

Conditional cash transfer programmes: experiences from Latin America

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This article analyses the experience of five conditional cash transfer programmes established in Latin America to reduce poverty and increase human capital in the form of education, health and nutrition. These innovative programmes should help towards the Millennium Development Goals, and some have become pillars of their countries' anti-poverty efforts. The article begins by presenting some of the concepts that underlie conditional transfer programmes. It then goes on to examine the following experiences: the Bolsa Escola programme and the Programme for the Eradication of Child Labour (Brazil), Families in Action (Colombia), the Social Protection Network (Nicaragua) and the Oportunidades programme (Mexico), analysing their goals, components, targeting mechanisms, impact and efficiency. The article concludes by offering some policy recommendations and identifying design components that might serve as good practice when programmes of this kind are implemented.

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I

Introduction

The development targets set for 2015 at the Millennium Summit included a halving of poverty and hunger, universal primary education, equitable access to all levels of education and a reduction in maternal and child mortality. For these targets to be met, the public sector needs to commit itself to the implementation of multisectoral strategies that can contribute simultaneously to the attainment of these aims (United Nations, 2001).

This article analyses the experience of five conditional cash transfer programmes established in Latin America to reduce poverty and increase human capital in the form of education, health and nutrition, with the potential to make a major contribution to the attainment of the United Nations development targets. These programmes were chosen because they were

well documented and not necessarily because they represented best practice for programmes of this type.

Following this introductory section, section II presents the concepts underlying the implementation of conditional transfer programmes. Section III analyses the experience of the Bolsa Escola programme (which provides school grants) and the Programme for the Eradication of Child Labour, both in Brazil; the Families in Action programme in Colombia; the Social Protection Network in Nicaragua, and the Oportunidades programme in Mexico, with reference to their goals, components, targeting mechanisms, impacts and cost-effectiveness. Lastly, section IV offers some policy recommendations and identifies design components that could be helpful when programmes of this type come to be implemented.

II

Preliminary concepts

Programmes that make cash transfers conditional on investment in human capital need to be judged in the context of a new approach to social protection. The social consequences of economic crises and structural adjustment programmes led to a debate about the rationality of existing safety nets (Ravallion, 2003). The result of this debate is that instead of concentrating so much on short-term poverty reduction, social protection systems have shifted towards a risk management approach aimed at enhancing human capital and defeating poverty in the longer term.

According to the social risk management approach (Holzmann and Jorgensen, 2000), individuals, households and communities are exposed to multiple risks. Poverty means greater vulnerability, since the poor have little access to suitable risk management instruments and are ill placed to cope with crises. The mechanisms most used by poor families to deal with economic shocks are informal strategies (e.g., taking their children out of school) whose inefficiency may result in an irreversible loss of human capital and perpetuation of the intergenerational cycle of poverty.

The risk management model assigns three functions to public policy: prevention, mitigation and coping. The social protection system uses mitigation strategies to reduce the impact of future risk, and coping strategies to cushion the impact of risk once it has arisen (World Bank, 2001c; Hicks and Wodon, 2001). Looked at this way, social protection measures are human capital investments that enhance access to basic services and prevent the use of strategies with adverse long-term consequences, benefiting: i) people living in structural poverty, ii) those just above the poverty line, and iii) groups with special needs.

Conditional transfer programmes stem from the concept of social protection as human capital investment. Their premise is that the reproduction of poverty across generations is due to a lack of investment in human capital, and they seek to incentivize this investment by attaching conditions to transfers (ECLAC, 2000). Conditional transfers might be more effective than traditional methods because the conditionality should reduce the opportunity cost of education, thereby reinforcing the income effect of the

transfer, given that school attendance and child labour are substitutes (Skoufias and Parker, 2001).

Skoufias and Parker (2001) offer an economic model to explain how conditional transfers interact with families' preferences and income constraints. This model shows that the conditions imposed by the programme will affect time allocation within the family in different ways, depending on the preferences of the household and its budgetary situation prior to programme implementation. In households where the programme conditions are compulsory (children must go to school), the programme should have income substitution and aggregation effects that will enhance its impact. In households where this is not so, the programme will only affect cash incomes.

If a child spends more time working and less at school, the family will be able to consume additional goods of a monetary value equal to the market wage paid for the child labour. Conversely, if a child ceases to give time over to work and instead goes to school, the family will not be able to consume so many additional goods. If these budgetary allocations are tied in with the assumption that utility is maximized, it can be concluded that there will be a minimum transfer amount needed to produce incentives >0 to send children to school. Skoufias and Parker (2001) argue that conditional transfers in excess of this amount would be very likely to have a positive effect on children's schooling.

As regards the main limitations of conditional transfers, it has been argued that they ignore the employment link in the chain of intergenerational poverty reproduction. ECLAC (2002) and Britto (2005) have warned that there is no guarantee that greater educational attainments will be converted into higher monetary incomes in the long term, since this relationship is influenced by variables such as the quality of the education supply, the returns on education, and unemployment.

It has also been argued that these models do not incorporate the cultural and psychosocial factors which could affect the choices and preferences of individuals, and that they fail to take market imperfections into account. As ECLAC (2000) points out, demand subsidy measures may not always work well because: i) parents do not always act as rational consumers, ii) supply in the education market is not transparent, and iii) education cannot be regarded exclusively as a consumer good.

From a more empirical perspective, increased school attendance by children may not always imply a

reduction in the incidence and intensity of all forms of child labour. When an impact assessment was carried out on the conditional transfer programme of Bangladesh, for example, it was found that school attendance had increased at the expense of the children's free time (Ravallion and Wodon, 1999). It is also important to know whether programmes are causing families to change their attitudes towards education and child labour, since if they are not then the effects of the measures may not be sustainable in the long term.

Again, higher demand for education may generate negative externalities if supply remains constant, suggesting a need for supply subsidies to compensate. Some authors have also stressed the importance of analysing how institutional actors in the school system are coping with the new demand created by the transfers, and of establishing whether demand subsidies are improving the education of the poorest children. There is also the question of whether an expanded supply of education might not be more cost-effective than conditional transfers as a way of improving education access and increasing human capital in poor families (Coady and Parker, 2002; Skoufias and Parker, 2001).

As for cash incomes, it has been argued that the effects of conditional transfers could be limited, owing to the extreme vulnerability of the families receiving the benefits (for example, measures might be effective in narrowing the poverty gap, but not in closing it entirely), and that cash transfers will not always result in a better diet for the poorest. The literature shows calorie-income elasticities ranging between quite high values (0.54) and very low ones (0.01) (Hoddinot and Skoufias, 2003); this suggests a need to analyse the variance that could be produced, over and above the effect of transfers, by psychosocial and cultural measures to encourage attitudes conducive to a higher-quality food intake.

It would also be helpful to analyse the data on the efficiency and effectiveness of the different approaches to implementing conditional transfer programmes, i.e., the different components incorporated (one-dimensional or multidimensional measures), the type of management (centralized or decentralized) and the targeting mechanisms used. It is also important to understand how civil society participates in decision-making and service provision and to examine how hard-to-reach populations, such as child street workers, are catered for.

The analysis of the five conditional cash transfer programmes in the following section brings to bear the conceptual elements discussed in the preceding

paragraphs, draws together and systematizes the available evidence and seeks to provide discussion

tools that can contribute to the practical implementation of programmes of this type.

III

Conditional cash transfer programmes in Latin America

1. The national Bolsa Escola programme (Brazil)

This programme of school grants was first implemented by the state government of Campinas in 1995. That same year, a new version began to be applied in the Federal District of Brasilia. The programme expanded rapidly over the following years, so that by 2001 there were seven states and over 200 municipalities conducting Bolsa Escola type programmes (Godoy, 2004). These programmes were subsequently brought under the Ministry of Education and in 2003, as part of the new Fome Zero (“Zero Hunger”) national anti-poverty strategy, they were included in the federal Bolsa Familia programme, which centralized the administration of all conditional transfer mechanisms.

The Bolsa Escola programme was created to encourage 6- to 15-year-olds who were enrolled in some primary or secondary establishment and who came from families with per capita incomes of no more than 90 reais a month to stay in primary and secondary education for longer than they otherwise would have done. The programme uses transfers to encourage school attendance and reduce child working (Secretaria do Programa Nacional de Bolsa Escola, 2002). By increasing the educational human capital of children, it is hoped to reduce poverty in the long term (World Bank, 2001a).

This programme has an educational component whereby cash transfers are made to poor families with school-age children. These transfers are conditional on children attending school for at least 85% of the time each month (Secretaria do Programa Nacional de Bolsa Escola, 2002). The amounts transferred do not depend on the number, age or sex of the children in the beneficiary families, and vary greatly from one municipality to another (World Bank, 2001a).

It has been suggested that the programme could be more efficient and effective if transfer amounts were

tailored to family characteristics (World Bank, 2001a). For example, the opportunity cost of school attendance could be higher for adolescents than for younger children, which would reduce the incentive to send adolescents to school (Skoufias and Parker, 2001). In the view of the World Bank (2001a), the transfer amount should be determined by programme priorities (mitigation or elimination of poverty).

Selection of Bolsa Escola beneficiaries was originally carried out by the municipalities. In a given municipality, the programme would first identify the poorest areas and then pick out the neediest families in them, using a scoring system that included different indicators of family living standards. The programme did not originally have a national targeting system to optimize the choice of the poorest geographical areas and remove administrative inefficiencies (World Bank, 2001a).

To improve targeting, the Brazilian Government subsequently created a national register of families that were beneficiaries of federal programmes. By 2002, the beneficiary selection process included a number of stages, with eligible families being identified by a federal government body on the basis of data collected by municipalities, after which the final choice of beneficiaries would be made locally with the involvement of Social Oversight Councils (Conselhos de Controle Social), which include representatives of civil society organizations (Secretaria do Programa Nacional de Bolsa Escola, 2002).

The evidence suggests that the programme has been targeted successfully, since leakage rates have been quite low. Indicators of under-coverage (the target population not reached by the programme) have been high, however, and this is put down to the weak financial capacity of the poorest municipalities (World Bank, 2001a). It also appears that families with preschool and adolescent children are being left out. Two options have been suggested for including these

groups: the implementation of parallel programmes for them, or their incorporation into the Bolsa Escola programme, which would entail an additional nutrition and health component (World Bank, 2001a).

One of the main obstacles to bringing in hitherto uncovered populations is financing: since programmes are financed mainly from local resources, the poorest municipalities cannot introduce them. Specifically, it has been suggested that extra resources be provided to the worst-off municipalities, since reducing transfer amounts could compromise the effectiveness of the Bolsa Escola programme (World Bank, 2001a). In recent years, though, there has been a tendency to increase coverage by cutting back on transfer amounts (Godoy, 2004).

Objections have also been raised to the school stay-on limits specified by the programme (between 1 and 2 years), as these mean there is no guarantee that the benefit will continue. These stay-on thresholds are set, it is argued, because most legislation for school grant programmes is not designed “to get children through basic education, but to get them off the streets, and this reinforces the welfarist character of the programme to the detriment of its redistributive impact” (Godoy, 2004, p. 22).

Concerning the impact of the Bolsa Escola programme on human capital accumulation, the evidence is that the results in terms of school attendance and narrowing of the grade-for-age gap have been positive. Some studies have shown that school attendance is higher and dropout rates lower among programme beneficiaries than among non-beneficiaries, and that beneficiary children are more likely to enter school at the right age than children in control groups (World Bank, 2001a). It has been argued that the Bolsa Escola programme has helped dismantle the mechanisms used by schools to keep out the poorest students, since in normal circumstances they tend to exclude the most vulnerable on academic pretexts (World Bank, 2001a).

One question that has been somewhat neglected is whether programmes of transfers that are conditional on investment in educational human capital have any incidence on learning outcomes. It is also important to know how schools are responding to the extra demand created by the programme. To answer these questions, a quasi-experimental study was carried out, using two measurements (before entry into the programme and a year afterwards), on a sample of children from Bolsa Escola beneficiary families and a control group of children from families outside the programme (World Bank, 2001a).

The research showed that teachers and school heads had a favourable perception of the programme, which they saw as reinforcing their educational efforts and providing an opportunity to improve their work with the poorest children and raise their learning levels. However, the study did not find any difference in learning outcomes between programme participants and children in the control group (World Bank, 2001a). These data suggest that further efforts are needed to improve the quality of supply.

Meanwhile, there is no conclusive evidence that the Bolsa Escola programme reduces child labour (World Bank, 2001a). Still, if the programme is assumed to have increased school attendance, it can be argued that it must have reduced the number of hours available for children to work. There is a twofold challenge here: to prevent child labour in out-of-school hours, and to analyse the potential of different levels of conditional transfer payments to incentivize the reduction of child labour.

Meanwhile, cross-sectional studies have shown that the programme narrows the poverty gap affecting beneficiary families (World Bank, 2001a), but the evidence on poverty reduction is not consistent. For example, according to the World Bank (2001a), the Bolsa Escola programme is reducing the prevalence of poverty. Godoy (2004), however, considers that the school grants have had only a slight poverty reduction impact, owing to the small amounts transferred and the vulnerability of beneficiary families.

Godoy (2004) also argues that the Bolsa Escola programme has not improved families' own income generation capabilities. In a survey of beneficiary families in Campinhas, it was found that barely 1% of those who left the programme did so because they had achieved financial independence, and that none of the families leaving the programme solved their financial problems. Godoy puts this down to a failure to coordinate Bolsa Escola interventions with occupational training and employment initiatives.

2. The Programme for the Eradication of Child Labour (Brazil)

The Programme for the Eradication of Child Labour (Programa de Erradicação do Trabalho Infantil-PETI) was created by the Government of Brazil to eradicate the worst forms of child labour in rural areas. In early 1999, PETI began to expand into urban areas to deal with the problem of working street children, with a target population of 266,000 children aged 10 to 14

working in activities like prostitution, drug dealing, refuse collection and street selling. A few years ago the Brazilian Government merged PETI with the Minimum Income Guarantee Programme (Programa de Garantia de Renda Mínima) to create the Alborada programme, with a view to improving complementarity, efficiency and effectiveness.

PETI has similar objectives to the Bolsa Escola programme, as it aims to increase educational attainment and reduce poverty, but its main purpose is to eradicate child labour. To achieve this goal, it makes transfers to families with school-age children (7 to 14) in rural and urban areas, on condition of their guaranteeing that their children will attend school at least 80% of the time and will participate in the Jornada Ampliada ("Extended Day") subprogramme of after-school activities. Transfer amounts are higher in urban areas than in the countryside, vary from one state to another and sometimes depend on the number of children per family. Transfers usually go to the mother.

The programme also has a psychosocial component whose aim is to alter the beliefs and attitudes that prevail in many poor families, whose difficulties lead them to underrate the benefits of education and set a high value on child labour. PETI also provides municipalities with funding for the Jornada Ampliada subprogramme, so that children who attend school will not find themselves working anyway. The idea of this supply subsidy is to limit the time available for children to work.

The targeting process used by PETI involves first selecting the geographical areas with the highest incidence of child labour and then collecting information about households within these. These data are passed on to a federal agency which carries out preselection of eligible families. Lastly, the beneficiary population is selected at the local level, with the participation of civil society representatives. This procedure has two advantages: i) it minimizes exclusion of eligible families and ii) it enables the programme to be implemented in areas that do not themselves have sufficient funds for it.

There is some evidence that the programme is properly targeted in rural areas. For example, it has been found that beneficiary families tend to be quite large (up to seven members) and that a third of mothers never went to school. In a qualitative study carried out in Pernambuco, most beneficiaries said that they spent the transfers on essentials like food and clothing (World Bank, 2001b).

In 1999, PETI began to work towards the eradication of the worst forms of child labour in urban

areas. This threw up difficulties with programme design, targeting mechanisms, the setting of transfer amounts and the selection of transfer components. Firstly, data on working street children in urban areas are unreliable or non-existent, which complicates targeting. Secondly, the heterogeneity of child labour in cities makes it harder to specify transfer amounts there than in the countryside. Thirdly, the problems of street working by children are linked to family neglect, violence, drugs and health vulnerabilities, so that it is indispensable for the programme to include psychosocial and health components.

Hitherto, the psychosocial measures taken by PETI to deal with child prostitution have been aimed at prevention and assistance, and have been targeted at children aged between 7 and 14 from families with per capita incomes of less than half the minimum wage. Preventive measures have included mounting a national campaign to create social awareness of the problem and holding seminars and workshops. Action to improve school attendance has included initiatives to give children better access to institutional support networks and to promote the relationship between families, schools and the community. PETI has not taken any steps to reduce domestic working by children in urban areas.

It has been proposed that PETI should take advantage of the experience of non-governmental organizations (NGOs), as the PETI model is consistent with the methodologies used by these (World Bank, 2001b). In particular, it has been suggested that the programme should act to enhance children's self-esteem and social skills and should implement educational measures in the fields of health and human rights. One alternative to including new components in PETI could be to make transfers conditional on children participating in NGO-run prevention and assistance programmes. PETI would thus avoid the costs of adding a new component and would benefit from the experience of these organizations.

Concerning the effects of PETI, data are only available on the rural programme. Impact assessment was carried out by means of a survey taking in three municipalities that were participating in the programme and three that were not (World Bank, 2001b). This survey gathered information about the effects of the programme on the number of school hours, years of education completed, grade-for-age, child labour and children's involvement in high-risk work.

The assessment showed that PETI had doubled the number of hours spent in school and cut child working significantly. According to Sedlacek, Yap and Orazem (2002), it was the Jornada Ampliada programme that

accounted for the reduction in child labour force participation. These authors argue, however, that PETI was less successful in cutting the hours worked by children. In the states of Bahia and Sergipe there was a “spillover effect”, so that children not included in the programme became more likely to work.

Studies have also been carried out to gauge the effects of the psychosocial component of PETI on adults’ attitudes towards children’s education and child labour. Broadly, only a minority of adult beneficiaries believe that children need to go to school (18% in Bahia and 11% in Pernambuco), and more than half do not think that child labour is bad for children’s development. These figures are borne out by events in some municipalities that have fallen behind with transfer payments: when this has happened, some beneficiaries have threatened to take their children out of school, revealing how hard it is to change beliefs about education and child labour (World Bank, 2001b).

As for the effects on the status of women, some studies have shown that the programme policy of paying transfers to the mother has given women greater responsibility and independence and a greater say in the family. Most of the women surveyed said that their lives had changed once they started to receive the transfers, as they were able to spend more time working while their children were at school (World Bank, 2001b).

3. The Families in Action programme (Colombia)

The Families in Action (Familias en Acción) programme was implemented as part of the Social Support Network (Red de Apoyo Social-RAS), a temporary social safety net created in 1999 by the Colombian Government to cushion the effects of economic recession and fiscal policy adjustments on the welfare of the most vulnerable populations. Two other social programmes, Youth in Action (Jóvenes en Acción) and Jobs in Action (Empleo en Acción), were implemented along with Families in Action.

Families in Action is a conditional cash transfer mechanism whose original purpose was to reduce the impact of recession on poor households. The specific goal of the programme is to safeguard and promote human capital formation in children aged 0 to 17 from poor households by supporting and encouraging investment by poor families in health, nutrition and education.

Like the Bolsa Escola programme and PETI, Families in Action provides assistance through an

education component, but combines this with health and nutrition services. The education component provides a transfer equivalent to the direct cost to the poorest families of keeping their 7- to 18-year-old children at school. This amount was US\$ 6 a month per capita in primary schools and US\$ 12 in secondary schools (Rawlings, 2002). The amount of the transfer is not determined by the opportunity cost of child labour, either because the programme does not have explicit goals of this type or because it was set up to help families cope with the crisis.

The second component, health and nutrition, transfers resources to poor families with children aged 0 to 6. The cash assistance is given to the mother to ensure it will be invested in the child, and to give women more independence.

As for the conditions laid down by the programme, with the health and nutrition component families retain the benefits for as long as they keep taking their children to primary health services for the appropriate check-ups and immunizations. With the education component, transfers are suspended if children miss school without good reason more than 20% of the time and/or repeat more than one school year.

Where targeting mechanisms are concerned, Families in Action operates in rural and urban areas not covered by the Jobs in Action (Empleo en Acción) programme. These areas have to meet basic eligibility criteria, such as the presence of a bank and an adequate supply of education and health services. Within the geographical areas that meet the eligibility conditions, the programme selects families classified as SISBEN 1 (the most vulnerable). No health or nutritional support is given to SISBEN 1 families that have children aged 0 to 6 in Community Welfare Homes (Hogares Comunitarios de Bienestar).

Families in Action has performed well in terms of keeping inclusion errors to a minimum, as 71% of families entering the programme were indigent at the time (Attanasio, Meghir and others, 2004). However, it has had difficulty covering isolated rural areas that lack social and financial services, and this means a high probability of exclusion error.

The programme has an impact assessment system that began to be applied in 2002. In that year information began to be collected on three population groups: i) families that had been in the programme for three months; ii) families that were going to start in the programme and iii) families for which no action was planned. The assessment design provides for repeated

follow-up measurements in the three groups selected (Departamento Nacional de Planeación, 2003).

The first assessment reports show the programme having favourable effects in the areas of education, health and nutrition. It has been positive for school attendance among rural and urban children aged 12 to 17, but not among those aged 8 to 11. According to Attanasio, Battistin and others (2005), this is because the younger children had very high school attendance rates before entering the programme.

As for health, Families in Action significantly increased the percentage of children aged under 48 months whose check-ups were up to date and reduced the proportion of rural children with diarrhoea. In its nutrition component, the programme increased food consumption considerably, mainly in rural areas. Most of the increase was due to a more varied diet, especially where protein-rich foods were concerned (Attanasio, Battistin and others, 2005).

4. The Social Protection Network (Nicaragua)

The Social Protection Network (Red de Protección Social-RPS) promotes the development of human capital in the form of education, nutrition and health in extremely poor rural families. The design of the RPS provides for a two-stage pilot phase. In the first stage, the programme has benefited 6,000 families in 21 census areas, selected by means of geographical and household targeting criteria. In the second stage, the RPS will benefit 4,000 families.

The programme has two components: i) health/food security and ii) education. It operates through cash transfers and other measures designed to stimulate demand for and improve the supply of education and health services. Transfers in the health/food security component are intended to ensure that poor families with children under 5 can buy food; this benefit is conditional upon mothers attending health workshops and children being taken in for medical check-ups.

The workshops for mothers teach basic nutrition and reproductive health skills. The medical check-ups are to monitor children's growth, carry out vaccination and provide them with vitamins and antiparasitic drugs. Monthly check-ups in the home are also carried out for children under 2. In addition, training is given to health-care providers in non-governmental organizations to ensure that the beneficiary communities receive high-quality medical services.

In its education component, the programme makes cash payments to poor families with children aged from

7 to 13 on condition that the children enrol in school and have an 85% attendance rate. This benefit consists of a fixed sum per household that does not vary by the number of children in the family. Cash is also provided for the purchase of items needed for school (clothes, equipment), and here the amount is determined by the number of children in the family.

The education component also includes a supply subsidy, in the form of a small payment to teachers. Parents' organizations sometimes request financial assistance to support the work of teachers. This financial assistance is often provided to the families, which then pass on the appropriate amounts to the teachers. The latter may use this money to buy school items and keep back some of it for later use.

Food payments amount to 13% of beneficiary families' total yearly spending before they entered the programme, and cash support for education represents 8% of annual family spending. Total payments are equivalent to a nominal increase of 21% in families' consumption, a figure comparable to the assistance provided by the Oportunidades programme in Mexico and the Family Allowance Programme (Programa de Asignación Familiar-PRAF) in Honduras. By contrast with these two programmes, however, RPS transfers are not index-linked, so that the real value of payments has declined by about 7% (IFPRI, 2002).

Implementation of the RPS entailed coordination efforts at the national, regional and local levels. Locally, planning was carried out by committees involving ministry officials, civil society representatives and RPS staff. This collaboration was important in equipping the supply side to deal with rising demand for health and education services.

In the pilot phase, RPS payments have usually gone to mothers, since family food security and children's quality of life are better when resources are managed by women (IFPRI, 2002). Extra payments have sometimes been made to families meeting all the education and health targets and requirements.

An impact assessment with a quasi-experimental design, involving intervention and control groups, baseline measurements and follow-up, was carried out during the pilot phase of the RPS. The study was used to estimate the main effects of the programme on incomes, diet, nutrition and education (IFPRI, 2002).

The RPS had a 20% impact on per capita spending in beneficiary households, mainly because incomes in the control group shrank. In fact, the data do not show any increase in incomes in the beneficiary group, but do show a significant drop in the incomes of families

outside the programme, something that can be attributed to the economic crisis affecting the areas where the RPS was implemented. This indicates that the programme has had the effect of cushioning the adverse consequences of a recession. Again, the percentage of income spent on food by families in the intervention group remained high (70% of total spending), which means that transfers have not had substantial effects on the poverty indicators.

It was also found that programme participation encouraged consumption of a more varied diet, in terms of both quantity and quality. For example, families in the intervention group buy four food types more than the control group and tend to spend more money on more nutritional foods. At the same time, there is no evidence that the programme has led to investment in home improvements or durable goods, or that payments have given adults a disincentive to work.

In the area of health, the programme can be seen to have had positive effects on access to primary care services. The number of children undergoing check-ups increased, as did the number being given ferrous sulphate. Both the RPS group and the control group saw major increases in vaccination levels, suggesting there was a spillover effect in the distribution of vaccines to the areas where the control group lived and the clinics used by it.

Lastly, the RPS had a significant impact on school enrolment. These effects were most substantial in the 7- to 9-year-old group and least so among 12- to 13-year-olds. Overall, the effects were three times as great for extremely poor families, and twice as great for poor families, as for non-poor families. The difference in school stay-on rates was smaller, although it was still favourable to the RPS (8%). Distance to school (school attendance cost) was found to be a major factor in stay-on rates, which highlights the need to improve access to supply.

5. The Oportunidades programme (formerly PROGRESA) (Mexico)

PROGRESA was created by the Mexican Federal Government in 1997 as a strategy to support rural families in extreme poverty. In 2001, during the administration of President Fox, its name was changed to the Oportunidades (“Opportunities”) programme and its services were extended to urban populations. The Oportunidades programme is one of the most thoroughly analysed and assessed conditional cash transfer programmes in Latin America, and its design

marks a significant shift in social services provision in Mexico. This shift is expressed in the following principles guiding the work of the programme: i) targeting, ii) intersectorality, iii) the empowerment of women and iv) shared responsibility (Skoufias and Parker, 2001).

The purpose of the Oportunidades programme is to increase the capabilities of families that live in extreme poverty by investing in human capital. The programme has three components: education, health and nutrition. With the education component, payments are made to families with children under 18 enrolled in a school between the first year of primary education and the third year of secondary education. To create incentives for families to invest in human capital, the payments are conditional on the children attending school. If a child has a non-attendance rate of over 15% in a month without good reason, the family does not receive the assistance. The programme provides additional resources to schools in communities where it operates, to compensate for the negative externalities that could be generated by the increase in demand.

Transfer amounts are set on the basis of the additional income the children would have brought in for their families had they been working. The cash payments rise with a child’s age, and at the secondary level they are higher for girls. They are adjusted for inflation every six months, which prevents their real value from falling.

The health component of the Oportunidades programme involves the provision of primary care to all members of the family. These medical services are provided at clinics operated by the Secretariat of Health and the Mexican Social Security Institute (Instituto Mexicano del Seguro Social). The nutrition component provides for a set cash payment to improve food consumption, and the provision of food supplements for children aged from 4 months to 2 years, unweaned babies and breastfeeding mothers. These supplements are also given to children aged 2 to 5 who are at risk of malnutrition or are poorly nourished. To continue qualifying for the benefits, families have to visit health clinics regularly.

Cash benefits are paid to the mother. It has been calculated that cash transfers represent an average of 22% of participating families’ monthly income. After three years in the programme, families can apply for their entitlement to be renewed.

The targeting procedure used by the Oportunidades programme involves geographical selection using an index of deprivation constructed

from census data. A census is conducted in the communities selected, covering all households, to identify eligible families. For the final selection of beneficiary families, assemblies are held to involve the community.

It has been claimed that the beneficiary selection approach of the Oportunidades programme is efficient when it comes to identifying extremely poor localities and households, but less effective at distinguishing between “localities or households in the middle of the scale”. For this reason, programmes of this type “may be quite successful at reducing the poverty gap or the severity of poverty, but may have a negligible impact on the headcount ratio” (Skoufias, Davis and De la Vega, 1999, p. 18).

It has also been argued that “the non economic costs associated with targeting deserve serious consideration in the overall decision to pursue a household level targeting strategy... Preliminary qualitative surveys from PROGRESA’s evaluation show that these costs of targeting in rural, often indigenous, communities may not be negligible” (Skoufias, Davis and De la Vega, 1999, pp. 18-19). González de la Rocha (2003) has emphasized the importance of considering the effects of the targeting mechanisms used on the social capital of beneficiary communities and families.

González de la Rocha (2003) argues that mistakes in selecting families are one of the main difficulties faced by the Oportunidades programme, because of the discontent they cause among poor families that have not been chosen. This could give rise to “social divisions within communities when people’s perception of their own and other families’ circumstances do not match the technical programme identifiers” (González de la Rocha, 2003, p. 12). Nonetheless, there are also “relationships of mutual aid and support, despite the breach between beneficiary and non-beneficiary households” (González de la Rocha, 2003, p. 18).

Difficulties have also been detected in the use of community assemblies to select families. In many communities these assemblies have not worked as they should, because participants do not dare express their views openly (González de la Rocha, 2003).

One of the distinctive aspects of the Oportunidades programme has been its impact assessment system. This has allowed for comparative testing of basic hypotheses for the design of conditional transfer programmes, e.g., their cost-effectiveness as compared to other methods of enhancing educational human

capital (such as supply subsidies), their incidence on the way children’s time is shared out between school, work and leisure, and their effects on the nutritional situation of minors. The quantitative and qualitative methods included in this assessment system have enabled researchers to ascertain the effects of the programme and identify problems and unforeseen situations.

The design of the Oportunidades programme assessment included the random allocation of 506 eligible communities in seven states to intervention and control groups. A census of the 24,077 households in the control and intervention localities was conducted before the programme began, and the data gathered was used as the baseline. Follow-up surveys then began to be conducted every six months.

Skoufias and Parker (2001) found that the programme had had positive effects in increasing school enrolment and reducing child working, and this was particularly true among adolescents. They also noted, however, that the reduction in children’s participation in working activities did not match the educational benefits obtained. In the case of girls, most of the success of the Oportunidades programme was with adolescents who combined school with domestic work, which could indicate a loss of leisure time.

The qualitative study carried out by González de la Rocha and Escobar (2002) observed that some families were unwilling for their children to stay on at school —an attitude that differed sharply by gender. The authors state that “there were numerous cases in which parents seemed to be trying to use their daughters’ labour to reduce their own domestic burden” (González de la Rocha and Escobar, 2002, p. 27). Poor families’ perceptions of child labour were also found to be a major obstacle. Some beneficiaries of the Oportunidades programme tended to think that child labour: i) helps children to make the transition to adult life; ii) prevents drug addiction, gang involvement and alcohol abuse, and iii) represents a saving for the family.

At the same time, participation in the programme has given rise to some conflicts within families. There have been separations and desertions by men, some of whom have also curtailed their contribution to the household economy. In many cases, however, women have presented a united front to counteract the effects of male reactions to their loss of power (González de la Rocha and Escobar, 2002).

Another issue is the cost-effectiveness of subsidies that are conditional on demand, as compared to an

increase in supply (improvement in the quality of education services and/or the building of more schools). After analysing the Oportunidades programme data, Coady and Parker (2002) concluded that demand-oriented measures had a cost-effectiveness of 9,730 Mexican pesos for each extra year of education generated, whereas expanding supply had a cost-effectiveness of 113,500 Mexican pesos for each extra year of school.

Lastly, Hoddinot and Skoufias (2003) analysed the effects on calorie intake of participation in a

subcomponent of the Oportunidades programme: educational talks on nutrition. The authors stated that, while programme beneficiaries increased their intake of high-calorie foods, this change was attributable to the higher incomes resulting from the transfers. However, the talks were effective in encouraging participants to diversify their diets and consume calories from animal, fruit and vegetable products. These data illustrate how important psychosocial and educational measures can be for food consumption patterns.

IV Conclusions

Conditional transfer programmes aim to build up the human capital of children and young people in order to break the intergenerational cycle of poverty, and they do so by creating incentives for families to invest in human capital from education, nutrition and health. These programmes stem from an approach that prioritizes action to deal with the causes of poverty and thus defeat it in the long term, unlike traditional welfare programmes that centre on redistribution and short-term poverty reduction.

These transfer programmes cater primarily to populations in a situation of structural poverty, by delivering assistance and promoting human capital with a view to reducing future risks. For the most part, they were not designed to provide safety nets when economic shocks occurred (Hicks and Wodon, 2001). Nonetheless, some initiatives do explicitly set out to mitigate the consequences of economic crises for the poorest (Families in Action) and others have cushioned the effects of a recession (the RPS in Nicaragua), which indicates that conditional transfers can play this role (Sedlacek, Hahi and Gustafsson-Wright, 2000; Rawlings, 2004). Still, other instruments, such as temporary employment programmes, seem more appropriate for dealing with the worst effects of crises (Morley and Coady, 2003).

The evidence shows that conditional transfer programmes are effective at increasing school enrolment and attendance in the short term. Their effectiveness in reducing child working is not so clear, however. The Oportunidades programme and PETI have succeeded in reducing children's participation in

working activities, but in the case of the Bolsa Escola programme the evidence is inconclusive. The difference could be due to the Extended Day component specific to PETI and to the method used by the Oportunidades programme to set the transfer amount.

According to Skoufias and Parker (2001), the data on the Oportunidades programme reveal an inverse relationship between child labour and school attendance, indicating that these two activities are substitutes for each other. The information on Bolsa Escola and the Oportunidades programme, however, indicates that there is a need to follow up the distribution of time between school, paid and unpaid work and leisure time, so that educational goals are not attained at the expense of children's free time, or do not have to compete with domestic work.

One aspect that is crucial to the design of conditional transfer programmes for education is the cash payment amount decided upon. As we have seen, methods differ considerably from one programme to another. Perhaps the best way of settling on a sum that will encourage school attendance and discourage child working is to calculate it from the opportunity cost of sending children to school. If the view is taken that this cost might rise with the child's age and that it might be higher for girls, the reasonable course would be to set higher payment amounts for adolescents and girls, as the Opportunities programme does.

In setting payment amounts, consideration should also be given to education costs, i.e., all the expenses involved in sending a child to school. This is the method used by Families in Action. Education

payments should be calculated from the number of children in the family, to avoid the possible loss of incentives in larger households, and should be index-linked so that their real value does not erode.

Another aspect to consider are beneficiaries' perceptions of child labour and education. Studies carried out by PETI and the Oportunidades programme found that families set a limited value on education and did not believe child work to be detrimental to their children's future. This reveals the importance of psychosocial measures to change these perceptions. Otherwise, children may be very likely to leave school and resume work once programmes have ended, which would jeopardize the sustainability of the changes.

Making women the preferential recipients of payments seems to be a good approach: the evidence shows that women administer financial assistance more efficiently than men (IFPRI, 2002). This also nurtures feelings of autonomy and independence, which are indicators of empowerment (Zimmerman, 1990 and 1995). Nonetheless, steps must be taken to avoid both the adverse consequences that might be caused by male reactions to women's new autonomy and the conflicts that may arise as girls participate less in domestic work.

A good practice is to implement a supply component to compensate for the greater pressure that increased demand places on the school system. The information available indicates that demand subsidies are well received by schools, but that learning outcomes are not improved by children's participation in programmes. This suggests a need for education quality improvement measures that do more than just compensate for higher demand.

There is evidence that conditional transfers to support demand raise the educational standards of children from poor families more effectively and efficiently than the expansion of supply. While these data provide decision-making input, though, the results of other research will have to be awaited. The information yielded by the assessment system of the Family Allowance Programme in Honduras will help to clarify the matter (Alvarez, 2001).

Some conditional transfer programmes have narrowed the poverty gap affecting poor households, and others have cushioned the consequences of an economic crisis. Their potential for raising beneficiaries above the poverty line is unclear, however, although it may transpire that the likelihood of this happening depends on transfer amounts, programme targeting and an absence of economic contractions.

In the long term, poverty will only be defeated if households' income generating capacity is increased. Although simulations indicate that the extra years of schooling will yield earnings gains of 8% for children in the Oportunidades programme and 9% for children in the RPS in Nicaragua (Morley and Coady, 2003; Skoufias and McClafferty, 2001), this cannot be automatic, given the incidence of other factors such as the quality of learning and unemployment rates. This being so, there is a vital need to improve both education quality and links with employment programmes.

Where health and nutrition are concerned, Families in Action has had positive effects on access to and use of services in the primary health-care network. The evidence for the Oportunidades programme indicates that this has had positive effects on diet and that the inclusion of psychoeducational components has led to families diversifying and improving the quality of what they eat.

The programmes differ in their components, administration methods and targeting mechanisms, although less so now than when they started. In recent years there has been a tendency to consolidate programmes involving multiple components (education, health and diet) with centralized national administration and targeting mechanisms at different stages, in line with the Oportunidades programme model.

The literature on the subject presents programmes of this type as more comprehensive (since they deal simultaneously with the different dimensions of human capital), more efficient in their planning and management and more effective in their targeting. Also, their measures embrace the whole family, creating the potential for synergies and a greater impact.

The inclusion/exclusion of poor families within communities is an issue that will have to be examined in the light of the social and community costs that it could give rise to. It is important to consider the lessons from the Oportunidades programme regarding the dissatisfaction felt by families that were not selected for it, a situation that could create conflicts within the community and erode its social capital (González de la Rocha, 2003). To lessen the non-economic costs of targeting, it will be necessary to improve community participation arrangements, such as the community assemblies of the Oportunidades programme or the Social Oversight Councils (Conselhos de Controle Social) of the Bolsa Escola programme.

Civil society organizations have involved themselves to some extent with service provision, planning and the selection of beneficiaries, as the

experience of the Bolsa Escola Social Oversight Councils illustrates. One option is to subcontract the services of non-governmental organizations that have a track record in working with difficult groups, such as street children. One of the conditions attached to transfers could be that beneficiaries attend programmes offered by these NGOs, something that could maximize the efficiency of programme measures by making it cheaper to expand supply and capitalizing on the experience of these institutions.

Lastly, what really sets these conditional transfer programmes apart from other measures implemented in Latin America is the use of impact assessment systems as part of the programme design. Some

assessments have included the random allocation of communities to experimental and control groups, together with repeated measurements. Assessment systems have been used to ascertain the effects of programme measures and have made it easier to compare the hypotheses on which programmes of this kind are based. Particularly applicable are the experiences of the Oportunidades programme (Mexico), the Social Protection Network (Nicaragua) and the Families in Action programme (Colombia). The design of the Family Allowance Programme (Honduras) assessment system also repays study.

(Original: Spanish)

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