Policy Brief
ELLA Area: Economic Development
ELLA Theme: Conditional Cash Transfers

ELLA
Evidence and lessons
from Latin America

How to achieve the strong education and health impacts of CCTs? The answer probably lies in implementation. So what should countries consider as they plan their implementation strategy?

IMPLEMENTING CCTs: LESSONS FROM LATIN AMERICA

SUMMARY

CCT programmes have had proven success in improving education and health outcomes, but that success depends on the quality and adequacy of implementation. Effective implementation must take into account each country's context and the opportunities - and limits - of its own institutional capacity. It must consider technical, operational and socio-political factors, as all of these can influence the programme's effectiveness. This brief presents four main steps in implementing a successful CCT programme, and in each, draws on the Latin American experience to highlight key issues policymakers should consider when creating an implementation strategy in other contexts.

THE CHALLENGE OF CCT IMPLEMENTATION

CCTs are, by definition, complicated initiatives, making their implementation a challenge. Identifying beneficiaries, supplying services, monitoring compliance and distributing cash, all across many localities, will likely pose difficulties for countries in Africa and South Asia that are considering experimenting with CCTs. As capacities, institutions and local context vary, each country must consider these differences as they plan their implementation strategy.

FOUR STEPS IN IMPLEMENTATION: WHAT SHOULD BE CONSIDERED ALONG THE WAY?

The Latin American experience may not demonstrate one right answer for how to implement CCTs, but it can offer some considerations countries should keep in mind as they reflect on how best to implement in their own contexts. This Brief illustrates these types of considerations by examining four key implementation steps.

KEY
LESSONS LEARNED

The Latin American experience shows a core set of considerations countries should keep in mind as they decide how best to adapt implementation strategies to reflect their local context.

Within each of the four key implementation steps identified, different considerations become important, from available technology and financial systems, to quality of services and the structure of the conditionality. Capacity and availability of quality information are important to consider across all of the four steps.

Methods for Identifying Households

Means tests identify households by directly measuring household income and comparing it to the established eligibility line. Proxy means testing, however, provides an alternative to this exact measure by estimating the probability of being poor according to income or expenditure criteria for a limited number of easily-verifiable proxy indicators. These indicators often include ownership of durable goods, demographic structure of the household, education and occupation of the household's adult members, and location and quality of the house.

Latin American countries typically use proxy means tests, because if well-designed and periodically updated, they require shorter, simpler questionnaires than means tests, but still have generally acceptable accuracy levels.

Community assessments are also useful to identify beneficiaries inside a chosen community, one that is typically selected through geographical targeting. This method uses different tools, such as surveys, community mapping, focus groups and panel discussions, to identify beneficiaries. Although the method is effective, the time and effort required makes it impractical for programmes targeting many communities.

Step 1: Identifying Eligible Beneficiaries

During the design phase,[1] a decision is made about the eligibility criteria of beneficiaries, such as poverty level, gender or age. As part of its implementation strategy, CCT programmes must decide how to identify which individuals and families within the general population meet those characteristics, to ensure limited resources reach intended beneficiaries. This process is ongoing throughout the life of the programme, as new beneficiaries are added and family characteristics change, meaning eligibility must be continually checked.

Most CCT programmes in the region identify beneficiaries based on both geographic location and household characteristics. Generally the strategies are used sequentially. First, a geographic area is identified in which households are most likely to meet the eligibility criteria. Then, individual households are assessed within that area using household targeting methods. Though geographic targeting is useful because it is a quick and easy way to identify groups of poor households, the disadvantage is that it may exclude families that are poor but live in wealthier neighbourhoods.

Household targeting is done via a variety of tests (see text box above). The level of accuracy of the selected test varies from country to country, as it is dependent on the quality of household information available.

Indeed, the choice of how to identify beneficiaries also depends on a country's existing data collection system and the possibilities it has for carrying out a complex identification process. This includes the availability of adequate household data and the capacity to implement additional surveys to gather data in an ongoing fashion.

In many cases, CCTs have been drivers for developing household targeting systems or improving the targeting systems already in use, reflecting an unintended but important impact of CCTs. For example, proxy means testing was first introduced in Mexico with the *Oportunidades* programme, and since then has been put to use in other Mexican social programmes. Other countries like Chile and Colombia with older proxy mean test systems made substantial improvements and reforms to their systems after CCTs were implemented. In Chile, for example, the proxy means test method is so developed that it is now used in a number of programmes such as social pensions, household subsidies and water subsidies.

Table 1: Beneficiary Identification Methods used by Latin American CCTs

	Geographical Targeting	Household Targeting		
		Proxy Means Test	Means Test	Community Assessments
Argentina* Programa Familias (Families Programme)	X			
Brazil Bolsa de Familia (Family Allowance)	X		X	
Chile* Chile Solidario (Solidarity Chile)		X		
Colombia Familias en Acción (Families in Action)	X	X		
Ecuador Bono de Desarrollo Humano (BDH) Human Development Bonus		X		
Mexico Oportunidades (Oportunities)	X	X		
Paraguay Tekoporá	X	X		
Peru Juntos (Together)	X	X		X

*Other targeting mechanisms are also applied

Own elaboration.
Source: Fiszbein, A., Schady, N. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank, Washington, DC.

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[1] Find out more about Latin American lessons in CCT design in the ELLA Brief: Designing an Effective CCT.

Step 2: Are Institutions Ready to Supply the Required Services?

CCTs create incentives for families to send their children to school or access health services, but that means countries implementing CCTs must consider if there is sufficient quantity and quality of health and education services to effectively respond to the increased demand.

CCT programmes have been particularly effective in Latin America precisely because many countries had underused education and health infrastructure which was able to be exploited by motivating use and attendance. However, the region still faces challenges in assuring quality in those services.

Nicaragua's Innovation

Nicaragua implemented a unique approach to improve education quality alongside its CCT. The programme gives out bonuses to teachers and schools for each CCT-enrolled student that attends. The transfer, equivalent to about US$ 13 and delivered at the beginning of the school year, was given to each beneficiary child, who then delivered it to the teacher. The teacher kept half the transfer, while the other half was earmarked for the school. This mechanism was expected to help both teachers and schools respond to the additional demand for education services while increasing educational quality.

Since teacher absenteeism was a significant problem in rural Nicaragua, the CCT required that teachers could only receive transfers if they missed fewer than the approved number of school days. Their absence was monitored by beneficiaries themselves, as they were the ones who paid the teachers. Teachers also received bi-monthly training sessions on topics like teaching methods, environmental consciousness and improving students' nutrition. By all accounts, these interventions improved teachers' morale significantly.

Although Nicaragua's CCT evaluations do not focus on the impact of these particular interventions, there is significant evidence that supports the CCT's overall impact on education indicators.

Countries with limited service quantity or quality can still potentially implement CCTs, though as the Latin American cases show, they could benefit by implementing complementary interventions to enhance their service delivery system. One consideration is the timing – sequentially or simultaneously - in which CCTs and supply enhancements should be tackled. For example, Mexican officials constructed secondary schools and rehabilitated primary schools in programme-targeted areas after the programme was already functioning, while the Nicaraguan government established its CCT and simultaneously began offering financial incentives to both beneficiaries and service suppliers (see text box).

As complementary interventions, Latin American countries also promoted healthier, more stimulating environments to boost the programme's impact, such as by implementing talks about the benefits of exercising or vaccination campaigns. For example, Mexico requires all beneficiaries over age 15 to participate in nutrition lectures given by programme officials.

Step 3: Monitoring and Enforcing Compliance

Conditionality – making receipt of the cash transfer conditional on a desired behaviour – is what makes CCTs successful, so creating an implementation strategy to monitor and enforce compliance is key.

The frequency of compliance monitoring varies across Latin American programmes, depending on the conditionality that is monitored and the programme's capacity constraint. For example, if the conditionality is to attend a health clinic once every six months, it could be easily monitored once per year; if the conditionality is daily school attendance, monitoring should be carried out more frequently.

If the number of beneficiaries is small and the programme has relatively low capacity, then the programme may opt for longer intervals between checks, especially if there is limited capacity for more frequent monitoring. For example, Bolivia's CCT is focused on education outcomes, so they pay beneficiaries annually upon completion of the school year. In Peru, the programme pays beneficiaries every two

months. The timing between benefits in Peru was chosen due to budgetary limitations, as it is more economical to provide transfers bi-monthly versus every month, especially since banking facilities are limited in many of the beneficiary communities. Overall, this decision has to be taken carefully, as waiting too long between evaluations may demotivate compliance.

Enforcing sanctions for non-compliance requires accurate and timely compliance information. Information is typically collected by the service providers themselves, such as schools and health centres. The provider may give the data either directly to programme officials or to a higher link in the providers' service line.

The practices used to check attendance are variable. Though some countries use simple paper-and-pencil attendance lists, others are experimenting with new technologies. Brazil, for example, uses 'smart cards', in which students place their card on a reader to mark their attendance, and the reader saves information about all of the beneficiaries. They also must show their card to claim their benefits. Mexico uses optical-scans at its service centres. These scans read the information printed on paper and translate the information into a form the computer can use and save.

Latin American CCTs use sanctions in the case of non-compliance, though the sanctions themselves and degree of enforcement vary across programmes. The most common is a temporary reduction in benefits for a first time case and a permanent cease of transfers in the case of repeated non-compliance. Mexico, for example, reduces benefits with the first instance of non-compliance, while Brazil uses a warning system. Furthermore, Brazil regards non-compliance as the manifestation of some kind of household problem, so they send a social assistant to visit the family to identify and resolve problems. El Salvador also offers social assistance to analyse the causes of non-compliance and help families become compliant.

Step 4: How to Transfer the Cash

The payment mechanism varies between cash delivery systems and those that use the formal banking system, with the decision mostly depending on the country context and institutional capacity.

Payments in most Latin American countries are made through the banking system, though this alternative may in many cases be problematic due to limitations in the reach of banking facilities and on the necessity to check that the money has been actually retrieved by the beneficiary. Other more advanced programmes, such as *Bolsa de Familia* in Brazil, use debit cards for cash withdrawals from banks. In Mexico, the methods vary from banking payments to payments in cash at temporary pay points such as community centres. Thus, even within a centralised programme management structure like Mexico's, flexibility assures the mechanism reflects local conditions.

To avoid corruption, the payment mechanism must be as transparent as possible. Some examples of how can this be done include establishing strong information mechanisms, such as an internet link providing beneficiaries with transfer information, and setting up mechanisms for beneficiary complaints about irregularities.

Table 2: Summary of Main Factors To Consider in CCT Implementation

Implementation Phase	Factors to Consider
Overarching: Information Availability and Management Systems	Data collection and analysis exist or ability to set up new information systems, quality and timeliness of information, capacity to use information
Overarching: Implementing Actors and Institutions	Capacities, specialisations, institutions and institutional set-up, centralisation vs. decentralised
Step 1: Beneficiary Identification	Available data collection systems, institutional capabilities
Step 2: Quality and Supply of Services	Adequate supply and quality, necessity for complementary initiatives
Step 3: Monitoring and Enforcement Mechanisms	Institutional capacity, availability of technology, type of conditionality. Continuous monitoring is important for adequate enforcement.
Step 4: Payment Mechanism	Availability of technology, extent of banking system, both of which could vary within a country. Corruption opportunities must be controlled.

Own elaboration.

ACROSS THE IMPLEMENTATION CYCLE: INFORMATION AND CAPACITY

Two additional factors to consider apply across all four of the implementation steps. The first has to do with information. From the very beginning, countries need high quality information about institutional capacity and context, so they can choose an implementation plan that best suits their country's characteristics. From there, each implementation phase has specific information needs that must be met.

The second consideration is the capacity of the key actors and institutions involved in implementation. A range of actors are needed to implement CCTs, each of whom needs separate technical and operational capabilities, from health and education specialists for ensuring service quality and supply, to corruption specialists for monitoring transfers, to statisticians for identifying beneficiaries.

Another key decision in the personnel strategy is the level of centralisation of the programme. The final decision should rest on where capabilities are needed for effective implementation. In the Colombian case, for example, the programme decentralises most functions to the municipal level. Each of these municipalities appoints liaison officers who oversee the municipality's work and communicate with the regional and national programme officers. These officials also coordinate among service providers at the municipal level, encouraging them to comply with programme standards in order to help the municipality become programme-eligible. Of course, this level of decentralisation works in the specific context of Colombia, though it might not work elsewhere.

LESSONS LEARNED

1 The Latin American experience may not show how every single country should implement CCTs, but it does illustrate a set of considerations that countries should keep in mind as they plan implementation to meet their local context.

2 Across all of the implementation steps, the capacity of implementing actors and the availability of high quality information should be considered.

3 Within each of the four key implementation steps, different considerations become important, from available technology and financial systems, to quality of services and the structure of the conditionality.

4 No single consideration means that a CCT cannot be implemented with success. Countries in Latin America have shown that using creativity to create complementary initiatives and set up alternative implementation strategies makes it possible to manage the constraints they face.

CONTACT GRADE

To learn more about CCT implementation in Latin America, contact the author: Miguel Jaramillo, PhD, Principal Researcher, mjaramillo@grade.org.pe.

FIND OUT MORE FROM ELLA

To learn more about Latin America's CCTs, read the ELLA Guide, which has a full list of the ELLA knowledge materials on this theme. To learn more about other ELLA development issues, browse other ELLA Themes.

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