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Conditional cash transfers in Latin America – What are the conditions for sustainability in an inclusive social protection scheme?

Technical Commission on Family Benefits
International Social Security Association
Geneva

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Conditional cash transfers in Latin America – What are the conditions for sustainability in an inclusive social protection scheme?

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Introduction

Conditional cash transfers (CCT) are forms of financial support paid to persons in situations of poverty and sometimes extreme poverty, generally with children in their care.

The choice to focus the approach on Latin American countries was made in view of the availability of evaluation and monitoring data for this region and particularly the richness of the database of the Economic Commission for Latin America and the Caribbean (ECLAC).¹ It also makes a cross-cutting analysis of the subject possible since the various Latin American countries that have implemented these benefits have a certain number of points in common while retaining their specific identity in terms of social policy.

CCTs have been implemented and proven as such in developing countries and most notably in numerous Latin American countries. Given the importance of the informal sector in these countries, one initial characteristic of these CCTs is the way in which populations are targeted which is not solely based on a monetary poverty definition. A second characteristic is their essential conditionality, most often linked to the children's school attendance (and even their regular school attendance) and/or medical and vaccination monitoring for children, pregnant women and possibly even the rest of the family.

This leads us to an initial focus: can the analysis of CCTs in Latin America, the social progress they have made possible, but also their limits, indicate to what extent their implementation in Europe, including France, might present positive aspects or not? In fact, family benefits paid out in France have clear points in common with the logic behind CCTs to the extent that their payment was conditional on the follow-up of pre-natal and post-natal medical checks up until the mid-1990s. And the debate still continues on linking the payment of family benefits to the children's regular school attendance. Similarly in Europe, as demonstrated in a recent report by the DG Employment, Social Affairs and Inclusion, a significant number of countries make the

¹ Founded in 1948 and placed under the control of the United Nations Economic and Social Council as one of the five regional commissions, the Economic Commission for Latin America (ECLAC) has its headquarters in Santiago de Chile. It publishes the *Statistical yearbook for Latin America and the Caribbean*.

payment of benefits conditional on the child's health, child care and early education and even the obligation to attend school.

A second focus is on the co-operation that Europe and France can develop with Latin American countries. Latin America is, in effect, fertile ground for the development of the "social protection floor" that the International Labour Organization (ILO) and the International Social Security Association (ISSA) support at global level with CCTs constituting an essential component in such floors. Their sustainability and strong links with conventional social security instruments must be thought through in consequence.

1. Popularity and spread of conditional cash transfers since the end of the 1990s

1.1. A response to failings in conventional contributory systems

Social security, based on a contributory principle which protect employees and their families from contingencies linked to their life cycles and occupational risks, developed relatively well in Latin America in the twentieth and twenty-first centuries.

Institutionalized schemes came into being in the 1920s and 1930s and, by the end of the 1960s, all the countries in the region had set up contributory systems in three successive waves. In the most advanced countries (Argentina, Brazil, Chile and Uruguay) the population coverage rates for social security schemes had reached up to 70 per cent (in the 1970s).

At the end of the twentieth century these systems were faced with recurring finance problems which were explained, according to S. Cecchini et al. (2015), by a combination of several factors:

"the persistently informal nature of the labour force and population ageing with the simultaneous reduction in the relationship between benefit recipients and contributors".

Faced with such situations two types of adjustments were to see the light of day in the course of the 1980s and 1990s:

- With regard to retirement schemes: longer contribution periods and the raising of the retirement age and a move towards capital funded schemes;
- with regard to social and/or family benefit schemes: loss of purchasing power, lack of price indexation.

These trends will be reversed at the start of the twenty-first century given the extent of poverty and informal work. One worker in two is in the informal sector (and one worker in four contributes to a pension fund); 44 per cent and 19.4 per cent of the population respectively live in poverty and extreme poverty.

This explains the development of social assistance policies and particularly conditional cash transfer (CCT) schemes based on citizenship/residence, generally financed out of tax resources and aimed at fighting poverty and extreme poverty.

For Paes-Sousa, Regalia and Stampini (2013), there are four trends that in fact explain the creation of CCT schemes in Latin America:

- economic stagnation in the region over the last twenty years of the twentieth century leading to increased poverty and informal work with large population groups escaping the coverage afforded by conventional social insurance schemes linked to formal employment;
- intense promotion of the concept of “pro-poor growth” and “productive social policy” by international institutions and academic circles defending the idea of investing on human capital as a precondition for economic growth and productivity;
- growth in the available fiscal play for social assistance policies from the growth regained from the noughties;
- a political economy favouring the adoption of such schemes given the targeting transparency and the shared responsibility mechanism.

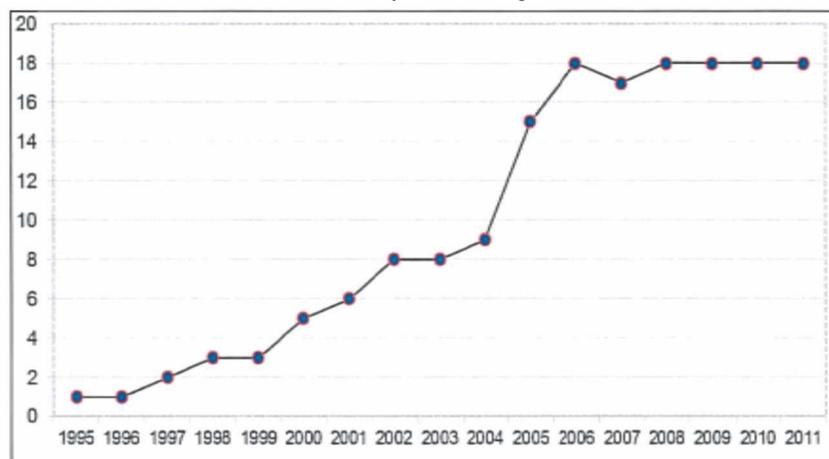
As the first CCT scheme of any size to be deployed at national level, *Progresa* was rolled out between 1997 and 1999 in Mexico starting in the poorest rural areas. The aim was to increase the incomes of the poorest families up to poverty threshold level, to enable them to send their children to school. It was extended to urban and suburban areas in 2002 to cover the unemployed and poor informal workers in the towns and cities.

In Brazil, *Bolsa Familia* was created in 2003 by the government of President Lula as part of the *Faim Zéro* programme, which was the key feature of the 2002 electoral campaign. It brought together several existing programmes financed from various sources into one base financial benefit with additional benefits according to family structure and the age of the children (pregnant mother, mother nursing a child of less than six months, children under six years of age, from six to 15, from 15 to 18) with a maximum of five children taken into account. An additional benefit is also granted to families in extreme poverty. Families can receive social support and priority access to kindergartens for children under six years of age.

1.2. A strong and steady spread since the end of the 1990s

The number of Latin American and Caribbean countries that have implemented conditional cash transfers has risen from one in 1995 (Mexico) to 18 in 2011.

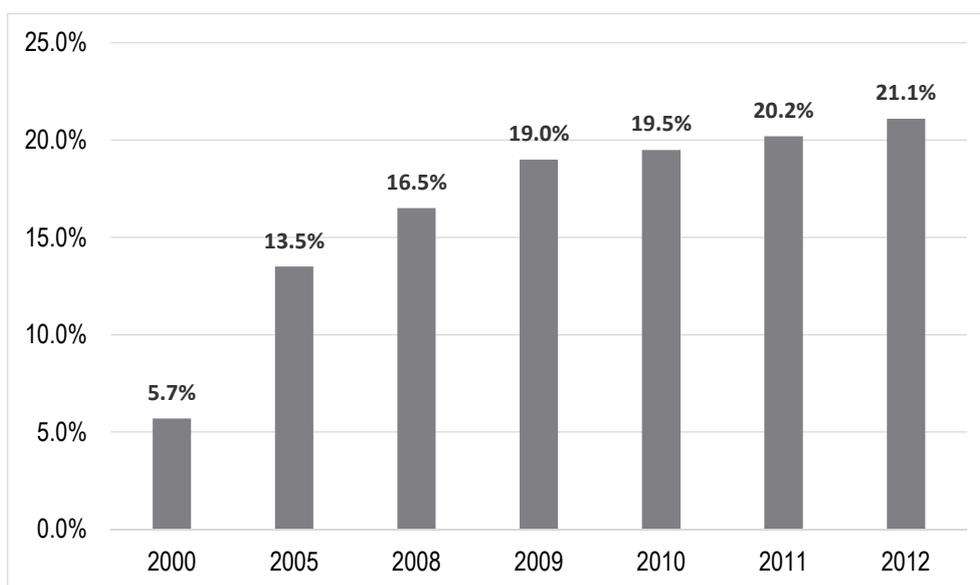
Figure 1. Number of Latin American countries experimenting with conditional cash transfers since 2000



Source: 2012. Stampini and Tornarolli.

The population covered by these schemes across the whole of the region rose from 5.7 per cent of the total population in 2000 to 21.1 percent in 2012.²

Figure 2: Coverage rate trend by CCTs in Latin America (population percentage)



Source: ECLAC.

The spread of CCTs has been encouraged internationally by the promotion carried out by organizations such as the World Bank, the Inter-American Development Bank (IDB) and the setting up of multilateral fora to exchange experience and good practice such as the Inter-American Social Protection Network (*Red interamericana de protección social – RIPSO*) and the Organization of American States (*Organización de los Estados americanos – OAS*). The World Bank in particular has played a large part in popularising these schemes by disseminating and passing on evaluations that confirm the success of such schemes (particularly the evaluations carried out on *Progresa* since 2002).

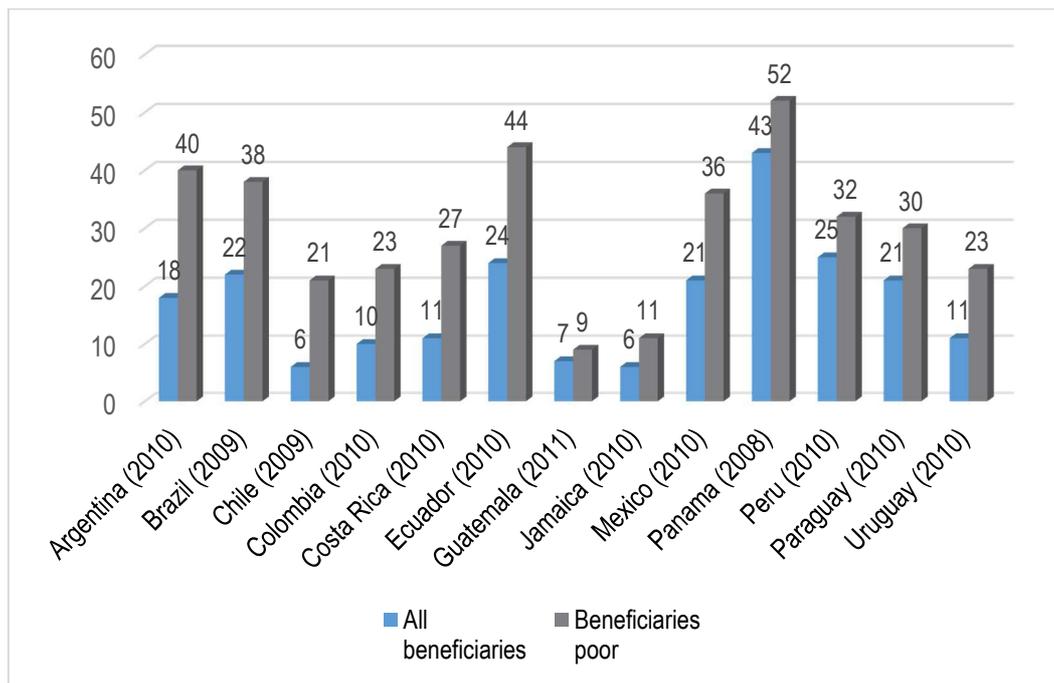
The ISSA also awarded its grand prize to *Bolsa Familia* implemented in Brazil at its World Social Security Forum in Doha in 2013.

Trends in amounts transferred have also made it possible to consolidate schemes in certain countries.

A certain number of these schemes operate indexing according to the retail price index. This is the case in four of the largest schemes in the region: Solidarity Chile, Families in Action in Colombia, *Oportunidades* in Mexico and *Asignaciones Familiares* in Uruguay. While there was no provision for indexing in the scheme in Brazil, the amount paid under *Bolsa Familia* has been significantly increased on several occasions following the minimum wage, which has been significantly increased over the period bringing with it an increase in the allowance as a consequence.

² Source: ECLAC.

Figure 3: Part of conditional cash transfers as a percentage of the income of recipients



Source: 2012. Stampini and Tornarolli.

Conditional cash transfer schemes are finally being institutionalized gradually through the creation of ministries for social development that are in charge of these CCTs in a large number of countries (38 per cent of CCT scheme managers in Latin America – see below).

Some observers consider that these schemes now represent

“the basis for a re-alignment of social policies in the region (Ceballos and Lautier)”.

For the ILO they represent essential components of the “social protection floors” in these countries.

In social protection expenditure terms their low costs bears no relation to their importance. On average they correspond to 0.4 per cent of GDP in Latin American countries.

2. Very variable schemes in terms of their objectives and methods

2.1. Commonalities and divergences

2.1.1. Commonalities

Far from being a single model replicated across the various countries of Latin America and the Caribbean, these schemes have a history specific to each country with a multiplicity of methodologies.

They share two common objectives:

- in the short term, to reduce poverty, whether simple or extreme;

- in the medium term, to enhance human capital, particularly for children, with a view to ending the intergenerational transmission of poverty.

They have three common components:

- cash transfers (and sometimes in kind);
- targeting mechanisms (geographic and/or family or individual);
- conditionality (strong, moderate or light);

They target primarily families with children of school age (and/or pregnant women).

In some countries, transfers have gone beyond their initial target to avoid excluding population groups such as unemployed adults, the handicapped or the old.

- This is particularly the case for the Argentinian scheme “Families for social inclusion” which was created in 2004 as a complement to the *Jefes* scheme, which focussed on families as a response to the need to include old persons without resources and poor childless workers.
- Similarly the *Oportunidades* scheme in Mexico has included an allowance for old persons without resources since 2006.

Social worker support is sometimes linked to financial benefits alongside support for the development of the services on offer (see below).

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2.1.2. Divergences and disparities

Behind these common elements, there is a great variety of design parameters.

Some CCTs only pay out one or two benefits while others have between seven and ten covering a multitude of situations and target populations depending on life cycles and certain specific conditions such as being handicapped.

Parameter differences revolve around the following elements:

- Transfer types and amounts (2.2)
- Conditionality and associated actions (2.3)
- Population covered and targeting methods (2.4)
- Duration of the allowance payment and exit mechanisms (2.5)
- Financing type (2.6)
- Institutional configurations (2.7)

2.2. Effects on poverty

If transfer amounts are small, they are by no means insignificant for beneficiaries. In most of the countries, they represent between 20 and 25 per cent of beneficiaries’ total income.

Panama's scheme is the most generous (43 per cent of total income) with payments in Chile, Colombia, Costa Rica, Guatemala, Jamaica and Uruguay tending to be much lower (11 per cent or less).

The effect of CCTs on poverty is particularly important in Ecuador, Brazil and Mexico where conditional cash transfers make it possible to reduce per capita poverty by 3.3, 1.7 and 1.7 percentage points respectively according to Stampini and Tomarolli (2012).

However, evaluations show that while CCTs make it possible to reduce extreme poverty (i.e. half the poverty threshold) they have much less influence on 'simple' poverty.

While the transfer amount is generally a fixed sum (*transferencia plana*) they may also vary according to the number of children. In this case, the amount is generally capped at a limited number of aid payments per family and can on occasion be regressive depending on children's ranking. The objective being not to encourage families to have more children simply to improve their income. Thus in Brazil, benefits are paid for a maximum of five children since the Brazil without poverty plan was brought in in 2011 (previously for three) and for two adolescents (since 2008).

2.3. Targeting methods and population covered

Depending on their design, CCT schemes target:

- extreme poverty (this is the case in Colombia or most countries in Central America with the exception of Jamaica);
- or simple poverty in addition to extreme poverty (this is the case in Brazil where the *Bolsa Familia* scheme combines two income thresholds and to levels of benefit; in Mexico or Uruguay).

Certain countries take a wider view of poverty and think in terms of families "at risk socially" (Argentina, Colombia, Chile, etc.): these are defined using a series of indicators such as child malnutrition, the presence of a head of family under the age of 20 or older than 50, an adult with a terminal illness or a situation of domestic violence.

Targeting can be geographic, family and/or community based, most countries use a combination of these methods.

2.3.1. Geographic targeting

A third of the schemes combine geographical targeting with targeting by household resources.³

Geographical zones eligible for CCTs are determined by income level or unsatisfied essential needs indicators (access to drinking water, housing quality, etc.).

For example, Mexico's *Oportunidades* scheme uses unsatisfied essential needs indicators for rural areas and income indicators for urban areas.

³ Plurinational State of Bolivia, Brazil, Ecuador, El Salvador, Honduras, Panama, Paraguay: seven countries for 10 programmes.

In Ecuador the “Zero Malnutrition” scheme targets districts where malnutrition exceeds 35 per cent; Honduras targets municipalities with the highest levels of malnutrition;

In El Salvador the *Comunidades Solidarias Rurales* scheme only uses geographical targeting: all families living in municipalities where the level of extreme poverty is “severe” are eligible.

Among those countries using geographical targeting, Brazil makes particular use of it as a means of monitoring its scheme: estimation of the number of poor households per municipality is used to guide scheme deployment in municipalities, with each being allocated an objective in terms of the number of targeted beneficiaries.

2.3.2. Population targeting (*focalización*)

Population targeting (*focalización*) comes after geographical targeting if this has been used.

While territorial targeting tools are generally available, the targeting of families as such can pose more problems and be the subject of debate.

There are three broad population targeting methodologies:

- **Targeting by income:** this is challenging in countries where income from the informal sector occupies an important place and where - in addition - data from the fiscal system only covers a small part of the population and certainly not the poorest part. Brazil’s *Bolsa Familia* is one of the only schemes to use this criterion since applicants have to apply to their municipalities. Claim validity is then assessed against the data from the *catastro unico* (*Cadunico*) which holds information about income for each locality.
- **The (“proxy means test”)** is used by the majority of the countries (14 countries out of 20 and 17 schemes out of 30): poverty is assessed using indicators assumed to be in close relation to income (for example the amount of land under cultivation for farmers, running water, electricity, soil makeup for the house, etc.).
- **The multi-factor approach to poverty** is used by some countries but sometimes comes close to resembling the proxy means test. This is carried out based on surveys done among the population to establish quality of life indicators and censuses (sometimes on old ones given their cost). In some countries the methods used to determine beneficiaries of schemes are public (Paraguay), while in others they are kept secret for fear that applicants might modify their declarations to qualify for benefits (Colombia).

With regard to the last two methods, national registers have been drawn up to identify those persons liable to qualify for social assistance benefits. As is the case in certain countries (Colombia, Chile...) these may lead to society being stratified according to the poverty levels in these registers, with a dichotomy between those who are poor (sometimes referred to by the name of the register itself, such as the “Sisben 1 and 2” in Colombia) and those who are not.

Some conditional cash transfers have a single criterion for eligibility or a limited number of criteria and have low information requirements.

Others require numerous details or indicators and have long and very technical verification procedures for recipients to qualify for benefits with frequent re-certifications.

2.3.3. Populations covered

- Foreigners are not generally beneficiaries

Almost all CCTs require an identity card to qualify. Thus foreigners cannot qualify even if they are legally resident.

Argentina, however, requires foreigners to show legal residence of at least three years on national territory to qualify for the *asignación universal por hijo para protección social* (universal child benefit, for social protection – AUH).

- The family is the basic unit taken into account

In most cases cash transfers are awarded to the family as a means of improving human capital (one of the two CCT objectives).

One criticism of these schemes is that persons who have no children in their care are excluded from these assistance payments (except in certain countries when they are handicapped or old).

Another criticism is that conditions attached to children's school attendance and school results are not easy to assess when children in the same family have very different types of behaviour.

- In most cases CCT is paid to the mother

Out of 30 conditional cash transfer schemes operating in 20 countries, in 47 per cent of cases, the cash transfer is granted to the mother of the family (and in 27 per cent of cases the head of the family can also be the mother).⁴

It therefore the mother who is also responsible for ensuring that the conditions linked to the payment are met and even, in certain cases, for the promotion of these schemes.

The supposition is that mothers will make better use of financial resources for the good of their families and children in general.

The aim is also to give more power to women within the family and to give them greater social visibility through their participation in workshops and training courses.

However, it can also be said that CCTs increase the amount of unpaid work performed by women and thus tend to perpetuate gender stereotypes and inequalities. By reinforcing their role in child-rearing and home-making they limit women's integration into the labour market (Cecchini and Madariaga, 2011).

Countries that do not stipulate who is the beneficiary are Costa Rica, Guatemala, Peru and the Dominican Republic.

⁴ In 26 per cent of cases, this indication is not specified in the ECLAC database that was used.

2.4. Allowance duration and exit mechanisms

The real average benefit duration for families under a scheme is three years. The main exit fact or under the schemes is linked to the age limit of the children in the care of families (varying between 14 and 21 years, more frequently 18 years).

Two thirds of schemes do not specify a duration for allowance payments but almost one third specify a maximum duration:⁵

- Trinidad and Tobago set a maximum duration of two years.
- Chile set a maximum duration of two years (with a continuation of benefit payment which decreases each semester and the possibility of reduced support for three additional years). At the end of two years, payment may be extended but only in exceptional cases to avoid beneficiary dependency.
- Nicaragua, El Salvador, Haiti and Paraguay have three-year schemes.
- The maximum duration in Peru is four years after which assistance can be extended for four years slowly reducing over time.
- In Colombia, the current “Families” scheme originally had a limit of five years; this is now indicative today.
- In Mexico, the maximum duration is six years after which families are passed on to another scheme, which is not conditional and can continue to receive assistance payments.

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The two justifications for these time limits are:

- the wish to avoid families becoming dependent which would work against improving human capital in the medium term with negative impacts on adult occupational insertion;
- the wish to give the possibility of benefiting from the scheme to more families within the schemes’ narrow and restricted financial envelopes? (Veras Soares and Britto, 2007).

Practices vary with regard to the exit mechanisms from schemes in cases where a beneficiary’s income increases.

2.5. Conditionality types and consequences of non-compliance

2.5.1. Conditionality types

With regard to conditionality types there are two CCT models:

- those making benefits only conditional on questions of education and health (most of the countries);
- those making benefits dependent on a wide range of conditions with regard to multidimensional poverty factors (mainly Chile and Colombia).

⁵ Analysis carried out from the ECLAC database in September 2015.

Between these two there are a certain number of schemes making benefits conditional on questions that are wider than education and health.

- Conditions limited to education and health

The two types of conditionality most often linked to cash transfers are the education and health of the children.

Of the 30 schemes currently in operation,

- Some 23 impose conditions regarding the school attendance of the children: nine for children under the age of 18; 10 for younger children (11, 14 or 17 years) and 3 for those older (21 or 25 years). In El Salvador, school attendance is mandatory up to the age of 15 in rural areas and 21 in urban areas. Among these schemes, more than half (13) require a rate of school attendance ranging from 75 per cent to 85 per cent.
- Some 22 schemes set conditions with regard to children's health (most often for children under the age of five) and compliance with the mandatory vaccination calendar.
- Some 13 schemes also require medical check-ups for pregnant women or nursing mothers.

One scheme, *Oportunidades* in Mexico operates a very global approach to health conditionality since it requires all the members of the household to have a check-up twice a year (Paes-Sousa; Regalia, and Stampini, 2013).

A total of 19 schemes (almost two thirds) set conditions linked both to health and school attendance.

Four schemes set conditions linked to success at school:

- In Mexico, the assistance payment is conditional upon a child not repeating the same school year twice and the fact of having finished school before the age of 22.
- In Chile, the assistance payment is only made if the child is among the 15 per cent best pupils in the class and the child's mother is in employment.
- In Peru, a secondary education cycle has to be terminated and an additional assistance payment is made if the child scores 14/20 as a grade average.
- In Jamaica the benefit amount is increased by 50 per cent or 75 per cent depending on the level of studies reached and is increased by 10 per cent again if it is a male student.

- A wide range of conditions

Only a few countries set other conditions one of which is Chile with 53 conditions considered as the minimum to overcome poverty or Colombia, which followed the Chilean model with almost 50 conditions for families to raise themselves out of poverty and exit the social support scheme. Individualized contracts are drawn up between families and their support professionals.

Beneficiaries are thus expected to make the most of a regular follow-up by a social worker or similar professional, take part in numerous activities (particularly information sessions), have access to collective services and improve many aspects of their family and social life.

Some conditions are objective and relate to the individual family. Others are more subjective (situation within the family, relations between the family members ...), prescriptive (breast-feed a child for a set number of months, have a healthy diet ...) or are completely independent of the family itself (access to adequate sewerage, drinking water supply ...).

The assumption is that the family is empowered to the extent that its members make the necessary efforts to exit from poverty.

- **Between the two**

Some schemes go beyond the limited conditions of health and school attendance without imposing a wide range of conditions like Chile or Colombia.

Among the conditions imposed are: having a bank account, the fact of having identity papers, adults attending training and literacy sessions, enrolment with employment services.

2.5.2. Degrees of conditionality

The degree of conditionality can be strong, moderate or light. Out of the 18 countries for which information allows the degree of conditionality to be reduced, 11 have a strong degree of conditionality (sometimes more on paper than in reality),⁶ five have a light degree of conditionality⁷ and two a moderate degree.⁸

The degree of conditionality is strong where compliance with conditions is viewed as bringing about a change in the beneficiary's behaviour to invest more in the human capital that is the family members, particularly their children.

- This is the case in Chile where payments are only made once compliance with the conditions required has been verified.
- In Mexico assistance payments are stopped if the health conditions are not complied with for four consecutive months (however, the period between decision and actual stoppage is six months on average).
- In Guatemala, assistance payments are stopped following two successive instances of non-compliance with conditions.
- In El Salvador assistance payments are suspended if there have been more than four unjustified school absences per month or if a child has missed two medical check-ups or vaccination appointments per year.
- This has also been the case in Honduras since 2006 (last PRAF/Family Allowance generation), in Costa Rica, in the Dominican Republic and in Nicaragua.

⁶ Belize, Plurinational State of Bolivia, Chile, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Nicaragua, El Salvador, Trinidad and Tobago.

⁷ Argentina, Ecuador, Haiti, Paraguay, Uruguay.

⁸ Brazil, Colombia.

It is more moderate when support takes priority over monetary assistance.

- It is the case in Colombia: stoppage of benefits and social support occurs when there has been non-compliance with conditions for three consecutive months or four non-consecutive months over the course of the last twelve months.
- It is also the case in Brazil with the *Bolsa Familia*: if conditions are not complied with, there is a careful analysis of the motives for non-compliance and the beneficiary has the right to additional support and individualised service from the local authorities. Only if non-compliance with conditions persists do beneficiaries receive notification that payment has been suspended, which then takes place very gradually (Bastagli, 2009).

It is light when conditions are set to help the family access its rights. Conditions are set, but, in practice, compliance is not verified. This is particularly the case:

- in Ecuador, for the “human development voucher”;
- in Paraguay, with the *Tekoporâ* scheme;
- in Argentina, 80 per cent of the assistance is paid without any conditions attached and the remaining 20 per cent placed in a savings account that the beneficiary can have access to once the health and education conditions are satisfied.

A growing number of countries are moving from conditionality to co-responsibility or shared responsibility between families and the local authorities who then have to make it possible for the former to access the necessary public services in terms of education, health and habitat (mainly running water, sewerage and electricity).

2.5.3. Conditionality motives and their application difficulties

▪ Conditionality motives

The three main justifications for setting conditions to monetary assistance payments are: (Barrientos, Hanlon and Hulme, 2010):

- The supposed “short-sightedness” of parents who are in a poverty situation and do not invest sufficiently in the human development of their children. It is therefore necessary to encourage them to send their children to school and to have them pass obligatory medical check-ups.
- The need to reinforce the exercise of rights to education and health.
- The political economy argument according to which conditionality receives the support and agreement of wage-earners (mainly the middle classes) which finances these right through their taxes as well as donor organizations.

▪ The difficulties in monitoring compliance with conditions

There are two difficulties attached to monitoring compliance with conditions:

- In a certain number of countries, and particularly in rural areas or slums, compliance with the conditions linked to benefit payment comes up against the fact that schools and

health care facilities are either absent or too far away. In Honduras, for example, the *Bono 10,000* scheme does not apply in districts where health care and education facilities are insufficient for the population's needs.

- Monitoring compliance with conditions comes up against problems of organization and data transmission facing health and education authorities. In a certain number of cases, it is for the family to supply attestations of school attendance or compliance with sanitary standards and vaccination calendars. In other cases, actors can be against monitoring (a study showed that in Brazil teachers did not report children's absences (Bastagli, 2008)). Finally, in countries with a large number of conditions, monitoring there requires significant human resources.

In certain countries, checks are performed systematically to verify that families are still eligible for assistance: every four years in Jamaica and Peru, every three years in Panama and Uruguay, and every two years in Brazil.

Costs linked to conditionality and associated sanctions can be high therefore: they can come to 24 per cent of the operating costs of the *Progresa* scheme, for example (not counting transfers) (Caldes, Coady and Maluccio, 2006).

2.5.4. Consequences of conditionality

- Positive consequences?

Analysis of first generation schemes (Mexico and Brazil) find that CCT schemes are a success with regard to social assistance and reducing poverty in the short term.

In a great number of Latin American countries, it has been observed that conditional cash transfers have increased school attendance as well as compliance with vaccination calendars for children and health monitoring for them.

There are, however, differences from country to country.

- With regard to school attendance:

The positive effect of CCTs here is measured above all in terms of short term results (school attendance rates), with the impact on human capital in the long term (productivity, education level) being less clear. Rises in enrolment rates as a result of CCTs go from two per cent to 10 per cent according to age and country (Fiszbein and Schady, 2009). Results are particularly noticeable in those countries where school attendance rates were low when a scheme was introduced.

Progresa has a relatively limited effect of enrolments for primary schools in Mexico because the enrolment rate was already high when the scheme was introduced (more than 94 per cent). However, the increase in the rate of school attendance becomes apparent at the moment of changing schools, for example in the first year of college.

In Honduras, the "PRAF I, II and III" schemes have had an impact on the school attendance rate but not really on absenteeism or school results (inadequacy of public schools?) (Franco and Rolando, 2008).

- With regard to health and nutrition

A general increase in the number of medical check-up for children has been observed. The strongest impact has been observed in Jamaica where medical check-ups for children under the age of six included in the “PATH” scheme have increased by 38 per cent.

However, the impact on children’s nutrition and state of health is heterogeneous:

- An improvement has been observed in Brazil, where children under the age of five in the *Bolsa Familia* scheme have 26 per cent more chance of having satisfactory indicators in terms of weight and size than children not in the scheme. There is, however, no indication that payment of the assistance amount or conditionality was what led to this result.
 - In Mexico an increase in preventive health consultations and a reduction in infant and maternal mortality has been recorded (Cecchini and Madariaga, 2011).
 - In Honduras, the “PRAF I, II and III” schemes have had a positive impact on improving medical monitoring for pregnant women but not on child growth and malnutrition (assistance payment amount too low and poverty too great to make any inroads into nutrition?) (Franco and Rolando, 2008).
- Limits or negative consequences?

There is, however, no simple causal relationship between degree of conditionality (strong, moderate or light) and improvement in these indicators, which might be based on a better level of information for families, an improvement in their living standard or even social pressure leading to an improvement in services offered.

Studies have attempted to isolate the role played by conditionality proper. One of them, a recent one, concluded that conditionality plays a positive role in schooling who are not traditionally favoured by parents for school attendance (daughters, the youngest children and children who are less gifted); its role remains neutral for others (Akresh, De Walque and Kazianga, 2013).

The application of sanctions can be problematical given the time that can elapse between the situation where conditions are not complied with, its detection and the decision to stop payment of financial assistance. In reality, several months may pass and already fragile family budgets can be upset by the withdrawal and reinstatement of payments.

It was also mainly this finding that led France to remove the conditions of pre- and post-natal medical check-ups and the condition of school enrolment prior to paying family benefits. Whilst these conditions were complied with in almost all cases, it was found that only those families in most difficulty lapsed sometimes and that social worker support was more useful than benefit stoppage.

Numerous authors found that too strict a conditionality risked excluding those households that were the most vulnerable and had the most difficulty in complying with conditions: indigenous populations and the poorest had the highest drop-out rates from these schemes.

Certain studies also mentioned the risk of adverse effects both in terms of take-up and intrinsic loss of motivation for scheme beneficiaries, explained by a difference between short and long term effects. Those persons who could be encouraged to adopt a certain behaviour

for money would do so for reasons that were external and not intrinsic, which would lessen the perception of motivation and competence that they would have if they were acting autonomously and thus they would be in fine less motivated (Cameron, Banko and Pierce, 2001).

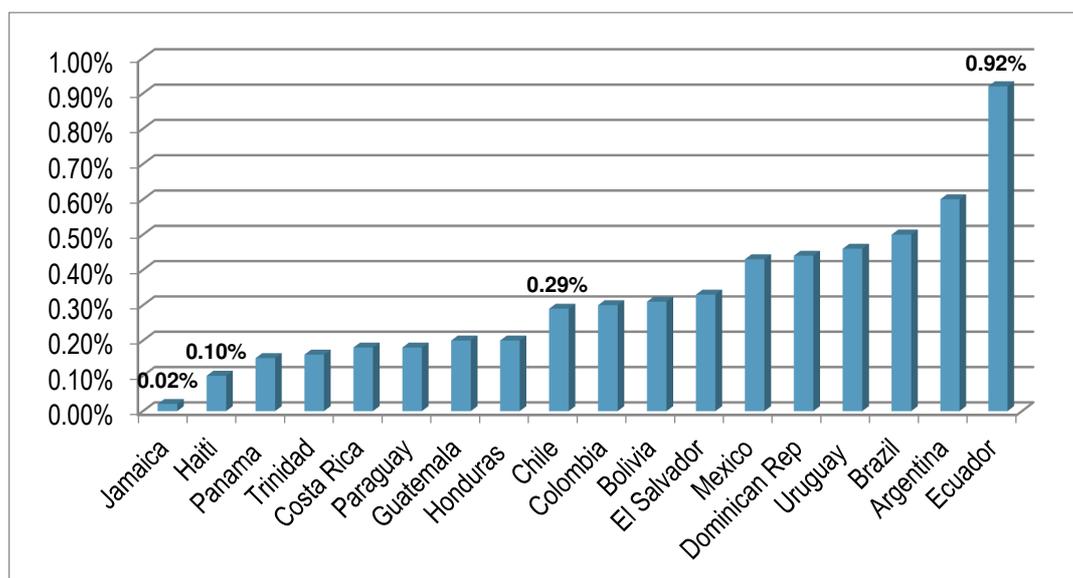
2.6. Financing

2.6.1. Expenditure against GDP

Expenditure on CCT schemes does not exceed one per cent in any of the Latin American countries. Their share of GDP is between 0.2 per cent (Jamaica) and 0.92 per cent (Ecuador). See figure below.⁹

In nine of the Latin American countries (see figure 4 below), the social expenditure part of GDP varies between 5.7 per cent (Ecuador) and 19.1 per cent (Brazil). There is no observable correlation between the CCT part in GDP and that for social expenditure.

Figure 4. CCT expenditure as a proportion of GDP (percentage)



Source: ECLAC data: <www.dds.cepal.org/bdptc/pais/?id=ar>.

2.6.2. Financing sources

Out of 23 CCT schemes (in 16 countries) for which information is available,

- 13 use national sources only;
- 10 have a variety of financing sources with support from the Inter-American Development Bank (IDB) (in eight cases), the World Bank (WB) (in seven cases) and other sources of finance including UNICEF (in five cases).

Brazil, Chile, Mexico, Uruguay, Guatemala and Ecuador mainly finance their conditional cash transfer schemes from national funds.

⁹ This proportion is too low to appear legibly in the figure showing the social expenditure part of GDP.

This is not the case in countries such as Paraguay, El Salvador, Jamaica or Honduras where financing for such schemes depends mainly on international aid.

A recent study showed that the relative importance of loans from the IDB had decreased during the introduction period for the schemes in Brazil, Colombia and Jamaica; that it remained constant for Mexico and that it increased substantially for Honduras and Peru. In Colombia, for example, there was a strong reduction in such loans after the first year that the scheme was introduced and Congress recently approved legislation stipulating that current CCT expenditure be financed from domestic sources (Paes-Sousa, Regalia and Stampini, 2013).

No correlation was found between the part of GDP allocated for CCT schemes and the type of financing (national or international).

The extent of external financing sources may influence the design of schemes: external financing is of short duration and a certain number of studies have shown that, as a result of this fact, they are more focused on short term rather than long term objectives (the accumulation of human capital).

In Nicaragua, for example, the “RPS” scheme was limited to the duration of the loan from the Intra-American Bank (2000–2006) and the scheme was abandoned in 2006 despite showing good results (in terms of poverty, inequality, the quantitative and qualitative effect on household consumption), since the external financing was not renewed (Moore, 2008).

For certain authors (Bastagli, 2009), the availability of external funds can be crucial in setting up social safety nets, particularly in countries with weak systems of public finance. It can help to legitimate schemes and support their monitoring and evaluations. However, dependence on external financing guaranteed for limited periods and subject to renegotiation affects the continuity and design of conditional cash transfer schemes.

2.7. Institutional configurations

The positioning of the body responsible for implementation is vital since conditional cash transfers involve a variety of actors from various sectors (health, education, social protection) and at various levels (Federal State, State, local authorities), thus coordination of a very considerable challenge.

The responsibility for coordination varies considerably from country to country. There are three types of institutional positioning: within a ministry or state secretariat; as part of the office of the President of a country; or as a unit created specifically for coordinating conditional cash transfers set apart from government institutions.

- a ministry provides coordination in Brazil, Chile and Mexico;
- in Colombia, depending on the scheme, the office of the President, a ministry or a special body;
- a special body in Honduras;
- An independent social fund in Nicaragua (the attempt to attach the scheme to the ministry for families failed).

For the 30 CCT programmes where information is available, responsibility lies first and foremost with the ministries of social development, then with the office of the President of the Republic and finally with other ministries (education, health, economy and finance, work and social security).

Only Argentina has placed its “semi-conditional?” transfer scheme under the National Social Security Administration (ANSES) since these payments resemble family benefits.

Organizations implementing CCT schemes are those in charge of social protection or social assistance, organizations put specifically in place to manage a transfer scheme or other organizations (investment funds, assistance funds, banks, nutrition coordination, foundations, etc.).

A quarter are also operated by directorates of ministries but none by offices of the President of the Republic. Schemes under the trusteeship of offices of the President of the Republic are more often run by specific organizations.

3. Developments for CCT schemes

Could recent trends in conditional cash transfer schemes lead to more universal policies in all or parts of those countries that have introduced them? Or even towards abandoning the conditionality aspect?

3.1. Current challenges and risks

3.1.1. Current challenges

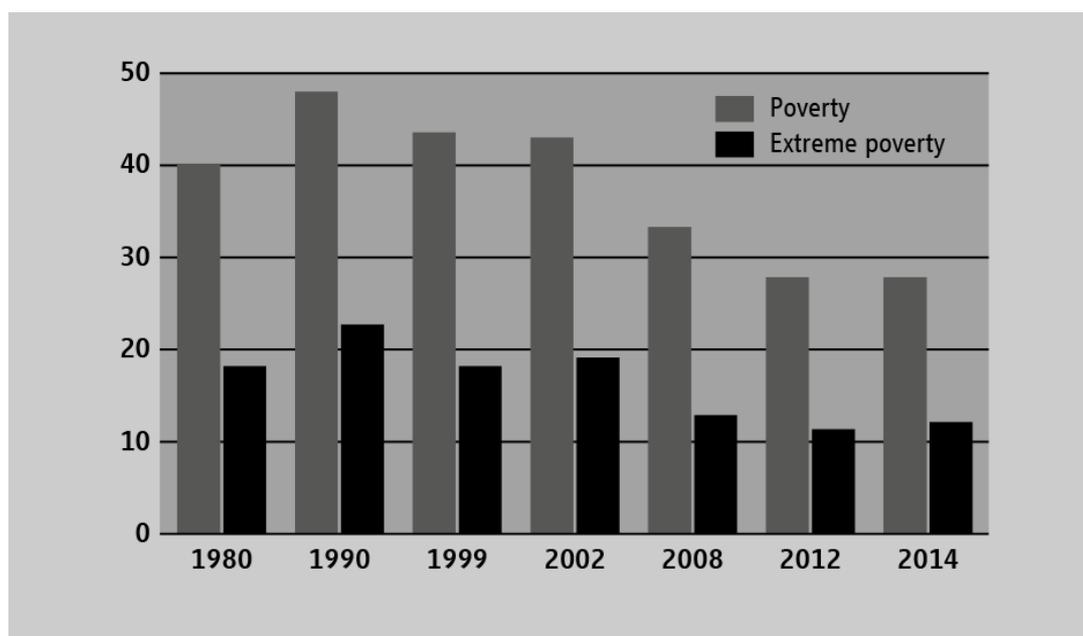
Over the last 15 years many countries in Latin America and the Caribbean have made significant progress in reducing poverty and inequality as well introducing innovative social programmes.

Between 2002 and 2013, the number of poor people in Latin America fell from 221 million to 164 million, which is a reduction of 25 per cent.¹⁰ Over the same period, there was a 10 per cent reduction in the gap between the richest and the poor.¹¹ The poverty rate still remains high, however (28 per cent of the Latin-American population) and the rate of extreme poverty or indigence is still 12 per cent (68 million persons). See figure 5 below.

¹⁰ ECLAC (2013).

¹¹ ECLAC. Observation for 15 countries.

Figure 5. Persons living in poverty and extreme poverty in Latin America as a percentage of the total population (1980–2014)



Source: ECLAC data (2015). Figure published in *Finance and Development*, September.

Note: Here ECLAC defines poverty on the basis of cost, in each country, from a basket of goods and services that are considered essential.

Based on United Nations Development Programme (UNDP) data, considering the number of persons living on less than four dollars a day, this figure fell from 189 million persons in 2000 (42 per cent of the population) to 133 million persons in 2012 (25 per cent of the population, a reduction of almost 30 per cent in 10 years.

The number of persons suffering from hunger in Latin America went from 60.6 million persons in 2002 to 26.8 million (FAO, 2015) in 2014, which is a reduction of 55 per cent and a proportion of 5.5 per cent of the population. Argentina, Brazil, Chile, Costa Rica, Mexico, Uruguay and Venezuela have malnutrition rates below five per cent. In the Caribbean region, however, the situation is less positive (with Haiti in particular or 75 per cent of the population suffering from malnutrition) and in Central America where the malnutrition rate varies between 10 per cent and 16 per cent.

However, according to ECLAC, since 2012, the poverty rate has stopped falling in Latin America. Some 20 per cent of households with the lowest incomes only see five per cent of the national income against the richest 20 per cent who receive 47 per cent (Cecchini and Lavigne, 2014).

Social protection continues to take the form of a diversity of schemes for specific population groups.

These countries have to face great structural challenges, the greatest of which is the segmentation of the labour market into the informal and formal sectors, the latter alone allowing access to social security or even to supplementary social protection. A significant number of persons remain excluded from any protection and can only benefit from CCT schemes if they are in extreme poverty.

Population transition is in progress and population ageing can be observed, even if this remains slow compared to other continents.

Another challenge is the inequality between men and women with a lack of services and collective facilities to reconcile work and family life.

One of the challenges is to continue the fight against poverty despite a stagnation in growth for many Latin American countries over the last two years. However, the dissemination of conditional cash transfers alone does not seem to be able to respond to the challenges indicated above. While CCTs are certainly effective in reducing extreme poverty and malnutrition they are less so on (non-extreme) poverty itself. This explains the fact that, in European countries, and particularly in France, where the levels of poverty and extreme poverty are not comparable, unconditional benefits are the tool of choice for combating poverty.

3.1.2. Current risks

One risk is that, in many countries, there is a long-term consolidation of a two-tier social protection system with, on one side social security (possibly with a supplementary protection scheme) for populations with average and higher incomes and CCTs for the poorest on the other.

There is generally improved access to public services for those populations receiving CCTs. However, the question of the quality of these public services, aimed, in fact, at the poorest, does arise, while the middle and upper classes tend to be turning to private services.

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The risk is therefore that there will be a growing split between quality public services (in the education and health areas), for the most part private and, for the poorest, lower quality cheaper services in the public sector. The best way of supporting public services and their quality is for them to be used by all categories of the population as part of a universal health and education system.

The diversity in socio-economic and political conditions in each of the countries as well as the CCT scheme types operated there influence the development towards solidarity-based social protection systems with regard to financing, with universal coverage, which is a rights-based approach that involves or is based on a range of quality public services for all the population.

3.2. Favourable conditions for structural developments in CCTs

Most of the CCT systems examined in this Note have been developing rapidly and sometimes along structural lines since they were introduced (see points 1 and 2 of this Note).

A certain number of conditions favourable to positive structural developments (with regard to ILO guidelines) are nevertheless necessary for these systems to take root, become sustainable or even take on a more universal character than they have today (transformation into basic minimum income, transformation into family benefits for a large part of households). In so doing, CCT schemes can fully embed themselves into the social protection systems of these countries (systems that are, themselves, still under construction).

Among the conditions favourable for such developments are those dealing with length of payment, degree of population coverage, current enrolment in the country's social protection system and dependence on external financing.

Conversely, as applied in France, CCT transfers could represent a step backwards in terms of social protection as such to the extent that certain family benefits making up CCTs when they were introduced (pre- and postnatal allowances, family allowances,...) but which have moved towards universality in light of the good results obtained with regard to school attendance, vaccinations and check-ups for mothers and young children.

3.2.1. Payment duration

Countries can be placed into three categories according to CCT payment duration (Cecchini and Lavigne, 2014) (see point 2.3 above):

- **A first country category** considers that CCT schemes must be of limited duration to be effective and remove the persons involved from poverty. If that is not the case, they have failed and other forms of intervention have to be looked for (Chile, Colombia, Haiti, Nicaragua, Paraguay, Peru, El Salvador, Trinidad and Tobago, and, to a certain extent, Mexico). In such contexts, CCT development towards universality is unlikely in the short or medium term, unless there is structural modification to the various social policies.
- **For a second country category** (Brazil, Ecuador, and Uruguay to a lesser degree), the feeling is that CCTs must be permanent as long as they are necessary and constitute from the present or in the short or medium term, a minimum guaranteed income.
- **A third country category** is one in which assistance payments for children take priority and are close to family benefits as such. It is also conceivable that CCTs could become universal (even if they are conditional upon resources) benefiting children of employees as much as others. CCTs could therefore take their place alongside contribution-based systems as happened with family benefits in France. Two types of aid payments have these characteristics: Family allowances in Uruguay and the universal child allowance in Argentina.

It is easier to envisage a trend towards a more universal policy in the second and third categories.

3.2.2. Degree of population coverage

It is also possible to distinguish two other broad categories of country – still in rather general terms.

- (1) **Those where the social security system coverage is restricted and where CCTs are still not widely used**, covering only a small proportion of the population. It is often in these same countries that CCT schemes have restricted and limited budgets covering only a small part of the extremely poor population (Belize, Costa Rica, Haiti, Paraguay, Panama, El Salvador, Trinidad and Tobago) (Veras Soares and Britto, 2007). However, CCTs there are one of the main components of the social protection system. In these countries, the current priority is to reinforce the efficiency and coverage of social assistance whilst embedding it as far as possible to be able to count on a solid protection base.
- (2) **Those that already have an advanced social security system, with wide coverage. CCTs form part of social protection in the broad sense** playing a role in the complementary sector of the social security system. It is often in these same countries

that CCT schemes contain financial aid payments for the old and/or the handicapped paid unconditionally and viewed as social rights and aids to maintaining living standards. It is also generally in these same countries that the conditions attached to cash transfers are light. The question here now or in the short term is one of integration into the social security or social assistance scheme or at least linking them closely with more established systems. It is this type of country that is more likely a priori to move CCTs towards a progressive universality. Examples could be Argentina, Brazil, Ecuador and Uruguay.¹²

CCTs also represent a first step towards universal social policies in the sense that cash transfer is targeted but is also intended to support demand for (and use of) services that should be universal (education and health) and, in so doing, promote their development by the public actors (Cecchini et al., 2009).

3.2.3. Enrolment in the national social protection system

Enrolment in the national social protection system is an important factor and goes hand in hand with the scheme's degree of institutionalization and the ways in which it is financed.

As a general rule, schemes which are under the auspices of the office of the President of the Republic (El Salvador, Honduras, Dominican Republic, etc.) are more often experimental in character, less institutionalized, than those run by a ministry. One can therefore advance the hypothesis that they will be integrated less quickly into a system of social protection as such.

3.2.4. Dependence on international financing

Countries such as Honduras, Paraguay, El Salvador and Jamaica depend mainly on international financing to finance their CCT schemes. It is also true that these same countries allocate a very small part of their GDP to these schemes.

Conversely, countries such as Brazil, Mexico, Uruguay or Ecuador allocate a higher proportion of their GDP than others to CCT schemes, mainly provide financing from the national budget, have quite a high rate of population coverage and do not limit payment of financial aid over time to families in situations of extreme poverty.

3.2.5. Sufficient development for what is provided

Where CCTs are based on the use of education or health services, the issue is to ensure that these services are available in sufficient quantity and quality (Paes-Sousa, Regalia and Stampini, 2013).

3.3. Future potential methods

3.3.1. Financing methods

The first point to be taken into account is that of financing. It is usual to point to the social expenditure of Organisation for Economic Co-operation and Development (OECD) countries and to recommend to Latin American governments to move forward in that direction. The

¹² The CCT coverage rate reaches a quarter of the population in Brazil and 40 per cent in Ecuador.

average resource figure from taxes and social security in OECD countries is 36.3 per cent of GDP. This figure is 20.4 per cent in Latin America.

3.3.2. Possible models

Three models would appear possible to move forward towards universal social protection:

- The first is the social protection base put forward by the ILO while recognising that this is not achievable through individual contributory insurance systems. There would therefore be a base for the whole population (financed from direct or indirect taxation) then contributory social insurance schemes and finally voluntary insurance schemes. This is a pragmatic model envisaging various routes to achieve this aim.
- Another model is the one supported by Santiago Levy, from the Inter-American Development Bank (IDB), which is currently being discussed in Mexico. It is based on the premise that not everyone goes through the factory but everyone does go to the shops. It recommends building a system financed by taxes on consumption and not on the total wage bill.
- The third model is a basic universal approach divorced from any occupational activity. The key is a tax approach that finances basic universal guarantees: minimum guaranteed income, universal pensions for the old and the unemployed, benefits for children, quality health and education services.

3.3.3. Aspects to be taken into account

“When setting out a social protection agenda using a right-based approach, several aspects would have to be taken into account:

- Direct income redistribution from non-contributory systems to build a basic guaranteed minimum income (for children, families, the old, working age unemployed whether from the formal or informal sector);
- The move forward towards universalism with guaranteed minima and progression in social protection (health/social security) to reduce the gap with regard to service access and quality;
- The creation of a network and quality public services with regard to child care and care for the aged with multiplier effects (Cecchini and Lavigne, 2014).”

“The means to make rights universal can be targeted,” put another way, “targeting is a tool while universalization is an objective”.

4. In conclusion

CCTs deployed from the noughties onwards in most of the Latin American countries have shown sufficiently interesting results in terms of the fight against poverty and investment in human capital to lead a certain number of countries on other continents (Africa in particular) to adopt them.

These results can also encourage more advanced countries, mainly European, to re-examine and re-activate similar schemes, combining conditional financial benefits with behavioural encouragement measures with regard to health and education.

However, after a broad wave of interest in such schemes, their particular limits today require a closer assessment of their risk/benefit balance.

- Their potential in the fight against extreme poverty is their main interest although they have not succeeded in eradicating it. Their capacity to fight against simple poverty is unproven since 28 per cent of people in Latin America remain poor.
- Their conditionality component has realised its full potential, particularly in countries with low school attendance rates and high infant and mother mortality rates.¹³ With the Millennium Development Goals, these two indicators have improved significantly. However, while varying from country to country, the conditionality linked to these schemes can be perceived as intrusive and burdensome in those countries where it is particularly constraining. Those countries operating conditionality with a lighter touch obtain just as good results for their CCTs as those countries operating strict conditionality. The services available seem to play a role at least as important as the conditionality itself.
- These CCT schemes were set up as emergency measures for the most part based on institutional schemes disconnected from conventional social protection systems. This was justified by the fact that the latter had been set up for only a small part of the population namely public employees and employees of large enterprises, while CCTs aimed at covering the poorest, often in the informal sector. The issue of extending social protection to the majority of the population, which has been under way in Latin America since the noughties in response to social protection base objective put forward by international institutions with the ILO's Recommendation No. 202, raises the question of linking these transfers with conventional systems. The aim in effect is to avoid two-speed social security systems. On the contrary the aim is to open systems to cover as large a part of the population as possible.

Finally, these schemes will have to submit to a final examination: that of their sustainability.

They were developed in Latin America in a phase of strong growth and made it possible to redistribute some of the fruits of that growth. The question is how will such schemes fare in the more difficult economic phase to come, particularly in Brazil, with the end of the boom in raw materials.

Their continuation, and even their extension, will call for structural reforms to make their financing possible, particularly tax reforms (tax on income, inheritance, added value, consumption, etc.).

It is likely that many Latin American countries will have to make, doubtless difficult, choices quickly with regard to social protect in the broad sense and the ways in which it is financed.

¹³ Unicef. 2015. *Level and trends in Child Mortality*.

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