

## **CONDITIONAL CASH TRANSFER PROGRAMMES AND THEIR IMPACT ON POVERTY REDUCTION: LESSONS FROM MEXICO AND EL SALVADOR<sup>1</sup>**

Patricia Silva  
GTZ, Social Protection Department  
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The uneven economic development undergone by Latin America throughout the last decades has had an impact on its political and social dynamics. Governments in the region have been looking for strategies to cope with the unstable economy and sharp inflation rates, trying to protect their most vulnerable population from the worst economic shocks. As a response to the challenging conditions, diverse economic and social policy measures have been implemented, having as a core principle economic efficiency based on a human capital approach. At the forefront of these new strategies, conditional cash transfer programmes (CCTs) have been one of the main resources of Latin American countries to tackle poverty, foster social inclusion and overcome inequality.

CCT programmes have come to dominate the social protection sector in Latin America over the last ten years. At this moment almost all countries in the region are implementing such a programme or are in various stages of discussion on the benefits of implementing programmes of this type. CCTs are as well increasingly being promoted as best practice in the social sector for developing countries in other parts of the world, and have spurred debates over the relative merit of cash- versus food-based transfers. CCTs have the two-folded objective of combining long-run human capital development with short-term poverty alleviation and most of the programmes have established monitoring and evaluation systems in order to check if the programmes are achieving their goals.

The objective of this paper is to analyse to which extent are CCT programmes in Latin America achieving their goal of helping people living in extreme poverty to get out of the intergenerational poverty cycle and to develop their own capacities. Using as case studies the "Oportunidades" programme in Mexico and the El Salvador's programme "Red Solidaria", the paper argues that CCTs are a useful tool in the anti-poverty efforts. However, the paper warns that CCT programmes are not a panacea against poverty and social exclusion and that their limitations should be addressed by creating other strategies which focus on more comprehensive policy reforms such as the creation of productive options, temporary employment programmes, access to micro-credits and micro-entrepreneurial opportunities, among others.

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<sup>1</sup> This paper is based on the draft „Mission (Im)possible? Getting CCTs to Break the Intergenerational Poverty Cycle. Lessons from Mexico and El Salvador”, presented at the Conference “New Latin American Development Strategies in a Changing International Economic and Political Context”, Aalborg University, Denmark, in May 2008.

In order to achieve its objectives, the paper is organised in the following order. In the first section, the theoretical framework will be given, based on the concept of conditional cash transfer programmes and their implementation in Latin America. In the second and third sections, the Oportunidades and Red Solidaria programmes will be portrayed, stating their background, objectives, components, and main characteristics. In the fourth section, an analysis of CCTs effectiveness will be undertaken. Finally, in the last section, the conclusions will be drawn.

### **1.A. CONDITIONAL CASH TRANSFER PROGRAMMES**

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. During the 1980s, the social consequences of economic crises and structural adjustment programmes led to a debate about the rationality of existing safety nets. The result of this debate was that instead of concentrating so much on short-term poverty reduction, social protection systems shifted towards a risk management approach aimed at enhancing human capital and defeating poverty in the longer term. Within this current, conditional transfer programmes were born 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 foster this investment by attaching conditions to transfers (Villatoro 2005:84).

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 (i.e. taking their children out of school) whose inefficiency results in an irreversible loss of human capital and perpetuation of the intergenerational cycle of poverty. Social protection measures based on conditional cash transfers are human capital investments that enhance access to basic services and prevent the use of strategies with adverse long-term consequences, benefiting in this fashion people living in structural poverty, those just above the poverty line, and groups with special needs.

Following this argument, from the mid-90s onwards the provision of conditional cash transfer programmes emerged in the development agenda of Latin America as a fairly popular policy trend. These programmes consist in the provision of money subsidies to targeted households living in extreme poverty, provided they assure school attendance of their children and attend periodic health-related activities. These programmes' innovation is their capacity to address demand-side constraints for structural poverty reduction, through an

incentive scheme which combines the short term objectives of safety nets with the long term goal of building human capital and breaking the vicious circle of poverty traps.

Conditional cash transfer programmes are targeted to households living in extreme poverty, linked to the acceptance of certain co-responsibilities (conditions) to foster the human capital of the beneficiaries. These programmes have a double effect within the effort of creating a sustainable strategy for poverty reduction: they have a component of immediate help and improvement of the nutritional consumption and basic goods of the beneficiaries due to the cash transfers, and they have a component of structural change, which modifies one of the main causes of poverty: the lack of human capital. The medium- and long term consequences of the CCT allow the development of the beneficiaries' capabilities and break the tendency to school desertion, malnutrition and preventable diseases which affects the life and income possibilities of the poorest households.

Conditional cash transfer programmes have received substantial support from the international community and are highlighted as one of the best practices of social protection in Latin America, and their appeal has to do with their potential to tackle key issues in the perpetuation of poverty and their fit into the current mainstream discourse on poverty reduction, as well as their capacity to respond to two interrelated problems: the failure of universal social policies to reach the poor (especially in the areas of education, health and nutrition) and the failure of the social protection systems in place to provide effective cushion mechanisms during crises.

## **2. CASE STUDIES: CONDITIONAL CASH TRANSFER PROGRAMMES IN MEXICO AND EL SALVADOR**

### **2.A. PROGRESA – OPORTUNIDADES PROGRAMME IN MEXICO**

In 1994 presidential elections were held in Mexico and Ernesto Zedillo, from the Partido Revolucionario Institucional (PRI)<sup>2</sup>, was elected. The beginning of his administration was marked by a terrible economic crisis which started in December 1994. In the midst of the economic turmoil, Zedillo and his political group did not want to be related to the ex-president Carlos Salinas, or to his social and economic policies. Therefore, Pronasol<sup>3</sup> was slowly removed, and due to economic difficulties and political vulnerability, there was a vacuum in the national social policy during the first three years of his administration, which was deepened by a governmental controversy.

This controversy regarded the social policy and had arisen due to a clash in the political elite, which resulted in two groups which were pursuing different approaches of social policy. The first group, the so-called "social reformers", wanted to continue the

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<sup>2</sup> Institutional Revolutionary Party.

<sup>3</sup> National Programme for Solidarity. It was President Salinas's main social development strategy based on a social capital approach to poverty alleviation.

universalistic social policy approach of Pronasol and the second one, the so-called “technocrats”, headed by Santiago Levy, wanted to implement targeted ways of poverty alleviation based on the ideas of improving human capital, in order to help individuals to get out of poverty. Since this debate was in the centre of the political elite, the social policy virtually stopped from 1994 to 1997 and there was a rupture in the Secretaría de Desarrollo Social (Sedesol)<sup>4</sup>, until 1997 when finally the technocrats won and the Programa de Educación, Salud y Alimentación (Progresá)<sup>5</sup> was created, following a targeted way of poverty alleviation (Valencia and Aguirre 1998).

The main objective of Progresá was to increase the basic capabilities of families living in extreme poverty, through the promotion of education, health and nutrition, and to support their access to goods and services that could help them develop skills and break the intergenerational poverty cycle. Progresá started the era of extremely targeted poverty alleviation programmes in Mexico and was working based on targeted cash and food transfers delivered to the female head of families in extreme rural poverty, on the human capital approach and on the new element of co-responsibility (conditionality)<sup>6</sup>. This new approach in the anti-poverty agenda followed from some of the internal problems encountered during Pronasol<sup>7</sup>, as well as from a change in the international anti-poverty agenda, which switched from a universalistic approach to another one based on more targeted interventions<sup>8</sup>.

Progresá was a transfer-based poverty alleviation programme which worked by giving nutritional and educative support and cash transfers. The female head of the families in extreme rural poverty could receive nutritional supplements for their children, money to buy food, and scholarships for the education of each of their children attending school between the third level of elementary school and the third year of high school<sup>9</sup>; and the scholarships received would be larger for girls between the first and the third year of high school to compensate the gender inequalities of the country. However, in order to receive this aid, the beneficiaries needed to commit themselves to attending regular health check-ups and to

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<sup>4</sup> Ministry for Social Development.

<sup>5</sup> Programme for Education, Health and Nutrition.

<sup>6</sup> Co-responsibility means that in order to get social programmes' benefits, families in extreme poverty need to follow certain requirements imposed by the government, for example, they need to send all their children to school, take them to regular nutrition and health check-ups and participate in educational health seminars held by the local health centres.

<sup>7</sup> It has been argued that president Salinas used Pronasol as a key political strategy. Resources were to be targeted not only by the degree of poverty, but also to areas of high political opposition. In this way, the president sought to legitimise the government and turn back the opposition threat (Kurtz 2005).

<sup>8</sup> In ideological terms, a commitment to neo-liberalism meant a rethinking of state-society relations that would result in changes to the regime of social provision. As efficiency criteria began to govern state action and an emphasis on market price signals became axiomatic, anti-poverty policies were pushed in a more targeted and means-tested direction. It has also been suggested that the creation of this neo-liberal form of social welfare was, in the Mexican case, largely an external imposition, linked to the implementation of liberal economic policies and propelled politically by the IMF and the WB (Kurtz 2005).

<sup>9</sup> The age range of the children benefited by the programme was between the 9 years-old and the 15 years-old.

sending all their children to the school. Where these conditionalities were not adhered to, the family would stop receiving the support of the programme (Valencia and Aguirre 1998).

In 2000 Vicente Fox, from the Partido Acción Nacional (PAN)<sup>10</sup>, became the first elected president from an opposition party after seventy one years of rule of the PRI. This situation meant a dramatic change in the politics of the Mexican state, and controversy arose about what kind of social policy would be created, or if the previous scheme would be followed. From 2000 to 2002, Progresa kept working in the regular way, and in 2002 it changed its name to Programme for Human Development Opportunities (Programa de Desarrollo Humano Oportunidades). The decision of changing Progresa's name came from the desire of the new president to show that the programme was now run by the PAN, and also to make apparent the new characteristics implemented in the programme (i.e. expansion to semi-urban and urban areas, scholarships given to children until the last year of secondary school).

Oportunidades is based on the principles that targeted aid produces better results than an universal provision of aid, that gender inequality needs to be approached and that the investment in human capital is the best way to help poor people overcome poverty, hand-in-hand with the economic development of the country. Alongside these guidelines, the Mexican government developed a new definition of poverty, which was meant to help designing better anti-poverty measures. This new definition of poverty was created in 2001 by the Comité Técnico para la Medición de la Pobreza<sup>11</sup> (Technical Committee for Poverty Measurement), and includes three poverty categories based on the income level of the population: nutritional poverty (pobreza alimentaria), capabilities poverty (pobreza de capacidades) and conditions poverty (pobreza de patrimonio).

The nutritional poverty is considered to be when the household's income is not enough to cover the nutritional needs of the members of the family<sup>12</sup>, and it is equivalent to 15.4 Mexican Pesos (MXN) per day per person (pdpp) in rural areas and 20.9 MXN pdpp in urban areas<sup>13</sup>, and in 2000, 24.2% of the total population of the country was living under this poverty line. The capabilities poverty is considered when the household's income is not enough to cover the nutritional, educational and health needs, which was in 2000 18.9 MXN pdpp in rural areas and 24.7 MXN pdpp in urban areas<sup>14</sup>, and in 2000, 31.9% of the population was living under the capabilities poverty line. Finally, the conditions poverty is

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<sup>10</sup> Party for National Action.

<sup>11</sup> The new definition of poverty was created because the government wanted to have official poverty data that could be used as a guideline to plan the social policy, design social programmes and evaluate their efficacy.

<sup>12</sup> This index is measured by the ability of the household to buy a "canasta alimentaria básica" (basic nutritional basket), which includes cereals, meat, milk, eggs, oil, potatoes, beans, vegetables and fruits. This basic basket is set by the Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH), which is implemented by the Instituto Nacional de Estadística, Geografía e Informática (INEGI).

<sup>13</sup> These amounts were calculated for the year 2000, and the equivalent in American Dollars (USD) was 1.63 USD in rural areas and 2.2 USD in urban areas.

<sup>14</sup> In 2000 these amounts were 2 USD in rural areas and 2.6 USD in urban areas.

considered when the household's income is not enough to cover the nutritional, educational and health needs, and a basic consumption of clothes, housing and public transportation. This meant less than 28.1 MXN pdpp in rural areas and 41.8 MXN pdpp in urban areas<sup>15</sup>, and in 2000, 53.7% (approx. 53 million of people) of the population was living under this kind of poverty (Secretaría de Desarrollo Social 2003).

Oportunidades started to work on the 6<sup>th</sup> of March 2002, based on the objective of increasing, by means of targeted aid, the capabilities of people living in extreme poverty (nutritional poverty), and of promoting their access to education and health, and to a better nutrition, with the main goal of building their human capital, so they could break the intergenerational poverty cycle<sup>16</sup>. The targeted aid is given in form of cash transfers (money for food and scholarships) and food transfers (nutritional supplements) directly to the female head of the family. The programme is also based on increasing scholarships given to children and young people going to school between the third year of elementary school and the last year of secondary school (high school). These scholarships have a gender approach and give more money to girls than to boys after the elementary school to compensate the inequality of opportunities that girls face, in order to promote gender equality<sup>17</sup>.

The poverty reduction stream of Oportunidades can be linked to its emphasis on improving beneficiaries' nutrition, health and education standards. This is seen as a long-term effort to improve the human capital of the poor, and the empowerment of poor women, in order to raise their productivity and their income-generating potential, and in this fashion, to allow them to escape poverty through their own efforts in a sustainable way.

The target population of the programme are families living in rural, semi-rural and urban localities with a high degree of extreme poverty. The selection of the Oportunidades beneficiaries is determined by a three-step process: 1) localities are selected according to geographic targeting which considers their relative marginality, 2) extensive household surveys are conducted in the chosen localities to gather data on a variety of welfare indicators, and 3) the selected poorest families decide if they wish to be incorporated to the programme to receive the aid and accept to follow some co-responsibilities. The co-responsibilities include the beneficiaries' obligation to ensure 1) their children's school attendance, 2) attendance to regular health check-ups and 3) attendance to health seminars. After this process, the families receive aid for three years, and after that period if they are still in extreme poverty, they can receive the aid for three more years.

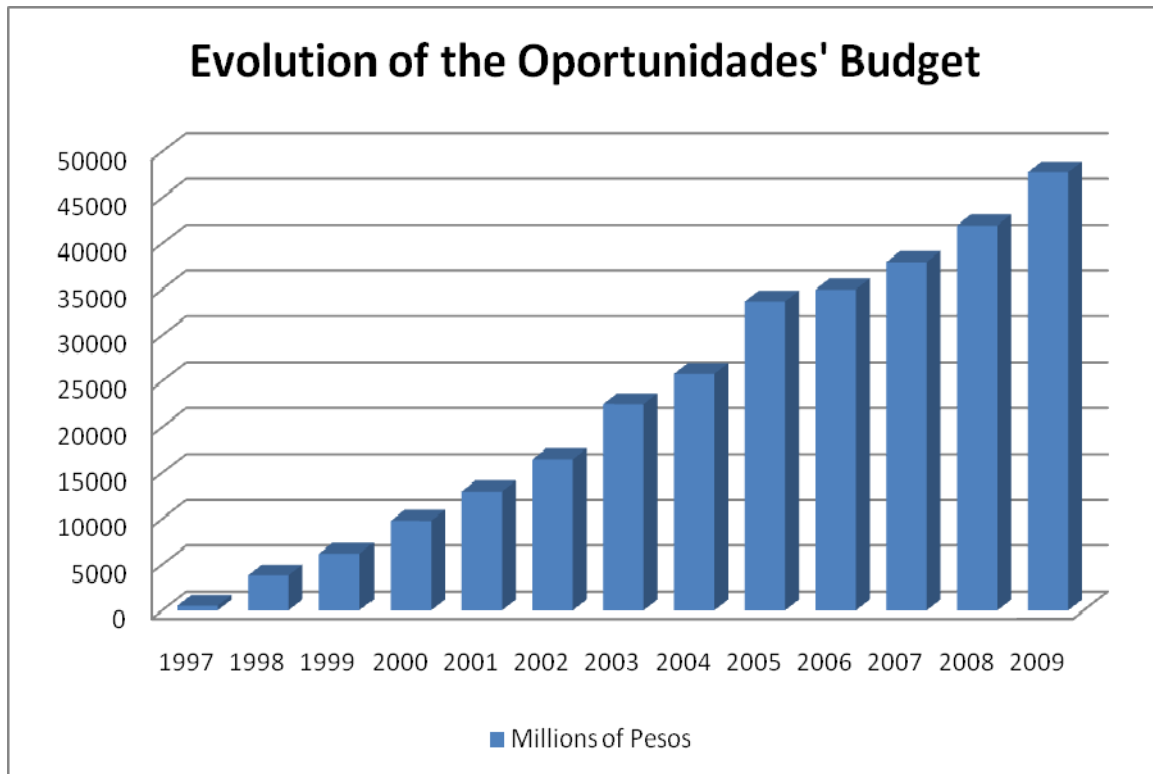
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<sup>15</sup> In 2000 these amounts were 2.97 USD in rural areas and 4.42 USD in urban areas.

<sup>16</sup> This "poverty cycle" is understood as a "vicious cycle" of under-nourishment, high morbidity and low education which prevents the poor from developing their "productive potential", condemning them to living a life of poverty, generation after generation.

<sup>17</sup> Traditionally, families living in poverty prefer to support the education of their male children, because they think that they will need to work and support their own family some day. At the same time, they make girls stay at home and help with the domestic work, based on the idea that they will eventually get married and will be supported by their husbands.

**Figure 1. Budget of Oportunidades**



Source: Author's Graphic based on Historical Data on [www.oportunidades.gob.mx](http://www.oportunidades.gob.mx)

In general, the programme works based on transfers given to the selected beneficiaries in order to ensure the achievement of their basic capabilities in the short-term by allowing them to gain command of a minimum package of commodities and services (mainly food, health care and education). These transfers are<sup>18</sup>:

- Monthly cash allowances given to the families of children attending from the third to the sixth grade of primary schools or from the first to the sixth grade of secondary school (high school). The amount of the scholarships increases as the education level advances and is higher for girls in secondary school, to reverse the gender bias in education<sup>19</sup>.
- Monthly cash allowances to contribute to the improvement of the families' food and energy consumption<sup>20</sup>.

<sup>18</sup> The total budget of Oportunidades for 2009 is 47,800 million of MXN (approximately 3.3 billion USD), [www.oportunidades.gob.mx](http://www.oportunidades.gob.mx).

<sup>19</sup> For the first semester of 2009, the amount of this aid was as follows:

-For boys and girls in elementary school: 3<sup>rd</sup> grade-140 MXN, 4<sup>th</sup> grade-165 MXN, 5<sup>th</sup> grade-210 MXN, 6<sup>th</sup> grade-280 MXN.

-For boys in secondary school: 1<sup>st</sup> grade-410 MXN, 2<sup>nd</sup> grade-430 MXN, 3<sup>rd</sup> grade-455 MXN, 4<sup>th</sup> grade- 685 MXN, 5<sup>th</sup> grade- 735 MXN, 6<sup>th</sup> grade- 780 MXN.

For girls in secondary school: 1<sup>st</sup> grade-430 MXN, 2<sup>nd</sup> grade-475 MXN, 3<sup>rd</sup> grade-525 MXN, 4<sup>th</sup> grade-790 MXN, 5<sup>th</sup> grade-840 MXN, 6<sup>th</sup> grade 890 MXN (Oportunidades 2009).

<sup>20</sup> For the first semester of 2009, this aid was 210 MXN for nutritional support and \$55 MXN for energetic support (Oportunidades 2009).

- Nutrition supplements given to all children between 4 months and 2 years, to undernourished children between 2 and 5 years, and to pregnant and lactating women.
- Monthly cash allowances for old people (adultos mayores) over 70-years-old<sup>21</sup>.
- Monthly cash allowance called “Vivir Mejor” (“Living Better”) for extra expenses<sup>22</sup>.
- A one-time allowance given to young people who finish the secondary school before the age of 22, in order to encourage them to finish the secondary school and to give them a financial basis to start their adult life<sup>23</sup>.

These transfers are given on a monthly basis to the female head of the family as a way to avoid the gender bias of intra-household distribution of food and other commodities. There is also a maximum level of cash transfers that a single family is allowed to receive, in order to avoid the creation of dependency on public aid and not to discourage the self-improvement efforts of the individuals<sup>24</sup>.

Oportunidades gives cash and food transfers directly to women because its planning is based on research that suggests the fact that resources handled by women have potentially more probabilities of impacting in a positive way children’s nutrition and health levels than those handled by men. Also, the gendered nature of the transfers is based on the idea that women’s empowerment is fostered when they have more control over resources (Adato 2004:350).

Following the gender approach, another key element of the programme is the participation of women in educational seminars on different topics regarding health, nutrition, family planning and hygiene. The attendance to these seminars is one of the elements of the co-responsibility that families accept to follow in order to get the aid. These seminars help to educate women regarding their own health and their children’s health. Other seminars’ topics, such as sexuality, domestic violence, pregnancy, gender and health, and HIV/AIDS, help them to be more aware of their rights as women and of the need to be responsible for their own bodies and decisions.

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<sup>21</sup> For the first semester of 2009 the amount of this aid was \$295 MXN per old person.

<sup>22</sup> For the first semester of 2009 the amount of this aid was \$120 MXN per household.

<sup>23</sup> For the second semester of 2007 the amount of this aid varied between 995 MXN and 3318 MXN, according to the amount of accumulated points by each student.

(<http://www.oportunidades.gob.mx/htmls/3trim07SHCP.pdf>).

<sup>24</sup> For the first semester of 2009, the maximum amount that a family could receive per month including education and food help was 1,455 MXN (107.7 USD) if it had children in elementary school, or 2,345 MXN (173.7 USD) if it had children in secondary school. In the families with old people, the maximum amount increases by \$295 per old person. In the first semester of 2009 the currency exchange rate was in average 13.5 MXN for 1 USD. (Oportunidades 2009).



## 2.B. RED SOLIDARIA PROGRAMME IN EL SALVADOR

Red Solidaria is the main government programme targeted at the poorest population of El Salvador. It started to work in 2005 in 32 communities, based on conditional cash transfers and as part of the national social strategy for poverty reduction. The Programme is designed to be an integrated, multi-sector strategy that attends demand and supply simultaneously, with three main guidelines:

### 1. Family Solidarity Network

Conditional cash transfers paid to the female head of the family, provided they follow certain co-responsibilities including sending primary school-aged children to school, completing a number of preventive health and nutrition measures (i.e. immunisation, child-growth monitoring, etc.)

### 2. Network of Basic Services

Its objective is to complement and enhance the efficacy of the CCT programme by strengthening basic education, health, and nutritional services.

### 3. Family Sustainability Network

This consists of small scale productive projects and micro-credit programmes to support poor agricultural producers in 100 municipalities to increase their economic productivity and incomes, to diversify their income sources, and to improve their economic management.

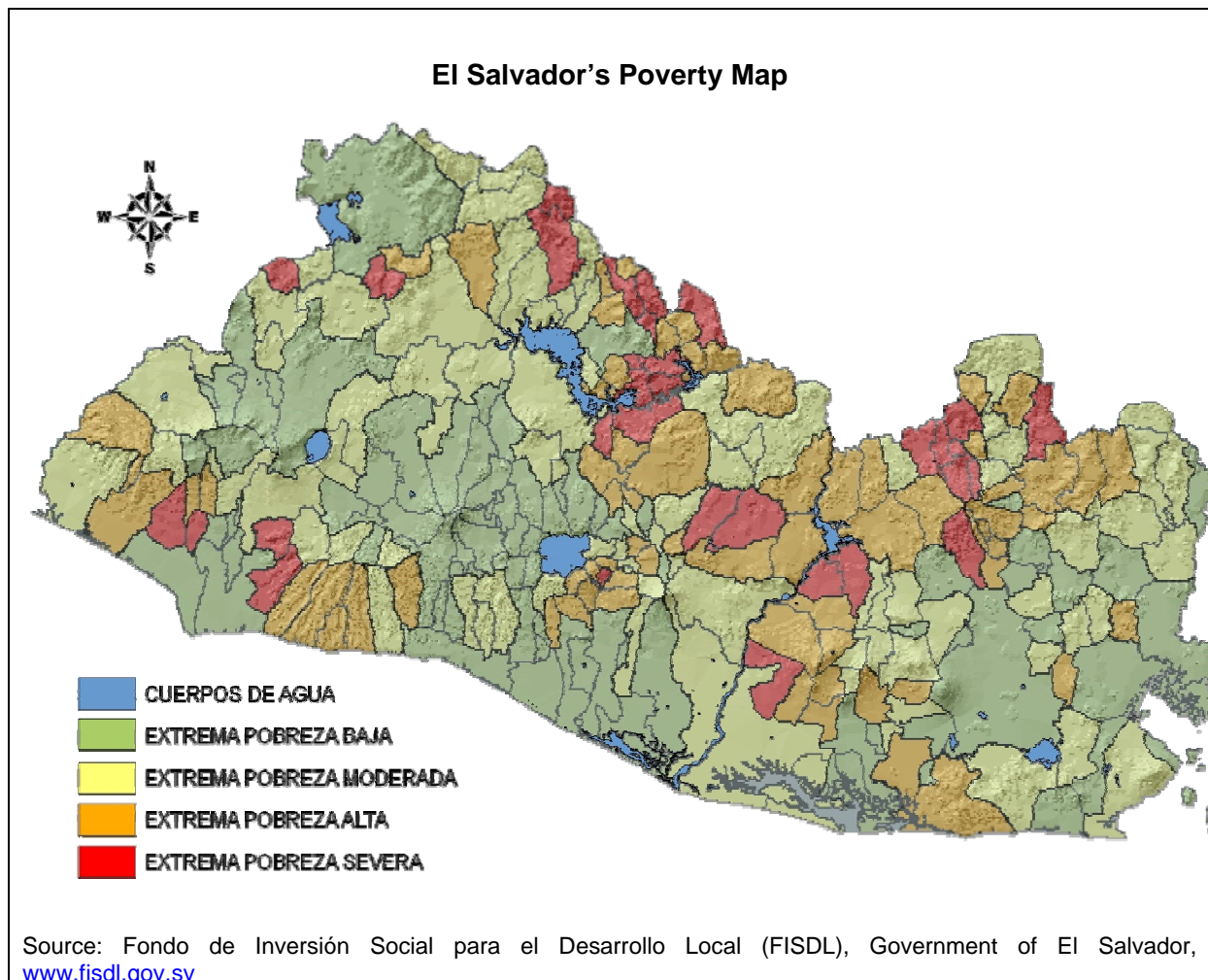
Red Solidaria's design traces its origins to the government plan for 2004-2009 of President Antonio Elias Saca, a candidate of the right-wing Alianza Republicana Nacionalista (ARENA). Such plan outlined the creation of a social safety net for the country's most vulnerable population. Interestingly, the government plan of the leftist *Frente Farabundo Martí para la Liberación Nacional* (FMLN) –the other strong contesting party in the 2004 elections- mentioned, as well, under its educational priorities the establishment of cash transfers to combat school drop-outs, low rates of school attendance and child labour (Britto 2007).

The programme's conceptual design took place between 2004 and the beginning of 2005 and the Red was officially launched by a presidential decree in March 2005<sup>25</sup>. This legal document lays the foundations of Red Solidaria, in terms of objectives, duration, assigned resources and institutional coordination. It states that the programme's objective is to assist extremely poor families through: 1) child and maternal health and nutrition, 2) basic education, and 3) drinking water, sanitation supply, electricity and roads to the poorest rural communities of the country. The programme's components are described as tools to broaden the opportunities of the disadvantaged population in order to improve their economic and social condition.

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<sup>25</sup> Executive Decree n.11, March 4th, 2005, modified by Executive Decree n.42, May 16th, 2005.

Figure 2. Poverty Mapping in El Salvador



At the beginning of the implementation, the programme's duration was planned to coincide with the presidential term (2005-2009). However, in March 2009, there were presidential elections, and the leader of the opposition political party, Mauricio Funes (FMLN, Farabundo Martí National Liberation Front), won with 51.3% of the votes. Uncertainty arose about whether Red Solidaria would continue or if President Funes would dismantle it. Fortunately for the beneficiaries of the Programme, the new president decided to support the programme and its duration has been extended for four more years; nonetheless, the programme's name has been changed to Programa Comunidades Solidarias Rurales<sup>26</sup>.

The coverage goal of Red Solidaria is the 100 country's poorest municipalities, as identified by the national poverty map, and resources for all three components of the programme are estimated to be approximately 50 USD million per year. The Social Investment Fund for Local Development (FISDL) is appointed as the implementing agency of the Red, but the programme's technical and political coordination is placed under the

<sup>26</sup> For coherence purposes of this paper, the name of the El Salvador's programme that will be used is Red Solidaria. Red Solidaria in this paper refers then to both Red Solidaria (2005-2009) and Programa Comunidades Solidarias Rurales (2009-).

Technical Secretariat of the Presidency and a Directive Council involving several government organisations.

Red Solidaria is based on the human capital approach and its objective is the medium- and long-term improvement of the living conditions of extremely poor rural families through integrated interventions that give priority to the poorest municipalities. The rural emphasis of the programme is another of its distinctive features. The rationale for this emphasis is related to the poverty profile of El Salvador, which documents the disproportionately disadvantaged situation of the rural population, not only in terms of income poverty but also in terms of access to health, education, other basic services and infrastructure.

According to World Bank estimates, the national poverty headcount fell from 64% to 37%, and extreme poverty fell from 31% to 15% during 1991-2003. But 50% of rural Salvadorans still remained below the poverty line in 2002 and 24.5% were extremely poor. In urban areas these figures were 28.5% and 9% respectively. Similarly, while basic education enrolment rates were close to 90% in urban areas, they were only 80% in rural areas. Differentials in access to safe water, adequate sanitation and electricity were even more striking (Britto 2007).

The design of Red Solidaria's CCT programme emerged from a poverty and a social safety net assessment sponsored by the World Bank. These assessments highlighted the need for creating an integrated social strategy focusing on: a) strengthening human capital, mostly through increasing education levels and providing access to basic health services to all, b) strengthening people's access to markets and services by improving the supply of drinking water, sanitation services and roads in rural communities, and c) assisting and protecting the poorest and most vulnerable population, by means of a coherent, coordinated and well-targeted social safety net.

The cash transfers provided by Red Solidaria comprise a health stipend for families with pregnant women and children under 5 years old and an education scholarship for families with children from 5 to 15 years old who have not completed the 6th grade (second cycle of basic education). Each stipend is worth 15 USD per month per family, but a family cap applies to those entitled to both, i.e. 10 USD per month for each, totalling a maximum of 20 USD per family.

As most CCTs implemented elsewhere, Red Solidaria addresses its transfers primarily to the mother or another female family member who is in charge of children's care. But the programme also includes a co-responsible beneficiary, usually the partner of the main female beneficiary or another person appointment by the family, who can withdraw the transfers in case the main beneficiary does not have her own identity card (required to actually collect the stipend) or cannot be there in person during payment events.

#### **4. CCTS' IMPACT ON POVERTY REDUCTION**

Oportunidades was the first social programme in Mexico to carry out a rigorous independent evaluation of programme impacts that included randomly assigned treatment and control groups. Given the size and scope of the programme, programme officials emphasised the importance of accurate, credible data as a strategy to measure effectiveness and to try to ensure that the Programme would survive government changes. As part of the idea of having external evaluations, the International Food Policy Research Institute (IFPRI) conducted the evaluations, along with independent scholars and economists.

Important positive impacts were reported in school enrolment, health clinic attendance, and nutrition. In the case of education, the largest impacts were reported on children who enter secondary school, where impacts represent a percentage increase of enrolment over 20% for girls and 10% for boys. Significant health and nutrition effects were also reported. Oportunidades children 1-5 years old have a 12% lower incidence of illness than non-Oportunidades children. Additionally, data suggest that Oportunidades has had large impact on increasing child growth and in reducing child stunting. Apart from the quantitative evaluations, qualitative evaluations have also been undertaken, which evaluate the degree of women's empowerment as a result of the programme, as well as intra-familial and intra-communitarian relations, etc.

Regarding the broader poverty levels, the results of the simulated impact of Oportunidades' cash transfers show that Oportunidades interventions reduced the number of people with income levels below the poverty line by about 10%. The depth of poverty is reduced by 30%, and the severity index is reduced by 45%. For comparison, an untargeted transfer is found to reduce the depth of poverty by 28% and the severity of poverty by 36%. Given that these indicators put greater weight on the poorest of the poor, the simulation results suggest that Oportunidades' largest reduction in poverty is being achieved in the poorest population (IFPRI 2002).

In the case of the Red Solidaria programme, which is still relatively new, it is hard to give specific results in many areas, however, some of the main results so far are: school enrolment has increased in 23% in pre-school, 6% in elementary school in grades 1<sup>st</sup>-3<sup>rd</sup> and 9% in grades 4<sup>th</sup>-6<sup>th</sup>; children health check-ups have increased in a 47% and maternal health check-ups have increased in a 42% (Britto 2007).

A common criticism of CCT programmes is the almost exclusive focus on human capital accumulation for children, which takes years –sometimes a generation- to develop. These programmes tend to ignore building human capital or productive capacity for adults who are past school age, and the accumulation of productive capital for the here and now: that is, capital, such as land or non-agricultural assets, which would have both long- and short-term effects on poverty alleviation. Through CCTs children will be better prepared for

the labour market when they are older, but productive investment of the transfer would allow the family to sustain the impact of the cash transfers, which cannot continue indefinitely.

While it is not clear whether human capital goals and productive capital accumulation should co-exist within the same programme, the design could benefit from considering what role cash transfers can play in this regard. There would be some merit in considering how to maximise the indirect productive effect of CCT programmes, and minimise constraints, when designing the programme. At a broader level, CCTs in rural areas constitute a substantial infusion of liquidity among poor households and their communities. The poverty alleviation and development impact could be maximised by better considering the local economic context in which households and their communities operate.

As previously mentioned, one of the two objectives of CCT programmes is reducing the incidence and depth of poverty. The theoretical impetus for the design of these programmes is long-term reduction in poverty, but, primarily for political reasons, reductions in the current or short-term incidence of poverty are frequently stated as policy objectives. While it is relatively easy to find increases in beneficiary welfare, actually linking changes in the national incidence of poverty with expenditures on CCT programmes is difficult, as many other factors –particularly economic growth- play a determinant role. An economic turndown can obscure any improvements in the overall incidence of poverty, even though beneficiaries of the programme are better-off than if they had not received the programme.

In the area of the impact of the CCTs on poverty reduction, there is a very limited set of indicators that can be used to measure the true impact that directly relates to the stated objectives of these programmes. The first objective of ameliorating short-term poverty can be measured by caloric consumption, etc. However, the second objective –to improve human capital development and thus break the intergenerational poverty cycle- cannot be measured in the short run, although current nutritional status and cognitive achievement might be good current indicators of the potential for eventual human capital accumulation and lifetime earnings<sup>27</sup>.

The evaluation work on human capital investment has focused on outcomes such as school enrolment, health check-ups for growth monitoring and vaccinations. These have shown significant increases, although there are some nuances in the results. The degree to which these increased outcomes translate into later life impacts as intended by the programmes depends on factors outside the programmes themselves, such as the quality of supply-side services, access to higher levels of schooling and employment opportunities. This implies that CCTs by themselves cannot be expected to reduce inequality and overall levels of poverty; efforts must continue to be applied to ensuring quality delivery of social

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<sup>27</sup> Early childhood nutrition has been shown to be an important determinant of later schooling outcomes, which in turn are important determinants of earnings and social mobility.

services and an environment that fosters economic growth. One further complication is that, in the long term, increasing human capital in rural areas may foment national and international migration in search of employment opportunities, and thus lure past beneficiaries out of the scope of follow-up surveys (Handa and Davis 2006).

CCTs have as well some indirect impacts. The large scale of financial resources moved by CCTs, as well as conditionality on behaviour has the potential to influence other aspects of the household, community and even region. Some of these impacts have been documented, and include changes in attitudes and intra-household decision making, spill-over effects on non-beneficiaries, reduced international migration in the short term, and spending on productive activities that has the potential for generating multiplier effects on income.

## **CONCLUSION**

Within the short span of ten years, CCT programmes have become the social protection/social safety-net intervention of choice in Latin America, and are increasingly being looked as an example to emulate in other parts of the developing world.

CCTs have the two-folded objective of combining long-run human capital development with short-term poverty alleviation; however, the question of whether or not they can achieve the human capital development and in this fashion help the extreme poor to break the intergenerational poverty cycle is hard to answer accurately.

A question that may still require attention is that the exclusive focus on human capital accumulation by the younger generation misses the broader context of poverty alleviation programmes within rural development. This is exhibited on a number of different levels. First, CCTs in general miss the opportunity for maximising synergies with agricultural and non-agricultural productive activities at the household level, and conversely, the rural household's participation in certain types of economic activities may blunt programme impact. Second, ignoring the human capital accumulation of parents (with the exception of health) and asset accumulation within their economic activities weakens the household-level sustainability of the transfers beyond the time when either the transfers have been terminated and/or the children have left home. Third, CCTs in most instances represent a substantial influx of financial resources into marginalised, and often isolated, communities. As well, little attention has been paid in terms of how to maximise their impact on local economic development.

However, CCT programmes have shown considerable achievements under a variety of circumstances. They are at the forefront of a new thinking on social protection, which re-examines the presumed trade-off between equity and efficiency by considering the long-term social and economic costs of uninsured risks and unmitigated inequalities and the potential role of safety nets in addressing these issues. By providing incentives to parents and

enabling them to invest in the long-term human capital development of their children, they have promise for addressing issues of deep-seated exclusion and the intergenerational transmission of poverty.

By introducing modernisations in their operation, including adopting unified beneficiary registries, credibly enforcing poverty targeting and conditionalities, and using evaluations in a strategic way, these programmes have introduced many innovations in social assistance policies. In countries such as Mexico and El Salvador, due to strong political support from the highest levels, they have been used to promote transparency in social policy and counter legacies of paternalism and clientelism.

CCTs are contributing to social inclusion in several complementary ways: recognising and explicitly targeting the poor, focusing on children and delivering transfers to women, and changing social accountability relationships between beneficiaries, service providers and local and central governments. As well, providing cash helps protect livelihoods, because affected people can avoid resorting to negative coping strategies (such as eating seeds or selling livestock or assets) in order to cover their essential needs. Cash also helps disaster-affected people to recover their livelihoods through purchase of essential livelihood assets, services or repayment of loans.

Nonetheless, it should be borne in mind that the provision of cash alone is not always a sufficient tool to eliminate poverty and exclusion problems. Cash transfer programmes often need to be linked with other strategies that focus on improving infrastructure, market support and the availability of services. Cash programmes can also include the distribution of in-kind commodities. However, this requires ongoing dialogue with other organisations and with local- and national-level authorities. As it can be seen, CCT programmes are not a panacea against social exclusion and their limitations should be recognised and addressed by focusing on more comprehensive social policy reforms that include, but are not limited to, CCTs, such as the creation of productive options, temporary employment programmes, access to micro-credits and micro-entrepreneurial opportunities, among others. The question that remains is how to achieve an incentive compatibility of CCTs and other programmes of the development strategy, so that the healthier, better-educated young people who benefit from the programmes can get access to productive opportunities. An exit strategy is needed which can link the ex-beneficiaries with other development strategies to ensure their further progress and prevent them from falling back into the poverty trap.

CCTs effectiveness may increase by strengthening links to the labour market, shifting the balance between their early childhood and school-age components, and making eligibility more flexible to include households facing shocks. Within this framework it becomes clear that CCT programmes' objective of fostering long-term investments in human capital can only be achieved with the supply of good-quality and accessible health and education

services, and with the existence of a governmental system that provides the beneficiaries with the possibility to access other social programmes of the national development strategy, that could help them to be better integrated within their social and economic context, breaking in this fashion the intergenerational poverty cycle.



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