challenge facing policymakers today is how to use the positive experiences gleaned from CCT's commitment to poverty targeting, robust impact evaluation results, and financial efficiency as a platform for implementing reforms in other programs and sectors. Indeed, few of the features of CCTs are necessarily specific to CCTs and it is possible that much of the success of CCT programs are not intrinsic to the program model, but instead attributable to sound technical design and creative innovations that could easily be incorporated into other programs. Context and scope must also be considered, recognizing that positive evaluation results from a handful of programs does not imply that these experiences can be replicated under different circumstances, or that CCT programs can be effective in addressing problems beyond those they have been designed to take on, or that CCTs are the best alternative to addressing a specific development challenge.

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Table 1. Objectives, Components and Target Population of CCT Programs in Latin America and the Caribbean

Program	Objectives	Components		Target population	
		Education	Health and Nutrition	Education	Health and Nutrition
***Bolsa Escola,* Brazil**	1. Increase the educational attainment of school-age poor children 2. Reduce current and future poverty	Cash grants	-	Poor children 6-15	-
PETI, Brazil	Eradicate the worst forms of child labor (i.e. those involving a health risk), while increasing educational attainment and reducing poverty.	Income transfer After-school program	-	Children 7-14	-
***Familias en Acción*, Colombia**	1. Increase the human capital investment among extreme poor families 2. Serve as a safety net	Bi-monthly school subsidy	1. Nutrition subsidy 2. Health education	Poor households with children 7-17 enrolled in school (2^{nd} - 11^{th} grade)	Poor households with children 0-6 not participating in other programs
PRAF II, Honduras	Increase the accumulation of human capital among children of the poorest families and thereby help to break the circle of poverty.	1. Demand incentives (educational voucher) 2. Supply incentives for primary schools	1. Demand incentives (nutrition and health voucher) 2. Supply incentives for health care centers 3. Nutrition training for mothers	Poor households with children 6-12 who have not yet completed the 4^{th} grade of primary school	Poor households with pregnant women and/or children under three
PATH, Jamaica	1. Increase educational attainment, improve health outcomes, and thus reduce poverty. 2. Reduce current poverty 3. Reduce child labor 4. Serve as a safety net	Education grant	1. Health grant 2. Health education	Poor households with children 6-17	Poor households with children 0-5; pregnant and lactating women; elderly over 65; persons with disabilities; and destitute adults under 65.
PROGRESA[7] Mexico	Improve the educational, health and nutritional status of poor families, particularly children and their mothers	1. Educational grants 2. Support for school materials 3. Strengthening the supply and quality of education services	1. Cash grant for food consumption 2. Basic health care services package 3. Nutrition and health education 4. Improved supply of health services 5. Nutrition supplements	Poor households with children 8-18 enrolled in primary (1^{st} to 3^{rd} grade) and secondary (3^{rd} grade and higher) school [8]	Cash grants are targeted to poor households while nutrition supplements are targeted specifically to pregnant and lactating women, children 4-24 months old and malnourished children 2-5 years old.
***Red de Protección Social* Nicaragua**	Promote human capital accumulation among households living in extreme poverty	1. Education grant 2. Support for school materials 3. Supply incentive	1. Cash grant for food 2. Nutrition and health education 3. Basic health care package for children under 5 4. Supply incentive	Poor children 6-13 enrolled in primary school grades 1^{st} to 4^{th}	Cash grants are targeted to poor households; health care services are targeted to children 0-5

Source: Rawlings and Rubio, 2004

[7] In March 2002, PROGRESA changed its name to *Oportunidades* and broadened its objectives. The renewed program aims to create income generating opportunities for poor households through preferential access to microcredit, housing improvements and adult education.

[8] Since 2001, students up to 20 years old enrolled in high school are also eligible for education grants

Table 2. Conditionality and Transfer size of CCT Programs in Latin America and the Caribbean

Program	Conditionality[9]		Transfer size	
	Education	Health and Nutrition	Education	Health and Nutrition
			Local Currency	Local Currency
***Bolsa Escola,* Brazil**	At least 85% school attendance in a 3-month period	-	R$15 – R$45 (US$6-19) per family per month	-
PETI, Brazil	At least 80% school attendance and participation in the after-school program *Jornada Ampliada*	-	Varies across states between $R25-39 (US$11-17) per child per month[10]	-
***Familias en Acción,* Colombia**	At least 80% school attendance in a 2-month cycle	Regular health care visits for child's growth and development monitoring	Primary: Col$14,000 (US$6) per child per month Secondary: Col$28,000 (US$12) per child per month	Col$ 46500 (US$20) per family per month
PRAF II, Honduras	School enrollment and maximum 7 days of school absence in a 3-month period.	Compliance with the required frequency of health center visits	Educational voucher: L$ 828 (US$58) per child per year Average supply incentive: L$57,940 (US$4,000) /school/year	Health voucher: L$660 (US$46.3) per family per year Avg. supply incentive L$87,315 (US$6,020)/facility/year
PATH, Jamaica	Minimum school attendance of 85% (maximum 9 days of school absence per term	Compliance with the required number of health visits per year, which varies by beneficiary age/status	J$500 (US$9)/child/mo	J$500 (US$9) per eligible household member per month
PROGRESA, Mexico	School enrollment and minimum attendance rate of 85%, both monthly and annually	Compliance by all household members with the required number of health centers visits and mother attendance at health and nutrition lectures	Primary: varies by grade US$8-17/child/month + US$11/year/child for school materials Secondary: varies by grade and gender US$25-32/child/month + US$20/year/child for school materials[11]	Mex$125 (US$13) per household per month (1999)[12]
***Red de Protección Social,* Nicaragua**	School enrollment; less than six days of unexcused school absence in a two-month period school; and school grade promotion	Regular health care visits for child's growth monitoring; up-to-date vaccinations; and attendance to health and nutrition talks	Grant: C$240 (US$17) every 2 months per family School material support: C$275 (US$20) per child per year Supply incentive: C$10 (US$0.7) per student every 2 months	C$480 (US$34) per family every 2 months

Source: Rawlings and Rubio, 2004

[9] In practice, some programs have not enforced all conditions. For example, delays in the development of the PRAF management information system prevented the enforcement of conditionalities during the first months of program implementation. In Nicaragua, the practice of automatic grade promotion and problems with the supply of vaccine serums led to less stringent enforcement of conditions.

[10] In Bahia and Sergipe, the income transfer is R$25/per month for each child. In Pernambuco, the transfer is R$50 for 1-2 participating children, R$100 for 3-4 children and R$150 for 5 or more children.

[11] At the end of 1999, educational grants for primary school varied between Mex$80-165/child/month depending on the grade (3rd to 6th); for secondary schools transfers varied from between mex$240-265/boy/month and Mex$245-305/girl/month. In addition, households received Mex$100 per year per primary school enrolled child and Mex$190 per year per secondary school enrolled child.

[12] The maximum monthly transfer per household per month is Mex$750 (approximately US$75)

Table 3. Selection criteria of CCT Programs in Latin America and the Caribbean

Program	Selection criteria		
	Geographic	**Household level**	**Other**
***Bolsa Escola,* Brazil**	Participation at the municipal level is demand-driven; there is geographic targeting within municipalities	Eligible households must have a maximum income per capita of R$90	Minimum residency requirement that varies between 1 to 5 years depending on the municipality. Some municipalities require that beneficiary households are female-headed.
PETI, Brazil	Municipalities with high incidence of child labor involving a health risk	Eligible households must have a per capita income below one-half the minimum wage (R$65/month ~ US$65/month)	-
***Familias en Acción*, Colombia**	1. Municipalities other than department capitals with less than 100,000 inhabitants 2. Municipalities not participating in other national programs with adequate supply of education and health services and a bank 3. Municipalities with available SISBEN database up-to-date	Level 1 families of the SISBEN (local information system that identifies poor and vulnerable households according to a Basic Unmet Needs Index and other income and earning potential information)	-
PRAF II, Honduras	Municipalities with the lowest average height for age z-scores	None	-
PATH, Jamaica	All parishes participate in the program; funds are distributed across parishes depending on the poverty incidence	Household eligibility is determined by a scoring formula and a pre-determined cut off point	-
PROGRESA, Mexico	Rural communities with a high marginality index with more than 50 and less than 2,500 inhabitants and access within a certain distance to primary and secondary school and health care center[13].	Within eligible localities, beneficiary households are identified using discriminant analysis of household income and other characteristics.	-
***Red de Protección Social*, Nicaragua**	1. Departments and municipalities with high extreme poverty incidence, good access to schools and health care centers, good transport and communication infrastructure and local capacity 2. Within eligible municipalities, census areas were classified in 2 groups according to a marginality index based on information on family size, access to basic sanitation and safe water, and literacy rates. The first group would participate in the pilot phase 1 while the second group would participate in the second pilot phase.	Pilot phase 1: all households in selected census areas with less than 14.1 hectars and no vehicle participate in the program Pilot phase 2: household eligibility is determined by a scoring formula	-

Source: Rawlings and Rubio, 2004

[13] Since 2001, urban areas with a high marginality index have been incorporated in to the program.