



Comparative Case Studies

Review of IDB Institutional
Support to the

Conditional Cash Transfer in Three Lower-Middle-Income Countries



This document is part of the comparative evaluations developed by the Office of Evaluation and Oversight on projects financed by the Inter-American Development Bank (IDB). This evaluation analyzes the support provided by the IDB for the implementation of conditional cash transfer (CCT) programs in three lower-middle-income countries.

The relevance of this evaluation is twofold. First, most of the IDB's loan and technical cooperation operations supporting CCT programs have funded programs in middle-income countries. As a consequence, both knowledge and documents from CCT programs supported by the IDB generally refer to countries whose education and health systems are more developed. This evaluation is intended to provide more evidence on the implementation of CCT programs in lower-middle-income countries. Second, the successful implementation of CCT programs requires a high degree of institutional capacity and alignment among different critical actors. Scholars have recently questioned the relevance of CCT programs in low-income countries, given the complexity of their institutional design and, in some cases, the countries' poor basic service provision. This evaluation examines these concerns for the selected programs.

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Review of IDB Institutional Support to Conditional Cash Transfers in Three Lower-Middle-Income Countries

Office of Evaluation and Oversight, OVE



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ABBREVIATIONS AND ACRONYMS

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ACRONYMS AND ABBREVIATIONS

CCT	Conditional cash transfer program
CCLIP	Conditional Credit Line Investment Project
CSR	<i>Comunidades Solidarias Rurales</i>
CSU	<i>Comunidades Solidarias Urbanas</i>
ENCOVI	Quality of Life Survey
FAO	United Nations Food and Agriculture Organization
FHIS	Fondo Hondureño de Inversión Social
FISDL	<i>Fondo de Inversión Social para el Desarrollo Local</i>
GDP	Gross domestic product
GNI	Gross national income
IDB	Inter-American Development Bank
IFPRI	International Food Policy Research Institute
IL	Investment loan
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MBS	<i>Mi Bono Seguro</i>
MIDES	Ministry of Social Development
MIF	Multilateral Investment Fund
MiFaPro	<i>Mi Familia Progresa</i>
MINEDUC	Ministry of Education
MSPAS	Ministry of Public Health and Social Assistance
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PCR	Project Closing Report
PHC	Pacto Hambre Cero
PISA	Program for International Student Assessment
PMT	Proxy Mean Test
PRAF	<i>Programa de Asignación Familiar</i>
RENAP	National Registry of People
RUB	Unified Registry of Beneficiaries
SESAN	Secretary of Food and Nutritional Security
SIRBHO	<i>Sistema de Registro de Beneficiarios de Honduras</i>
STP	<i>Secretaría Técnica de la Presidencia</i>
TC	Technical cooperation
WB	World Bank Group
WDI	World Development Indicators
WFP	World Food Program

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Providing cash transfers to poor people in exchange for their use of health and education services can be an efficient way to increase human capital and reduce poverty, with lower fiscal costs than general subsidies.

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Executive Summary

Conditional cash transfer (CCT) programs are among the principal measures used to tackle poverty in developing countries, particularly in Latin America. Providing cash transfers to poor people in exchange for their use of health and education services can be an efficient way to increase human capital and reduce poverty, with lower fiscal costs than general subsidies. The IDB has actively supported the expansion of CCT programs in Latin America and the Caribbean (LAC) since the late 1990s. The experience accumulated during these decades has included both successes and failures, and has provided important lessons for the design of new operations.

This evaluation analyzes the effectiveness of support provided by the IDB to develop and implement CCT programs in selected lower-middle-income countries. It identifies the specific support provided by the IDB for the institutional functioning of CCTs in selected cases and provides specific lessons drawn from these cases.

This evaluation used a “component-based” methodology –that is, a methodology that compares the characteristics of specific components of a program or policy against a selected standard to determine its effectiveness. The component-based methodology is appropriate for this evaluation since it enables the identification of a standard set of the most salient elements – processes, actions, or policies –required for the proper institutional functioning of the CCT programs. These standard components– (1) assessment of poverty conditions; (2) targeting, selection, and registry of beneficiaries; (3) coordinating agency of the program; (4) definition of monetary benefits; (5) definition, monitoring, and enforcement of conditions; (6) recertification and graduation of beneficiaries; (7) payment method design and administration;

(8) support of complementary services; (9) monitoring and evaluation; and (10) fiscal funding of the programs—provide a framework to understand how current and previous versions of the CCT programs function, and facilitate an assessment of IDB support.

Three criteria were used to select cases for the evaluation: (i) country classification as lower-middle-income as measured by gross national income per capita, (ii) presence of an active CCT program with both education and health components, and (iii) at least one IDB-sponsored loan related to the CCT program active between 2008 and 2014. Using these criteria, the following programs were selected: *Red Solidaria-Comunidades Solidarias* in El Salvador; *Mi Familia Progresa-Mi Bono Seguro* in Guatemala; and *PRAF II*, *PRAF III*, and *Bono 10.000* in Honduras.

Although total financial support has been similar for each country, the timeline and mix of support instruments for each CCT program has been unique. Since 2000 the Bank has supported three different CCT programs in Honduras through 4 policy-based loans (PBLs), 11 investment loans (ILs), and 19 technical cooperation operations (TCs) with a cumulative value of US\$538.9 million. In El Salvador, since 2004 the Bank has supported two CCT programs through 3 PBLs and 8 TCs totaling US\$502.5 million. In Guatemala, since 2009 the Bank has supported two CCT programs for a total of \$US550 million, through 2 PBLs and 3 TCs.

In Honduras IDB support of CCT programs has been technically and financially comprehensive, whereas in El Salvador and Guatemala it has been more limited. In El Salvador, the Bank provided intense support between 2004 and 2008, but it has not been involved in the CCT program since 2010. In Guatemala the Bank has supported two different phases (2008-2010 and 2014-now), but with important limitations. The different levels of IDB support in each country make it difficult to directly compare effectiveness. However, the component-based methodology assesses the extent to which each country's CCT program has been able to effectively implement the standard components, as well as the extent to which the Bank was able to support the identification and closing of gaps between country CCT programs and best practice. The IDB has been the main supporter of CCT programs in Honduras, over time providing technical and financial support to all model components. In El Salvador the Bank provided support during the design of the cash transfers of the social protection system and its transition to *Comunidades Solidarias*. Since 2010 the Bank has played a marginal role in the functioning of the program. The Bank's support to the Guatemalan CCT programs has been primarily fiscal, through budget support not specifically earmarked for the program. The most recent version of the CCT program is expected to receive more technical support going forward.

The evaluation found that IDB technical support in the selected cases is positively associated with more effective CCT components, specifically in the areas of measuring poverty, the design of targeting and registry systems, and external evaluations. Evidence from this evaluation indicates that when the Bank has been involved in the design

and implementation of these components, particularly through investment lending, their quality and effectiveness have been higher. IDB support in these components generally addresses elements that are required for their proper institutional functioning. Support in these areas included products that addressed specific one-time deficits in the components, indicating Bank responsiveness to country needs. In each case, clients identified Bank staff's experience and knowledge as a comparative advantage.

IDB support has had limited results in institutional components whose activities are more directly tied to the state's capacity to implement programs, including the monitoring of conditions, payment administration, and support of complementary services. Components that require a permanent effort from the local authorities have had two recurrent problems: limited institutional capacity to follow processes and procedures, and low cooperation among line ministries associated with the CCT program. Both problems have impeded effective condition monitoring, payments, and provision of complementary services. Low effectiveness in these areas has significant consequences for CCT program functionality, and the Bank has not yet developed a way to provide support with better success.

The selected countries face fiscal restrictions that affect the institutional functioning of the CCT programs. In Honduras, it is unlikely that the CCT programs would function properly without IDB financing. In El Salvador, where IDB support is not being used to fund the transfers, the fiscal situation has complicated the functioning of the program. Guatemala is facing a similar situation, and the new IDB operation will provide important fiscal support. Even with IDB support, programs have not always been able to make payments to beneficiaries on time, indicating an underlying risk to the programs.

The document provides some suggestions for improving the Bank's CCT operations to maintain the relevance of IDB support:

1. If the Bank is asked to support a country's CCT program through lending or technical cooperation, ensure that there is a comprehensive diagnosis of institutional needs that will help identify and prioritize components that require immediate support.
2. Strengthen Bank support to institutional components requiring ongoing government capacity and coordination, such as the monitoring and enforcement of conditions and administration of payments.
3. Analyze the funding needs of CCT programs (as part of broader social protection spending) and take this into account when deciding on the sizing of new loans and the choice of lending instruments.
4. Systematize the lessons learned from previous operations, processes, and evaluations.



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Conditional cash transfer programs are designed to tackle poverty by increasing human capital; they encourage outcomes like school attendance and participation in health checkups as a requirement for receiving cash transfers.

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1 Introduction: Institutional Challenges to CCT Programs

The Inter-American Development Bank (IDB) has been a primary supporter of the expansion of conditional cash transfer (CCT) programs in Latin America and the Caribbean for the past two decades. These programs are designed to tackle poverty by increasing human capital; they encourage outcomes like school attendance and participation in health checkups as a requirement for receiving cash transfers.¹ After the successful implementation of CCT programs in Mexico and Brazil during the 1990s, the IDB facilitated their expansion in the region.²

Evidence on the effectiveness of CCT programs are varied although there is agreement that successful implementation requires strong executing institutions and a high degree of alignment among stakeholders. In general, transfers are likely to increase levels of food consumption, use of health facilities and services, school enrollment among the poor.³ That said, evidence on the effects of increased use of public services on learning and health outcomes is inconclusive.⁴ Limited outcomes of conditional programs in low-income countries, which tend to have lower institutional capacity, have led scholars to question whether their design is appropriate for such environments.⁵

Evidence on how institutional capacity affects CCT programs in low- and lower-middle-income countries is scarce. The effectiveness of CCT programs is determined by the authorities in charge of implementation, the level of



In general, transfers are likely to increase levels of food consumption, use of health facilities and services, and school enrollment among the poor.
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decentralization in the institution and country, the role played by line ministries and other supporting institutions, and the cost of program administration.⁶ Different actors have varying incentives and capacity to collaborate in the functioning of the program. This collaboration determines the level of accountability and transparency in the program, and it is highly dependent on the political support for the program.⁷ Available studies and evaluations in low- and lower-middle-income countries have focused primarily on the impact of CCTs on health and education indicators, rather than on understanding how institutional issues and design affect program sustainability and outcomes.⁸

This evaluation is intended to help understand how the IDB has supported low- and lower-middle-income countries in the design and implementation of CCT programs. Since such countries tend to have lower institutional capacity, this

evaluation identifies specific support provided by the IDB for the institutional functioning of CCTs in selected cases and provides lessons learned from this support. The analysis and comparison of these components can be used to identify the programs' strengths and areas for improvement.



The measurement of the total population living under poverty conditions should be based on updated information for the nation and for its geographic divisions. This information is used to estimate poverty intensity and location using poverty lines and population estimates.

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2 Evaluation Objective, Methodology, and Data Collection

A. EVALUATION OBJECTIVE

This evaluation analyzes the effectiveness of support provided by the IDB to help specific lower-middle-income countries develop and implement CCT programs. The overarching evaluation question is, “To what extent has the IDB provided effective support for the design, implementation, and supervision of CCT programs in specific lower-middle-income countries?” The analysis is based on the assessment of 10 standard components, identified through a literature review, that are needed for a CCT program to function properly.

B. METHODOLOGY

This evaluation used a component-based methodology,⁹ which compares the characteristics of specific components of a program or policy against selected standards to determine their effectiveness. The component-based methodology is appropriate for *this* evaluation because it enables the identification of a standard set of the most salient elements –processes, actions, or policies– that are required for the proper institutional functioning of the CCT programs. The methodology works as follows:

- a. The most important components of a policy or program are defined on the basis of specialized literature and/or expert opinion. Ideal components, or “standards,” are further characterized through specific elements that are needed to increase the likelihood of the component’s effective functioning.
- b. Policies or programs are evaluated according to each component’s standards. This comparison facilitates the identification of missing elements of the program or policy. The component is evaluated either as successfully

implemented or not successfully implemented. Where a component is not successfully implemented, the model can still indicate whether some elements are present. In general, the “successful implementation” of a component requires all elements of the standard.

This methodology focuses on the institutional functioning of the CCT programs and the Bank’s impact on it. It does not examine impact on income redistribution or human capital formation; the impacts of the CCT programs on beneficiaries are *beyond* the scope of this evaluation.

The component-based methodology facilitates the assessment of Bank support of each component by instrument. The methodology identifies specific actions, policies, and processes of components included in IDB operations. The IDB’s technical and financial additionality can be mapped by instrument, since each operation supports specific components of a CCT program. Where the Bank did not provide support for a country’s CCT program, the Office of Evaluation and Oversight (OVE) still assessed the program components to place the Bank’s actions within a broader set of institutional needs.

OVE used an extensive literature review to identify the components that would increase a CCT program’s likelihood of effectiveness.¹⁰ When these components are present, the CCT program is more likely to be effective and sustainable. The selected components include the basic institutional elements that can facilitate the *functioning* and administration of the program according to the specific context and policy conditions of each country. In OVE’s evaluation, each component and its elements were assessed for each of the selected cases. The IDB’s support was considered “effective” if it included the critical elements, defined as follows.

- 1. Assessment of poverty.** The assessment of the population living under poverty conditions is a key to determining the scope of the CCT program. Information on the basic characteristics of the poor—location, income, assets, and access to public services determines the design of other key components such as the target population of the program, the size of the transfer, the types of conditions, and the monitoring scheme. An understanding of poverty conditions is the foundation for the implementation of the program. The measurement of the total population living under poverty conditions should be based on updated information for the nation and for its geographic divisions. This information is used to estimate poverty intensity and location using poverty lines and population estimates.¹¹
- 2. Targeting, selection, and registry of beneficiaries.** CCTs aim to maximize impact by targeting the poorest households, while taking into account available budget and the activities the CCT promotes. Effective implementation of targeting depends on five critical elements: method of selection and targeting

mechanism, design of registry instrument(s), institutional capacity assessment, rollout plan and data collection, and registry information administration and training for its implementation.¹² The definition of the poverty lines guides authorities in defining the method of selection, the identification of potential beneficiaries, and a potential rollout plan to target families and register them—that is, by identifying the location of the poorest population and the order of coverage according to budget constraints and institutional capacity. This requires defining a registry instrument that can be used to verify the information of the potential beneficiaries by applying the selection indicators. Experience in different countries suggests that better targeting results when a central agency is in charge of defining, implementing, and managing the system.¹³

3. **Coordinating agency of the CCT program.** The coordinating agency of a CCT program manages the program, the participation of line ministries, and the integration of benefits. Ideally, such an institution must have a sufficient legislative and political mandate to align the CCT program's priorities internally and within participating institutions. This facilitates the acquisition of adequate technical knowledge and administrative capacity to consolidate information to manage the program across the country. Critical factors that affect the creation and functioning of an effective agency are the institutional design (technical capacity) and the political support from executive and legislative actors.¹⁴
4. **Definition of monetary benefits.** Transfer amounts should be determined by the behavior that policymakers want to modify; this factor is sometimes used as a mechanism for self-selection into the program.¹⁵ Low monetary values can reduce interest in participating to only extremely poor potential beneficiaries. Conversely, high-value benefits make the program attractive by reducing short-term poverty levels, potentially creating incentives to not participate in the labor force.¹⁶ Evidence suggests that it is more efficient to use different benefits according to the characteristics of the population.¹⁷ The critical factors of this component are the desired impact of the transfer scheme—a design issue—and the total budget of the program, which could potentially have fiscal and political factors.
5. **Definition, monitoring, and enforcement of conditions.** Conditions should be determined by the specific behavior to be encouraged and must be appropriately monitored and enforced to maintain the link between condition completion and payment. The ideal system links the registry to an information system of the service providers—line ministries of education and health—to verify compliance with conditions using a process separate from payment. When beneficiaries do not comply, there should be a mechanism to alert them to the possibility that they will receive no payment or will be required to exit from the program. Credible program conditionality requires

that for recurrent non-completion of conditions there be a mechanism to cease payments. Without such mechanisms, the programs become unconditional subsidies rather than CCT programs.

- 6. Recertification and graduation of beneficiaries.** Recertification, the mechanism used to maintain, drop, or “graduate” beneficiaries from the program, requires proper management of sociodemographic information and information on the fulfilment of the conditions. To continue serving poor populations, CCT programs must have “exit” policies. While selection and registry of the beneficiaries provide the conditions to be selected in the program, updates of the sociodemographic characteristics provide the evidence of their evolution and define who stays in the program.¹⁸
- 7. Payment method design and administration.** Beneficiaries’ payments must be timely, predictable, and accessible if they are to be incorporated into consumption patterns and reduce vulnerability. This requires on-time reporting of condition completion to the coordinating agency and adequate administration capacity for payments. Similarly, beneficiaries must have access to their payments according to a clear and transparent calendar.
- 8. Support of complementary services.** CCT programs rely on the availability of health and education services, although in countries with low institutional capacity, weaknesses in supply can limit programs. Frequently, the expansion of CCT programs forces authorities to adapt to ensure adequate service supply. These adaptations can lead to decreased quality of services if capacity to supply services is not adequate.¹⁹ Whether using state services or services supplied through other organizations, where health and education systems have low effective coverage, the appropriate design and implementation of CCT programs requires an expansion plan. In all cases, mechanisms must be defined to coordinate sector activities with the program.
- 9. Monitoring and evaluation.** Strong monitoring and evaluation (M&E) systems are essential to maintaining the connection between conditions and human capital-building activities to ensure that CCT programs are having their intended effects. CCT programs generate and use large amounts of information. Strong M&E systems can use information generated by the program to effectively manage the program, including monitoring the effectiveness of different processes and conducting impact evaluations of the interventions. Regular process and outcome evaluations are important to show that programs are effectively reaching intended beneficiaries and reducing poverty.
- 10. Fiscal funding of the CCT program.** Without adequate fiscal resources, CCT programs cannot function. As long as coverage and benefits do not permanently grow, the fiscal cost of an efficient program is more likely to

be affordable than other types of social programs.²⁰ An understanding of program coverage, the value of benefits, and the duration of the program are necessary for appropriate fiscal planning and funding. The inclusion of the cost of the program in the national budget can represent a commitment to the social investment, although the degree to which that commitment can be executed depends on the government's ability to fiscally sustain the program. Furthermore, where coverage of the basic services linked to conditions is inadequate, financing must also be dedicated to their expansion, increasing the overall cost of the CCT program to the country.

Each of the components contains specific actions, plans, or policies that determine their success. Table 2.1 shows the most salient elements of each component. This evaluation *examines* each of those elements, with particular emphasis on the effectiveness of the support provided by the Bank.

TABLE 2.1 CCT COMPONENTS AND CRITICAL ELEMENTS

Component	Critical elements
1. Assessment of poverty conditions	<ul style="list-style-type: none"> Income/consumption/UBN data Estimation method
2. Targeting, selection & registry of beneficiaries	<ul style="list-style-type: none"> Method of selection & targeting mechanism Design of registry instrument Institutional capacity assesment Rollout plan and data collection Registry system & IT implementation (training)
3. Coordinating agency	<ul style="list-style-type: none"> Legal authority to coordinate the program Technical and administrative capacity
4. Definition of monetary benefits	<ul style="list-style-type: none"> Maximum impact transfer scheme Total budget
5. Definition, monitoring & enforcement of conditions ²¹	<ul style="list-style-type: none"> Assessment of initial coverage (health & education) Definition of conditions Monitoring instruments (ministries) and design of reporting Institutional capacity (line ministries) Verification process (incentives)
6. Re-certification & graduation of beneficiaries	<ul style="list-style-type: none"> Recertification/graduation plan Updated beneficiaries data
7. Payments method, design & administration	<ul style="list-style-type: none"> Identification of payment method and system Outcome condition payment Beneficiaries' access & predictability of payment
8. Support of complementary services	<ul style="list-style-type: none"> Assesment of effective coverage Expansion and quality plans Process of verification
9. Monitoring & evaluation	<ul style="list-style-type: none"> Baseline results matrix Process verification Condition administrative system Impact Evaluation Institutional capacity for M+E
10. Fiscal funding	<ul style="list-style-type: none"> Budget allocations

Source: OVE.

The design and implementation of the 10 components are highly dependent on local capacity and the support of key actors.²¹ Although technical knowledge and understanding of program components is essential to good program design, awareness of the political environment and informal systems and rules also determines the quality of the component design. Only when there is clarity on program objectives and rules within the country can the program be effective—thus institutional capacity building is crucial.²²

C. SELECTION OF CCT CASE STUDIES

Three criteria were used to select cases for the evaluation: (i) the country qualifies as lower-middle- or low-income by gross national income (GNI) per capita,²³ (ii) the country has an active CCT program with both education and health components,²⁴ and (iii) the Bank has had CCT-related loan operations in the country during at least one year between 2008 and 2014. See Annex 1 for more details.

Using these criteria, the following CCT programs were selected: *Red Solidaria-Comunidades Solidarias* in El Salvador; *Mi Familia Progresá-Mi Bono Seguro* in Guatemala; and *PRAF II*, *PRAF III*, and *Bono 10.000* in Honduras. The countries of the selected programs have some similarities in their sociodemographic characteristics, but they vary in their institutional development and in their experience with current and previous CCT programs.

Each of the selected CCT programs can include different total amounts, types, and numbers of IDB operations. Since the unit of analysis is the CCT program, the institutional capacity can be accumulated over time in the country. In fact, the IDB support can vary by *program* in the same country. Therefore, to perform a more comprehensive analysis, CCT-related operations approved before 2008 in selected countries were also included in the portfolio under evaluation.²⁵

D. IDB INSTRUMENTS

OVE evaluated the three instruments used by the IDB to support CCT programs in the selected cases: investment loans (ILs), policy-based loans (PBLs), and technical cooperation operations (TCs). IL operations provide explicit financial support for *components* of the program, requiring more involvement of IDB staff and specific technical support. PBLs provide fiscal support and incentives for the implementation of measures believed to be required for the adoption of a specific public policy. PBLs are intended to promote institutional changes that will have long-lasting effects on the selected policies. Theoretically, both lending instruments have the potential to be effective in supporting CCT programs, but ILs focus on the delivery of specific products

needed for the functioning of the program while PBLs focus on the achievement of designated outcomes or key institutional processes that can be achieved on their own or supported by the Bank with TCs.

E. DATA COLLECTION

Data were collected through a comprehensive review of primary sources, project documentation, and field visits. For the general assessment of each component of the CCT programs, the evaluation team conducted a review of primary and secondary sources related to the CCT program in the three countries: articles, guidelines, impact evaluations, manuals, government documents, and registration systems. To analyze the Bank's support, the team reviewed available IDB documents and administrative *information*: loan proposals, Project Monitoring Reports (PMRs), Project Closing Reports (PCRs), evaluations, and diagnostic documents. The team also conducted field visits to interview key stakeholders of current and past programs, including representatives from the ministries of health and education, representatives from executing agencies, and members of civil society organizations.



Although the three countries are classified in the same economic category, they have significant differences in terms of social indicators and institutional capacity for service provision. In Honduras, 66.5% of the total population lives in poverty, in Guatemala 53.7% of the population is poor, and in El Salvador 29.6% of the population is poor.

3 Country Context

Although the three countries are classified in the same economic category, they have significant differences in terms of social indicators and institutional capacity for service provision. In Honduras, 66.5% of the total population (5.3 million people) lives in poverty, in Guatemala 53.7% of the population is poor (7.9 million), and in El Salvador 29.6% of the population is poor (1.8 million).²⁶ El Salvador has better performance in both the education and health sectors, as reflected in some basic indicators like maternal mortality rate, infant mortality rate and malnutrition, literacy rate, persistence in primary school, and progression to secondary school. Despite these differences, the three countries face important development challenges. (Annex 2 provides more detail on the differences in social indicators in the three countries.)

The accumulated knowledge and institutional capacity for the implementation of CCT programs also vary across selected countries. In Honduras CCT programs have been implemented since 1990, while in El Salvador and Guatemala such programs started in 2005 and 2008, respectively. Differences in poverty conditions and the coverage of basic services at the outset of the CCT programs have played a role in determining the programs' functionality.²⁷ The development of processes and coverage of both sectors is higher in El Salvador than in Guatemala and Honduras. The maximum value of the transfer and coverage of the programs have important differences. The CCT programs in El Salvador, Honduras, and Guatemala cover approximately 6, 15, and 20% of the population, respectively. Overall program cost and weight in the national budget is also different between countries. Table 3.1 provides a brief summary of each country's current programming. The rest of this section provides a general description of each country and its CCT programs.

TABLE 3.1 CHARACTERISTICS OF CCT PROGRAMS IN THE SELECTED COUNTRIES

Characteristic	Honduras	El Salvador	Guatemala
Name	Bono 10.000	Programa Comunidades Solidarias	Mi Bono Seguro
First Year of Programming	1990	2005	2008
Previous names	1995-1997: PRAF I 1998-2003: PRAF II 2004-2009: PRAF III 2010-2014: Bono 10.000 2014-Present: Bono Vida Mejor	2005-2008: Red Solidaria 2009-Present: Comunidades Solidarias Rurales y Urbanas	2008-2011: Mi Familia Progresá (MiFaPro) 2012-Present: Mi Bono Seguro
Coordinating Agency	Ministry of Development and Social Inclusion (SEDIS) through the Vice-Ministry of Social Integration (SSIS)	Social Investment Fund for Local Development (FISDL) and Technical Secretariat of the Presidency (STP)	Ministry of Social Development (since 2012)
Beneficiary Population(s)	Poor households with children under 18 (9th grade) and pregnant women selected through geographic (highest level of poverty and malnutrition) and sociodemographic (household surveys) parameters.	Rural: households with children aged 0-5 or pregnant women for health, and children aged 5-18 attending up to 6th grade for education. Coverage in 100 municipalities with highest incidence of poverty and vulnerability. Urban: households with children in the third cycle of basic education or in secondary education. Coverage in 25 municipalities with highest incidence of poverty and vulnerability verified through sociodemographic data (household surveys and census 2007).	Poor households with children aged 0-6 and pregnant women (health), and households with children aged 6-15 (education) selected through geographic (highest incidence of poverty and nutritional) and sociodemographic (household surveys and census 2002) parameters.
Number of Beneficiaries	240,000 households (2014)	Between 80,000 and 100,000 households (2014)	758,000 households (2014)
Transfer Value	5,000 or 10,000 Lempiras (US\$250 or US\$ 500) per year, depending on the household structure.	Rural: US\$15 (health) -US\$20 (health and education) per month per family. Urban: Average transportation cost to attend school (aprox. US\$12 per month)	150 GTQ (-US\$20) for health and 150 GTQ (-US\$20) for education per month per family.

Source: OVE.

Note: For El Salvador only the information related to transfers on health and education (bonos) are presented.

A. HONDURAS

Honduras is the second poorest and most unequal country in the Region, with a GNI per capita of US\$2,120 (2013). The population suffers from high vulnerability to natural disasters, high levels of insecurity and crime, and general institutional weakness. Poverty reduction programs aiming to create a social safety net began to be developed there in the 1990s and have been continuously supported by the IDB. The implementation of CCT programs began in 1995 and has continued since then with varying degrees of success.²⁸

The Family Allowance Program Phase I (PRAF I) started in 1990, and its implementation faced numerous institutional challenges. It was a program of unconditional transfers to poor families that fit various demographic criteria (pregnancy, school attendance up to third grade, elderly). Heterogeneity in selection criteria and a failure to generate information for monitoring created implementation problems, and only 25% of beneficiaries met the poverty conditions.²⁹ Transfers and payments were not administered through a unified system or coordinated. The emergency response to Hurricane Mitch in 1998 spurred the reorganization of the health system and the development of an additional phase of the Family Allowance Program –PRAF II– with a specific goal of improving the quality of services in education and health.

PRAF II was innovative because it provided both supply and demand incentives to tackle poverty. On the demand side, transfers for health and education attendance were defined to provide incentives to beneficiaries. On the supply side, two transfers were designed to involve the selected communities in the provision of basic services. *Atención Integral a la Niñez en la Comunidad* was a subprogram designed to involve mothers of the villages in basic health provision, such as measuring the weight and height of children, providing basic training on nutrition, and identifying at-risk children and making referrals to health centers. Similarly, the *Asociaciones de Padres de Familia* was a mechanism designed to define actions and goods that would improve the conditions of local schools. The 70 municipalities included in the new stage received one of three transfer “packages”: (i) transfers for demand only; (ii) transfers for supply and demand, or (iii) transfers for supply only. The verification of conditions relied on nongovernmental organizations (NGOs) working in the country, and the design of the program included an impact evaluation by the International Food Policy Research Institute (IFPRI).³⁰

PRAF III began in 2006 as part of a strategy for poverty alleviation that included the Red Solidaria, an initiative intended to coordinate all social programs. The design of PRAF III included the creation of an office for the registry of beneficiaries, which developed a new method to measure poverty to identify beneficiary communities. The office also created the *Sistema de Registro de Beneficiarios de Honduras* to identify and select beneficiaries and monitor conditions of the program. In 2008, the Ministry of Social Development and Solidarity was created and took over coordination of the *Red Solidaria*. Original coverage plans and expansion were not reached because the political turmoil of 2009 resulted in the cancellation of multilateral assistance. By 2010, three simultaneous conditional transfer programs (PRAF I, II, and III) were in effect, each with limited coverage, different protocols, different authorities, and no clear administration processes.

The government elected in 2009 reorganized social programs into one system under the Presidential Program for Education, Health and Nutrition, or Bono 10.000. The new program expanded PRAF transfers and became the focus of social policy.

This expansion, based on the *Red Solidaria*, made important institutional changes to reinforce its function, including the creation of the Cabinet for Social Inclusion headed by the Ministry of Social Development. In 2014 a total of 240,000 households were covered by the program, with plans for expansion to 325,000 beneficiaries in 2015. This redesign also included households in urban areas, directed and funded with national funds. The program has provided annual transfers of Lps\$5,000 or Lps\$10,000 (US\$250 or US\$500) depending on the characteristics of the household. The government elected in 2013 renamed the program as *Bono Vida Mejor*, and it plans to expand coverage eventually to 350,000 households in rural areas and 75,000 in urban ones. The available evidence indicates that the program has effects on school enrollment and use of health services, particularly for smaller households.³¹

B. EL SALVADOR

El Salvador is the fourth largest economy in Central America, with a GNI per capita of US\$3,720 (2013). Despite some progress in social indicators in recent years, the country continues to face significant development challenges. Between 2008 and 2013 the overall incidence of poverty fell from 40% to 29.6%, although 7.1% of the population still lives in extreme poverty, especially in rural areas.³² The country has a young population (56.2% under the age of 30) and faces high levels of insecurity, as well as fiscal and institutional capacity challenges.

In 2005, the Salvadoran government created the Program of Care for Families in Extreme Poverty, Solidarity Network (*RED*) and in 2009, a new administration created the Universal Social Protection System (SPSU), which included the *RED* under the name *Comunidades Solidarias Rurales* (CSR) and subsequently *Comunidades Solidarias Urbanas* (CSU). CSR and CSU have four objectives—to increase (i) human capabilities, (ii) basic services, (iii) income generation, and (iv) territorial management. The CCT program is part of the first objective. The CSR includes transfers for school, health, and the combination of both. The CSU has only a transfer for education. The Technical Secretariat of the Presidency (STP) was defined as the office in charge of the design and institutional coordination of the program. The Social Investment Fund for Local Development (FISDL), the program's executing agency, is responsible for the implementation of program processes, including technical and financial management. In April 2014, the Congress of El Salvador approved the Law on Social Protection and Development, through which social programs became national projects whose continuity was guaranteed. Currently the CSR program covers the 100 municipalities with the highest incidence of poverty, and the CSU program covers urban neighborhoods in 25 municipalities. The total coverage of the CCT program is around 100,000 households.

Evidence exists on the impact of RED, but evidence on the impact of the CSU on education is scarce. The majority of evaluations have focused on qualitative assessments, perceptions of beneficiaries, and management and operational processes. The available

impact evaluations refer to the effects of RED, which covered only rural areas. The results indicate that transfers for health and education in the rural areas had some positive results in reducing the rate of repetition and the incidence of diarrhea and increasing the percentage of births attended by skilled personnel.

C. GUATEMALA

Guatemala's per capita GNI, US\$3,340, is significantly higher than that of Honduras and similar to El Salvador's. The most recent official estimates indicate that 53.7% of the population lives in poverty, and 13.3% in extreme poverty. Half of Guatemala's children under five suffer from chronic malnutrition.

Guatemala's CCT program is the youngest of the three selected cases. In 2008 IDB provided support for the implementation of the *Mi Familia Progresada* (MiFaPro) program. It was coordinated through the Office of the First Lady, which presided over an inter-institutional commission comprising the Ministry of Education (MINEDUC), the Ministry of Public Health and Social Assistance (MSPAS), and the Secretary of Food and Nutritional Security (SESAN). The government elected in 2012 renamed the program as *Mi Bono Seguro* (MBS), and its management was transferred to the newly created Ministry of Social Development (MIDES). Today the program serves as part of a wider strategy, *Pacto Hambre Cero* (PHC), to end chronic malnutrition and extreme poverty. Municipalities receiving the program were prioritized based on poverty maps created by the World Food Program. Families with children under 15 years of age whose average income was below the poverty line were eligible for a transfer of 150 Guatemalan quetzales each, for a maximum of 300 quetzales (US\$40) per month per family. The program expanded rapidly; by 2011 it was active in 307 of Guatemala's 333 municipalities and was supporting approximately 916,852 families.



Guatemala's CCT program has made some progress since its inception in 2008, but the majority of components continue to lack critical elements and some have deteriorated in quality.

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4 Comparative Analysis

This section provides the comparative analysis of the CCT program components and the corresponding assessment of IDB support. The first part of this section describes the IDB instruments to support different components of the programs. The operations (IL, PBL, or TC) were classified according to the CCT component(s) they supported. The second part of the section includes analysis of this support and assesses its intended effects.

A. IDB SUPPORT INSTRUMENTS

Although the IDB has provided a similar amount of total financial support to each country, the mix of instruments and level of technical support has been unique in each case. Honduras has the largest number of approved CCT-related operations—4 PBLs, 11 ILs, and 19 TCs with a cumulative value of US\$538.9 million.³³ In El Salvador the total support since 2004 has been US\$502.5 million, provided through 3 PBLs and 8 TCs.³⁴ In Guatemala, total financial support approved since 2009 has been \$US550 million for 2 PBLs and 3 TCs.

Bank support is qualitatively and quantitatively different in the three cases (see Table 4.1). The classification of the components of ILs was based on activities described in the loan proposal and monitoring documents. For PBLs, the classification was based on the description of conditions in the policy matrices and monitoring reports. Finally, the activities reported in the TC document and acquisition plans were also used for the classification. Table 4.1 lists all operations supporting the CCT programs of the selected countries, organized by country and program and including a classification of the support to each specific CCT component.

TABLE 4.1 APPROVED OPERATIONS SUPPORTING CCT PROGRAMS BY COMPONENT

Program	Operation	Type	Status	Amount approved (US\$ Million)	1. Assessment of poverty	2. Target, Selection & Registry of benef.	3. Coordination agency design	4. Definition monetary Benefits	5. Conditions (definition, monitoring and enforcement)	6. Re-certification & graduation	7. Payment (desig. & administration)	8. Support of Complementary Services	9. M&E	10. Fiscal Funding		
Honduras	PRAF I 1990-2009*	HO0113	I. Loan	■	40		X		X			X		X		
		HO0114	I. Loan	■	20		X		X			X		X		
		HO0129	PPF	■	0.3										X	
		TC9502487	TC	■	1.5			X								
	PRAF II 1998-2005	TC9801433	TC	■	0.1	X										
		HO-0132	I. Loan	■	40.3	X	X	X	X	X			X	X	X	
		TC9905034	TC	■	0.09			X								
		HO0145	I. Loan	■	30			X							X	
		TC0106007	TC	■	0.04								X	X		
		Strategy for Poverty Reduction														
		HO0184	I. Loan	■	8.1			X								
		HO0185	PBL	■	30		X	X		X				X	X	
		HO-T1008	TC	■	0.15			X								
		HO0220	I. Loan	■	35			X							X	
		HO-0212	PBL	■	30			X							X	
		TC0102020	TC	■	1.8			X								
		TC9811250	TC	■	0.2			X								
	TC9801433	TC	■	0.1	X											
	TC0104014	TC	■	0.06			X									
	TCO101055	TC	■	0.015	X											
	PRAF III 2007-2009	HO-0222	I. Loan	■	20			X	X	X			X	X	X	
		Support for the Implementation of Red Solidaria														
		HO-T1053	TC	■	0.2			X						X		
		HO-T1059	TC	■	0.2		X	X		X				X	X	
		HO-L1009	PBL	■	27.9			X						X	X	
		HO-X1010	TC	■	0.2			X						X		
	Bono 10.000 2010-2014	HO-T1099	TC	■	0.15			X						X		
HO-L1032		I. Loan	■	20			X		X			X	X	X		
HO-T1099		TC	■	0.1		X	X					X				
HO-L1042		I. Loan	■	55		X	X	X	X		X	X	X	X		
HO-T1126		TC	■	0.4			X		X			X				
HO-T1120		TC	■	1									X			
HO-L1071		I. Loan	●	75		X	X	X	X				X	X		
HO-T1170		TC	●	0.2			X	X		X						
HO-L1087		I. Loan	●	100	X	X	X		X	X		X	X	X		
El Salvador	RED Solidaria 2005-2008	ES-T1012	TC	■	0.1	X										
		ES-T1022	TC	■	0.1									X		
		ES-L1002	I. Loan	□	57					X			X	X		
		ES0140	PBL	■	100	X		X		X			X	X		
		ES-T1060	TC	■	0.1			X		X			X			
		ES-T1063	TC	■	0.1									X		
		ES-L1030	PBL	■	100	X		X		X	X		X	X		
		ES-T1090	TC	■	0.5	X		X					X			
	Comunidades Solidarias 2009-Present	ES-L1040	PBL	■	300	X		X		X	X		X	X		
		ES-T1133	TC	■	0.1					X			X	X		
		ES-L1044	I. Loan	□	35					X			X	X		
Guatemala	MiFaPro 2008-2011	GU-L1017	PBL	■	200			X			X	X	X	X		
		GU-T1089	TC	■	1								X			
	MBS 2012-Present	GU-T1138	TC	■	0.3					X						
		GU-T1192	TC	●	0.3		X	X		X			X			
		GU-L1085	PBL	○	250		X	X		X	X		X	X		

Key: ■ Completed ● Active □ Canceled ○ Approved

Source: OVE.

* This includes operations of Honduras since PRAF I. While these operations were not originally included in the evaluation, they are relevant to explain the design and results of subsequent operations.

More recent loan operations in Honduras and Guatemala are supporting more components. As Table 4.1 shows, IDB support has evolved: new loan operations include specific support (IL) or conditions (PBLs) for more components in Honduras and Guatemala. It is important to note that in El Salvador and Guatemala, IDB operations have not funded the cash transfers, but the Bank has played an important role in the design and implementation.

IDB support has been more technically comprehensive in Honduras and El Salvador, while in Guatemala it has focused on supporting the financial aspects of implementation. In the first two countries, the Bank supported the assessment of poverty conditions; targeting, selection, and registry of beneficiaries; and the agency that coordinates the CCT. This support was focused on the adoption of processes and institutional arrangements to facilitate the administration of the programs. The IDB also supported complementary services; the definition, monitoring, and enforcement of conditions; and M&E systems. In Honduras the component most frequently supported by the IDB is the coordination agency, while in El Salvador it is complementary services (particularly health). Guatemala's support from the IDB has been most focused on the definition, monitoring, and enforcement of conditions.

IDB support of the CCT programs in Honduras, which began in 1990, has become more comprehensive. In PRAF I, IDB operations covered only 4 components, while in *Bono 10.000* (now called *Bono Vida Mejor*) the Bank provided financial and technical assistance to all 10 components required for the functioning of the CCT program. The frequency of IDB loans and TC operations for specific components suggests that the Bank's support has become more comprehensive. It has also been highly responsive to program needs, facilitating the hiring of different specialists and consultants to solve problems like the definition of registry systems, the creation of information systems for program monitoring, and the evaluation of the processes and impacts of the interventions.

In El Salvador the Bank provided comprehensive support between 2004 and 2009, but since 2010 has played a marginal role in the CCT program. The Bank had a very active role in defining and designing *Red Solidaria* between 2005 and 2007 and during the transition to the second version of the program (*Comunidades Solidarias*) in 2008. The majority of components were supported through TCs and PBLs. Since 2010, only a few TC operations have supported a limited number of components of the *Comunidades Solidarias* program.

Bank support for Guatemala changed between MiFaPro and MBS. Between 2008 and 2011 the Bank supported only six components of MiFaPro, with a PBL and a few TCs. While a similar amount of funding has been assigned to support MBS, it will theoretically support more components. The Bank is working on the support



IDB support of the CCT programs in Honduras, which began in 1990, has become more comprehensive. In PRAF I, IDB operations covered only 4 components, while in Bono 10.000 the Bank provided financial and technical assistance to all 10 components required for the functioning of the CCT program.

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of the program using a PBL and a planned set of comprehensive TC operations. In both cases, the IDB support has been general and indirect, with periods of no involvement of the Bank.

B. RESULTS OF THE INSTITUTIONAL SUPPORT FOR THE CCT PROGRAMS

To evaluate the extent of IDB support, OVE assessed the status of each component and element of the CCT programs. This assessment, illustrated in Table 4.2, is based on the categorical classification of the elements required for each CCT program component to work. The assessment of each component of the current programs was based on the review of program documentation and recent literature, IDB loan profiles, and interviews with specialists and authorities. The assessment of previous programs was done through a review of all available documentation and literature and interviews where institutional knowledge existed. The details of each component and factor are described in the case studies and Annex 3.

TABLE 4.2 COMPONENTS OF SELECTED PREVIOUS AND CURRENT CCT PROGRAMS

Component	Critical elements	Honduras				El Salvador		Guatemala	
		PRAF I	PRAF II	PRAF III	BONO 10 MIL	RED Solidaria	CS Rurales y Urbanas	MIFaPro	MBS
1. Assessment of poverty	- Income, consumption or other poverty data	○	●	●	●	●	●	○	○
	- Poverty estimation	○	●	●	●	●	●	●	○
2. Targeting, selection and registry of beneficiaries	- Method of selection & targeting mechanism	●	●	●	●	●	○	●	○
	- Design of registry instrument (s)	○	●	●	●	○	○	○	○
	- Institutional capacity assesment	○	●	●	●	●	●	○	○
	- Rollout plan and data collection	○	○	○	●	○	○	●	○
	- Registry system & IT implementation (training)	○	○	○	○	○	○	○	○
3. Coordinating agency	- Central authority with defined attributions	○	○	●	●	●	●	○	●
	- Technical and administrative capacity	○	○	○	○	○	○	○	○
4. Definition of monetary benefits	- Maximum impact transfer scheme	○	○	○	○	●	○	●	○
	- Total budget. Coverage of needs / program	○	○	○	○	○	○	○	○
5. Definition, monitoring and enforcement of conditions	- Assessment of initial coverage (health and education)	●	●	●	●	○	○	○	○
	- Definition of conditions	●	●	●	●	●	●	●	●
	- Monitoring instruments (ministries) and design of reporting	○	○	○	○	○	○	○	○
	- Institutional capacity (line ministries)	○	○	○	○	○	○	○	○
	- Enforcement of conditions (system of current status)	○	○	○	○	○	○	○	○
	- Verification process (incentives for ministries)	○	○	○	○	○	○	○	○
6. Re-certification and graduation of beneficiaries	- Recertification/graduation plan	○	○	○	○	○	○	○	○
	- Updated beneficiaries data	○	○	○	○	○	○	○	○
7. Payments method design and administration	- Identification of payment method and system	○	○	○	○	●	●	●	●
	- Outcome condition payment	○	○	○	○	○	○	○	○
	- Predictability (regularity of payments)	○	○	○	○	○	○	○	○
	- Beneficiaries' access to payments	○	○	○	○	○	○	○	○
8. Support of complementary services	- Expansion plan	○	○	○	○	○	○	○	○
	- Process of verification (conditions, use)	○	○	○	○	○	○	○	○
9. M & E	- Baseline results matrix	○	○	○	○	●	●	○	○
	- Process verification	○	○	○	○	○	○	○	○
	- Condition administrative system	○	○	○	○	○	○	○	○
	- Impact Evaluation	○	○	○	○	●	○	○	○
	- Institutional capacity for M+E (line ministries)	○	○	○	○	○	○	○	○
10. Fiscal sustainability	- Official Budget allocations	○	○	○	○	○	○	○	○

Key: ○ No functional elements ○ Partially Functional ● Satisfactory functional

Source: OVE.

Note: When a majority of the elements required for the component to work were included, it was classified as “Fully functional” (black cell). If it included some elements, the cell is classified as “Partially functional” (gray cell). If few or no elements were included in the component, it was classified as “Not functional” (empty cell). This classification was completed with information of December, 2014.

The status of each component is the result of both local capacity and the support provided by multilateral and bilateral agencies. The effectiveness of the 10 components described in Table 4.2 reflects not only IDB support, but also local capacity and support from other organizations. This represents a challenge for the attribution of results, which will be discussed in the next section.

Table 4.2 shows general improvement in CCT programs over time, with some caveats. Honduras improved 8 of the 10 components between PRAF and *Bono Vida Mejor*. El Salvador started *Red Solidaria* with higher-quality components, and four components improved when it changed to *Comunidades Solidarias*. The majority of the components in Guatemala's MiFaPro lack several key elements. When the program changed to *Mi Bono Seguro*, two components improved, but two others worsened. The classification, scores, and descriptions of each component are detailed in Annexes 3, 4, 5 and 6.

Components whose elements consist primarily of one-time technical inputs were more likely to receive high marks. Table 4.2 shows that different elements including the assessment of poverty conditions; targeting, selection, and registry of beneficiaries; definition of monetary benefits; definition of conditions; and the design of M&E are present to some degree in all countries. These elements are also dependent on inputs like the design of a methodology or strategy, which was generally created with the help of international experts.

Components whose elements are more strongly tied to the state's capacity to implement programs were less likely to be complete. The monitoring and enforcement of conditions, administration of payments, provision of complementary services, M&E, and fiscal funding are areas that rely on the institutional capacity of the state to implement programs. This assessment found that these components were less likely to have completed all key elements for effectiveness, whether or not the Bank had worked in the area.

Despite improvements in the CCT programs in the three countries, payments to beneficiaries remain irregular, indicating continuing implementation issues and lack of fiscal resources required for the payments. The three current programs reported two- to three-month delays in payments, and the review of the documentation of previous programs indicates that those beneficiaries did not receive their transfers on time. This is in part the result of failures in key aspects of the administration of the program, including compliance with conditions and the provision of complementary services.

The inadequate supply of complementary services is a particularly important challenge for CCT programs in these countries over time. The supplies of health and education services limit CCT programs. Where service coverage is low, the design and implementation of a CCT program requires an expansion plan and mechanisms to coordinate actions with the program. Indeed, the expansion of CCTs is one of

the forces that have motivated authorities in many countries to increase the supply of services. For example, the three governments have contracted NGOs at different periods in their CCT programs to provide basic coverage of health services.

Honduras has the most experience implementing CCT programs and the highest number of improved components. This coincides with the IDB's continued support and the accumulation of institutional knowledge in the country. Table 4.2 shows that almost all components have evolved positively since PRAF I, including the poverty assessment, selection of beneficiaries, and evaluation of results. The evolution of each program under PRAF (I, II, and III) and the experience of the first attempt to create a national social protection system (*Red Solidaria*) has provided the knowledge to improve different components of the CCT programs. Those components that are related to coordination to among different ministries have improved over time, and the separation of the registry and monitoring of conditions from the payment process has facilitated better functioning of the program. But the timeline for reporting on conditions is causing delays in the payment of transfers to beneficiaries, and the fiscal situation of the country and the program's dependence on international assistance represent major challenges.

In El Salvador, the CCT program has evolved in positive ways since its inception in 2005 but still faces significant challenges. Four of the components of *Red Solidaria* (2005-2008) included elements for proper functioning (assessment of poverty, targeting mechanism, definition of benefits, coordinating agency, and M&E). For example, in 2005 the design of the rural poverty map helped identify the 100 municipalities with the highest incidence of poverty, and served as a basis for the program's targeting strategy and rollout plan; a coordinating agency (STP) with political power was also defined at the program's inception. When *Red Solidaria* changed to *Comunidades Solidarias* (2009-present), the quality of four components improved (M&E, recertification, complementary services, and some monitoring instruments). This includes the creation of the M&E unit, the recertification was introduced and standardized verification of conditions was introduced. In spite of these improvements, some components of the program are still based on the institutional mechanisms that were defined during its creation (e.g., targeting based on data from 2005 and 2007).

Guatemala's CCT program has made some progress since its inception in 2008, but the majority of components continue to lack critical elements and some have deteriorated in quality. At its outset MiFaPro had six completed elements, but no fully complete component and many missing elements. Some of these failures were amended when the program changed to MBS, but other components lost their fully compliant status. Specifically, coordinating agency, beneficiary targeting, and selection and registry improved, but definition of benefits, M&E, and fiscal funding worsened. Authorities are adjusting the functioning of the program to reverse this deterioration. At the end of 2014, the IDB signed a new PBL to support social sector reform, with

some specific objectives focused on improving several components. That said, it is important to note that this PBL is focused on the social sector more broadly, of which MBS is only a part.

As mentioned above, these countries' CCT programs are facing distinct challenges. Although there are remarkable improvements in the quality of each CCT program, there are still institutional failures that impede their proper functioning. The IDB has provided different components and has facilitated financial and technical support for each of them. The next section describes and compares this support.

C. COMPARATIVE ANALYSIS OF CCT PROGRAM COMPONENTS AND IDB SUPPORT

OVE analyzed how the categorization of components in Table 4.1 is associated with the rating of the components in Table 4.2, to learn whether IDB support is associated with better quality of the components and elements of the CCT programs. The analysis was based on the scores of the components used to construct the status of the programs. The scores indicate the status of each component depending on the number of complete, partial, or incomplete elements required for it. This score was correlated to the presence of IDB support, as shown in Table 4.1. This exercise is only indicative; its purpose was to provide a first overview of the association between the components required for the functioning of a CCT program and the corresponding IDB support.³⁵ Scores and details of the estimation are explained in Annex 4.

The results show that IDB support is positively associated with component quality. The correlation coefficients indicate that the CCT components have had higher quality when IDB support has been present, particularly through investment lending. Again, this exercise is only indicative; but the evidence collected during the interviews in the field suggests that when IDB staff is involved in the design and implementation of components of a CCT program, the quality of the components is higher.³⁶ The exercise does not indicate what specific products were used in IDB operations. For this reason, the rest of the section provides a more detailed overview of this assessment, component by component, identifying the IDB support and its effectiveness.

1. Assessment of poverty conditions

The three countries used household surveys to measure poverty. Table 4.2 shows that this is the most well-developed component in Honduras and El Salvador. Although Guatemala also has measurements of poverty, the lack of updated census data indicates a higher margin of error. El Salvador had available data to estimate the population living in poverty using income reported in household surveys. Authorities followed

a geographic approach to identifying the poorest zones and in 2005 designed the rural poverty maps (100 municipalities with the highest incidence of poverty were identified). In 2009 FISDL published the maps of urban poverty and social exclusion created by using data from Census 2007. In Guatemala, the calculation of poverty is based on a consumption-based model that uses quality-of-life surveys. The main challenge of this method is that its sampling methodology is based on census data from 2002.³⁷ In Honduras, the poverty measurement has evolved over time. The main source of poverty measurement was income-expenditure surveys, using a geographic approach. This measurement has been permanently updated, and the recent program is based on the *Encuesta Permanente de Hogares* 2009.

IDB effectively supported Honduras and El Salvador in poverty measurement, while Guatemala's support for this component came from other sources. IDB supported poverty measurement in three ways: definition of poverty lines using income-expenditure data, and creation of income poverty and multidimensional poverty maps. The IDB's support for Honduras has been the most comprehensive—first through TCs (TC9801433, TCO101055) and later as a component of ILs (HO-0132, HO-L1042, HO-L1071, HO-L1087). The Bank facilitated technical assistance for poverty estimates, which in turn facilitated the analysis of poverty conditions and has been used for the organization of the CCT and other social programs. In El Salvador poverty maps were used to identify levels of poverty and locations of the poor, and the Bank has been an active promoter of their design (ES-T1012, ES-T1090) and implementation (ES0140, ES-L1030, ES-L0140). The TCs included the analysis of poverty, the design and update of a proxy means test, and the characterization of urban poverty and vulnerability. For the loans, the policy matrix included conditions for strengthening the use of poverty maps and municipal censuses. These maps represented a major change in the social policy of El Salvador and in fact are now used as the primary tool for poverty assessment.

In sum, the IDB has had an active role in designing poverty measurement tools in Honduras and El Salvador, and its support has been effective. The IDB has been an active player in the poverty measurement in the Region, especially through the promotion of household surveys. However, these surveys depend on census data generated by the countries, and they are becoming less accurate as new censuses are being delayed. Poverty measurement is an area of opportunity for the Bank, as homogeneous information would be useful to understand the effects of CCT programs in the context of new local and regional demographic trends.

2. Targeting, selection, and registry of beneficiaries

All three countries initially had weak systems for targeting, selecting, and registering beneficiaries, and their evolution varied. In Honduras only the most recent program has the majority of the elements of an effective system. In El Salvador and Guatemala, the systems have actually deteriorated over time. As Table 4.2 shows, Honduras' current

program includes a complete system of targeting, a registry instrument, and a rollout and data collection plan. This was achieved gradually using lessons from previous operations and with comprehensive IDB support. The new data administration system seems to be adequate and is being implemented. In El Salvador and Guatemala, the first programs included several complete elements (targeting method and rollout plan) and some parts of other components (registry instrument, data collection and administration system), but the new versions have maintained most of them without significant updates. As a consequence, the quality of the two countries' systems has decreased.

The IDB's experience shows that programs need ongoing technical and financial support in this component, rather than only inputs in the design phase. The experience in Honduras is illustrative. The Bank has been fully involved in the design of the targeting, selection, and registry of PRAF II and Bono 10.000. In El Salvador the Bank provided some technical assistance in the analysis of targeting, the expansion from *Red Solidaria* to *Comunidades Solidarias*, and the creation of a national registry. In Guatemala, the first PBL operation (GU-L1017) acknowledged the important role of targeting, selection, and registration of beneficiaries, but did not include any measure specifically related to them. Both El Salvador and Guatemala could have benefited from closer IDB involvement in the development of this component.

The Bank has supported the creation of three different targeting systems through multiple operations in Honduras, although only the most recent has been successful. With technical support from IFPRI, the Bank helped Honduras design the targeting system and rollout plan for PRAF II (HO-0132 and HO-0185). IFPRI created an instrument to measure household poverty, selection, and registry, and to monitor condition completion and beneficiary outcomes. The technical assistance included the creation of the *Sistema de Información de PRAF* (SIPRAF) to manage the registry system. The management of the registry system had important flaws, and after some years it needed to be replaced. In other words, the component of the loans for the information systems failed.

Beneficiary targeting improved when the government decided to consolidate all social programs through *Red Solidaria*. The Red used the *Sistema de Registro de Beneficiarios de Honduras* (SIRBHO), which was based on the collection of sociodemographic data on the population. The Bank actively supported the creation of the Red through a PBL and TC (HO-T1059 and HO-L1009). The government elected in 2010 decided to create a new CCT program, Bono 10.000, using SIRBHO. The Bank supported a rollout plan for the new program through different components of multiple ILs (HO-T1099, HO-L1042, HO-L1071, HO-L1087), but some flaws in the data collection and administration system forced the replacement of SIRBHO. The final phases of Bono 10.000 were based on a new instrument, *Registro Unico de Beneficiarios* (RUB), which the Bank also supported (HO-L1087). The transition from SIRBHO

to RUB created the first CCT program in the Region with geographic data and universal personal identification markers as part of the selection of beneficiaries. RUB is now administered by a national agency called Centro Nacional del Sector Social (CENISS), which manages information on all social programs. The Bank will support the expansion of RUB through a new IL (HO-L1093).

The IDB provided relevant support to El Salvador for the design of the CCT programs' targeting and registration mechanisms. However, this effort was truncated, and the Bank has not played an active role in supporting this component since 2009. IDB support to the government in this component was mainly through TCs and fiscal support (PBLs ES0140, ES-L1030, ES-L1040) approved between 2004 and 2009, mainly during the initial phases of *Red Solidaria* and *Comunidades Solidarias*. The IDB support was effective and timely. Through the TCs, the IDB effectively assisted in the design and analysis of targeting priorities of the RED (municipal censuses and proxy means tests) (ES-T1012, ES-T1060) and performed analysis for the expansion of the program into CSU (ES-T1090, ES-T1133). ES-T1090 provided a policy recommendation to adjust the method of selecting beneficiaries in urban areas. In fact, the changes in selection were included in the policy matrices of the PBL operations ES0140, ES-L1030, and ES-L1040. The Bank supported a pilot of the functioning of the new database *Registro Unico de Participantes* (RUP), despite the cancellation of the loan ES-L1044.³⁸ The support included the update of poverty maps for rural areas, but the cancellation impeded this support, and the program is still based on the 2005 poverty map. This initiative is still underway, though the authorities have not requested additional IDB support.

Guatemala has yet to construct a comprehensive targeting, selection and registry system, despite IDB support. The original PBL (GU-L1017) and TC (GU-T1192) approved for the MiFaPro program acknowledged the important role of selection and registration of beneficiaries and included conditions or activities geared to their improvement; however, the Bank offered little comprehensive technical support in these areas, and the systems remain insufficient. In GU-L1017, the condition most strongly tied to improving beneficiary selection stated that at least two operational evaluations and one evaluation of MiFaPro's systems would need to be conducted and the adjustments recommended by those evaluations implemented, particularly with regard to selection of beneficiaries, in order for the second tranche of the program to be disbursed. The Bank considered this condition to have been met in that MiFaPro's operating regulations had been updated to describe the processes used to identify, select, and exclude beneficiaries. Although a proportion of GU-T1192 focused on improving the unified system of beneficiaries, this was one of many activities included in the \$66,000 subcomponent dedicated to strengthening MIDES. Only about 30% of the total TC was disbursed between 2012 and the end of 2014, and officials from MBS did not report receiving significant technical guidance on either selection or registration activities. The newly approved GU-L1085 has conditions related to the registration of potential beneficiaries who

had previously been excluded from the program because they lacked a unique identification number, and to the creation of a plan to improve beneficiary targeting and selection.

In sum, IDB support for targeting, selection, and registry of beneficiaries has improved over time in Honduras and partially in El Salvador and Guatemala, and there is a clear need in each country for continued technical support in the area. The lessons learned from the failures of previous programs were relevant in defining a centralized system that can be used to monitor and evaluate results. In El Salvador and Guatemala the IDB experience is limited, and there are significant technical issues to confront before a reliable targeting system and registry will be possible. In particular, current programs require an update of the targeting method, effective data collection processes, and improvement of the management of the administrative system.

3. Coordinating agency of the CCT program

In all three countries the coordinating agency has evolved over time to centralize activities and increase administrative capacity. Honduras was the first of the three countries to implement a CCT in the 1990s, when the authorities lacked technical and administrative capacity to be effective. This capacity eventually evolved, and the current program has a better institutional design, with an organization, protocols, and manuals that facilitate the functioning of the processes required for the program.³⁹ The experience in Honduras guided the initial design of the coordinating agencies in Salvador and Guatemala. In both countries the programs began with a clear mandate for the agency that facilitated the implementation process. However, the legislative mandate has not been able to circumvent the lack of administrative capacity.

The coordinating agencies in each country began as an executive office and, in Honduras and Guatemala eventually became a ministerial function. Technical support focused on the creation of coordinating offices in the Presidency with enough political power over line ministries to facilitate the functioning of the CCT program. In El Salvador the Technical Secretariat of the Presidency (STP) was defined as the authority in charge of defining specific goals for each of the ministries of the social cabinet (health, education, and labor). Guatemala followed a similar approach: the Office of the First Lady in the Presidency coordinated an inter-institutional commission with the participation of the social ministries. This institutional arrangement evolved in Honduras and Guatemala, as the ad-hoc presidential offices were transformed into social development ministries. The institutional changes in Honduras improved the functioning of the CCT program, and those in Guatemala appear to have spurred improvements, although they are still quite new.

The activities of the three countries' coordinating agencies are similar. In Honduras and Guatemala the coordinating agency is responsible for administering the registry of beneficiaries, defining the mechanisms of report and coordination with the line

ministries, and defining the roster of payments for beneficiaries. The monetary benefits are not paid by these agencies, but by financial institutions. In El Salvador, besides the strategic coordination of the STP, the CCT program is executed through the *Fondo de Inversión Social para el Desarrollo Local* (FISDL) in line with other ministries.

IDB has supported the coordinating agency component in each of the three CCT programs, although to different degrees. Since 1995 Honduras has received continual technical and administrative and technical support, while El Salvador and Guatemala received technical support primarily for the organization of the agency. IDB has supported the creation and strengthening of the coordinating agencies through different loan components or TCS—support for legislative changes; technical studies for the decision-making process of government officials (e.g., education and health coverage, nutrition status of children and the elderly); support of technical procedures (manuals for registry of beneficiaries, organization charts, organizational manuals, institutional management); CCT coordination mechanisms (e.g., manuals for the functioning of conditions, report systems); training of personnel (e.g., use of systems, co-responsibility reports); assets (e.g., computers, transportation); and general support. The distribution of this support by country and operation is described in Annex 7.

A common problem for maintaining the technical and administrative capacity supported by the Bank is frequent turnover of authorities and technical staff. Such changes result in information gaps, lack of continuity, and delays in the execution of the programs. They also contribute to lack of ownership and poor coordination between agencies and sectors. Having no common data systems also makes the socialization of processes and flow of information almost impossible. Staff turnover has hampered the construction of institutional memory. As in other sectors, overcoming this issue to ensure long-lasting impacts of support has been a challenge for the IDB.

Even where IDB support was comprehensive, as in Honduras, coordinating agencies still show significant weaknesses. In Honduras, all CCT-related loans and operations sponsored by the IDB have included a component for institutional strengthening of the coordinating agency. Measuring the effectiveness of these components is not feasible, but the current functioning of the program suggests that the accumulation of support has slowly facilitated improvements in the system. In PRAF I (HO0113 and HO0114), the Bank provided institutional strengthening to improve the managerial and operational capacity of the office in charge of the program: the creation of an M&E unit, the definition of staff management processes, and the purchase of vehicles and equipment. For PRAF II, Bank operations HO0132 and HO0145 supported training of personnel for implementing the targeting system and monitoring,⁴⁰ administrative processes, and a report on progress of the beneficiaries. IDB support facilitated the creation of manuals for the management of human resources—teachers and health sector

personnel. The implementation of PRAF III required greater coordination among the institutions involved in the program, including local governments, to coordinate action for the supply and demand of health and education services provided through local institutions (basic health services and monitoring of parent associations). HO-L1009 was partially oriented for this purpose and funded the creation of the Ministry of Social Development and Solidarity Network in 2008; however, the resulting coordinating capacity was nominal, and all policies, programs, and activities related to social protection and development activities remained as independent entities. In particular, the operation of PRAF and the Honduran Social Investment Fund remained under the direct coordination of the Presidency (SDP). After the elections in 2010, previously approved operations that had not been disbursed (HO-L1032, HO-L1099) facilitated the creation of the Cabinet for Social Inclusion in charge of aligning sector institutions. The Ministry of Social Development became the Ministry of Development and Social Inclusion (SEDIS) and formally received authority to manage the program through the vice-ministry of Social Integration (SSIS). The Bank maintained the Conditional Credit Line Investment Project (CCLIP) with operations HO-L1042, HO-L1071, and HO-L1087 for the Bono 10.000 program. Each loan included institutional strengthening components to build capacity for verifying. IDB supported the creation of rules for the interagency coordination of various departments that are part of the program. The rules solved some of the operating challenges, but the program still depends almost entirely on IDB support for the reporting of conditions. The lack of national funding in key areas makes external support the only source for the functioning of the program. Even today, the program is still facing weaknesses in the management information system and lack of resources for the Ministries of Education and Health for the verification of responsibility. As a consequence, delays in transfer payments are common.

In El Salvador, the IDB supported the creation of initial processes required for the functioning of the agency. *Comunidades Solidarias* (formerly RED) has been coordinated by the Office of the President (*Secretaría Técnica de la Presidencia*) and executed by the Office of the Social Fund (FISDL) with support from the Ministry of Finance. Contributions from international donors (Common Fund of Programmatic Support) complement the budget used by the FISDL for execution. Nevertheless, the functioning of this program also relies on the institutional and administrative capacity of local governments, which are facing serious challenges to provide services and report the completion of conditions. The IDB has provided fiscal support through PBLs (ES0140, ES-L1030, ES-L1040), as well as some technical support, to help strengthen the coordinating agency. During the RED (2006), the TC ES-T1060 funded a study to analyze the functioning of the coordination mechanism and provided alternatives to redefine the institutional and administrative frameworks. During the transition to *Comunidades Solidarias*, the TC ES-T1090 provided the support to analyze the institutional and financial requirements for the changes of the program. The IDB helped during the initial stages and transition phases of the transfer programs as a part of more extensive work that STP and FISDL had

been doing with the Ministry of Finance. However there is no evidence on the effectiveness of this support or on the extent to which the recommendations were used.

In Guatemala the coordinating agency received initial support from the Bank, with limited effectiveness. Between 2008 and 2012 the Bank supported the initial institutional design and the definition of coordinating mechanisms of MiFaPro. The PBL GU-L1017 included such institutional strengthening conditions as (i) for the disbursement of the first tranche, the approval of MiFaPro's institutional structure in a form that promoted the technical and operational coordination of sectors and the delegation of operational functions to the executing unit; and (ii) for the disbursement of the second tranche, the approval of an institutional and organizational strengthening plan. Although the institutional structure was created and the strengthening plan approved, the strength of the condition was limited in that it required only that the plan be created, not implemented. The support also included a communication program through the TC GU-T1138. Despite this technical support, there was insufficient institutional capacity; eventually the scope of the program was changed, and it was transferred to the newly formed Ministry of Social Development (MIDES). In MBS, lines of authority between ministries are unclear, and the shift of budgeting authority to MIDES coincided with a decrease in overall budget and decline in interest from coordinating agencies. MIDES, created in 2012, has yet to consolidate its position as the lead in poverty reduction programming within the broader institutional framework. Fiscal issues tied to irregular funding from the Ministry of Finance have also severely limited the capacity of MIDES to plan or organize transfers, weakening its credibility in the field. The fact that the majority of the institutional arrangements were completely redesigned suggests that the effectiveness of IDB support for MiFaPro was low.

In sum, the IDB has continuously provided financial and technical support to the coordinating agency of the CCT program in Honduras, and has provided primarily one-off technical inputs in the initial phases of the CCT programs in El Salvador and Guatemala. In Honduras the effectiveness of the current version of the program seems to be higher than in the past. In El Salvador, the IDB was relevant for the definition of initial coordination mechanism and its further modifications. In Guatemala, the creation of MIDES and transfer of the program were minimally supported by the Bank.

4. Definition of monetary benefits

In El Salvador and Guatemala, the governments defined monetary benefits without IDB support, while in Honduras these benefits have been defined by local authorities with support from IDB. The governments of El Salvador and Guatemala used international standards to define the amounts of transfers with external support, so they did not require Bank support for this purpose. In El Salvador the original amount

of the transfer was based on the international experience with CCTs and represented approximately 20% of the 2005 rural minimum wage.⁴¹ In urban areas, the stipend for education is equivalent to the average cost of transport and varies from seventh grade to high school. Transfer amounts have not been revised since the program's inception, despite inflation (which averaged 3.3% annually between 2005 and 2013, according to the World Bank). A review of IDB operations and interviews in the field revealed no specific actions by the Bank designed to improve the definition of the monetary benefits.⁴² In Guatemala, while monetary benefits were originally designed to reach the standard 20% of minimum wage, the benefits did not vary according to the number of children in a family or household. While the amount reached the optimal 20% of minimum wage for households receiving both benefits during the MiFaPro era, the effect of inflation and the decreasing likelihood of a simultaneous benefit due to changes in eligibility requirements have decreased the transfer to amount to only 7% of minimum wage. Thus the impact of the monetary benefit on the lives of beneficiaries is most likely inadequate to reach the program's social goals. The Bank has not supported Guatemala in defining monetary benefits, although the country has received support from other institutions.

In Honduras, IDB support for this component has been extensive. The PRAF II (HO-0132) program did not begin with an exhaustive estimation of the optimal value of the transfer. The impact evaluation indicates that the transfer amount was very low and did not provide enough incentives to the beneficiaries.⁴³ In PRAF III the IDB technical support loan (HO-0222) recommended an increase in the annual transfer.⁴⁴ This recommendation was included in the design of the *Bono 10.000* in 2010, and the new administration used it to define a higher transfer value. More recently, the Bank has supported the country in increasing the efficiency of the transfer by adjusting the value using different schemes. The IL HO-L1093 will fund the new version of Bono 10.000, and it includes a technical component to adjust the transfers by individual rather than household, which is expected to increase its effectiveness, particularly for households with more than one child.

In sum, the estimation of monetary benefits is not regularly updated, and the Bank's support is limited. IDB support for this component increased over time in Honduras with the introduction of adjustments to transfers, and El Salvador and Guatemala show a need for continued support. While El Salvador and Guatemala did receive external support, given the current status of this component in both countries there is clearly a continuing need for technical inputs, a potential area of work for the Bank.

5. Definition, monitoring, and enforcement of conditions

None of the three countries has been able to achieve an effective system to monitor conditions. Table 4.2 shows that the design elements of this component –initial coverage of the services, definition of conditions, monitoring instrument, and plan for

registry— have been completed in the majority of the programs of the three countries. However, implementation factors such as institutional capacity of line ministries to share information for the registry systems, effective enforcement of the conditions, and verification of conditions are far from being fulfilled. A common problem with the verification of conditions is the additional workload it generates for line ministries, which is often perceived the process as costly additional labor, rather than as a tool to improve the provision of their services. This partially explains why conditions registries are generally of low quality and face delays. Authorities interviewed by the team noted that CCT would be easier to administer if the systems to register specific goods (e.g., vaccinations) or services (school attendance) were similar to one another or to systems already in use. In addition, because these registry systems could also be used as a general accountability mechanism for the line ministries, there are potential disincentives for cooperating with the coordinating agency.⁴⁵

Lack of effective monitoring systems impedes the effective enforcement of conditions. The documentation and interviews indicate that delayed reporting of conditions is a major problem for the proper functioning of programs. The majority of the monitoring systems have not linked health and education registries and information systems to their own monitoring systems. In fact, none of the programs has mechanisms to alert beneficiaries to the penalties for non-completion of conditions— not receiving a payment or exiting from the program. As a consequence, the incentives that should theoretically be generated by the CCT programs have weakened, and beneficiaries are less likely to change their behavior to attend school and visit health centers.

Centralizing information has proven to be time-consuming and costly, but can also lead to the implementation of more effective monitoring and reporting mechanisms. For example, in El Salvador the conditions are clearly defined but are not monitored and verified regularly, promptly, or efficiently. Until recently, conditions were verified by local FISDL staff, *promotores*, and local agencies. More recently, the government moved all verification functions to community *promotores* (rural) and focal points (urban). In Guatemala, reporting is decentralized through many agencies, and is generally not done on time, delaying the payment process. The lack of coordination between three ministries— MIDES, SESAN, and MINEDUC— and between federal and municipal governments is the major barrier to timely information sharing. While the ministries have recently signed interagency agreements to share information, clear reporting procedures have yet to be established. There are plans to create a unified registry of beneficiaries (RUB), but no such system is yet in place.

The example of Honduras shows that a centralized information system is feasible, with significant institutional effort. The adoption of a system to verify the completion of conditions through a process separate from benefit payments was a significant improvement. The reporting systems of the current version of the program are significantly better than those of the different versions of PRAF.

While previous programs failed to report conditions of both education and health sectors on time, the current government established CENISS, which provides a census of all social services provided by the government (health, education, housing, and others). Additionally, in education, Bono 10.000 is now using information generated through the system to monitor schools –*Sistema de Administración de Servicios Educativos* (SACE)– allowing authorities to verify the school attendance of all enrolled children, including those covered by the Bono. This initiative was not part of the IDB operations, but has had a strong positive effect on the overall function of the CCT. CENISS does not include reports on the health visits of the population, but continues to use decentralized paper-based reports, particularly on children’s vaccinations and checkups. Delays in relaying information to the central agencies are common, and improvements are needed.

A major challenge in the monitoring and enforcement of conditions has been the use of external providers of basic services to report on condition completion. In many countries, inadequate geographical coverage of education and health services led to outsourcing those services to NGOs. Many of these organizations had long traditions of providing social assistance, with personnel who are close to the population. Generally, NGOs are required to prove that they have adequate financial backing and to accept stipulations on the use of funds and coverage goals. The effectiveness and sustainability of this alternative for providing and monitoring of conditions have had diverse results. The quality and training of NGOs are varied, and the implementation of standard procedures has been extremely difficult for coordinating agencies with low monitoring capacity. The results from the NGOs’ participation in the verification of conditions in the three countries show that co-responsibilities are not likely to be met without proper incentives for line ministries. This alternative can also raise significant legal, political, and logistical issues as non-state actors act on behalf of the state.⁴⁶

Bank support in this area focused mainly on the monitoring of condition completion. El Salvador received support for this component between 2004 and 2009, mainly through the TC ES-T1060. The technical support was timely and identified areas for improvement related to the operational guidelines for NGOs, the conditions, and the monitoring and verification processes. However, the cancellation of a related loan (ES-L1044) may have limited the IDB’s effectiveness in this component, as planned activities were not carried out with Bank technical or financial support. In Guatemala, the PBL operations have included conditions on the verification of conditions, although no specific technical support was provided for this purpose and some conditions were vague. GU-L1017 included conditions on adjustments to the process of implementation, although the fact that information systems continue to be an implementation barrier for the program suggests that the adjustments were insufficient. Some conditions included in GU-L1085 (e.g., the update of 90% of beneficiary information to the new information system) seem highly ambitious, given

the program's current information management capacity, while others, such as the development of a plan to strengthen processes, appear quite vague.⁴⁷ Both programs were also supported by TCs (GU-T1138 and GU-T1132), which supported campaigns to explain conditions to beneficiaries and improve their awareness. There is no evidence on the effectiveness of these campaigns. In Honduras all loans have included technical and financial support for the definition, monitoring, and enforcement of conditions. In PRAF I and PRAF II, the conditions were defined, but the systems for reporting on and monitoring them faced numerous challenges and eventually needed to be replaced—a development that suggests low effectiveness in the reporting of conditions. Operations supporting *Bono 10.000* included conditions similar to those for previous versions, and reporting instruments in both education and health have improved. Bank support only includes the cost of reporting, but the instruments depend entirely on the line ministries. Despite this progress, health sector reporting is still facing challenges and will eventually require better technology for the collection of information

In sum, the Bank's support for the definition, monitoring, and enforcement of conditions had a significant impact in Honduras and marginal impact in El Salvador and Guatemala. All three countries continue to face difficulties: the reporting and collection of information is frequently delayed, and the line ministries do not perceive the information as useful for the provision of their own goods and services. The lack of coverage of both health and education systems has also proven to be a major challenge for data collection in the three countries. The Bank has primarily supported the design elements of this component, and its support has not included the proper incentives and funding to adequately encourage compliance with monitoring needs for the CCT programs. However, the case of Honduras shows that the IDB can support the improved effectiveness of monitoring systems over time.

6. Recertification and graduation of beneficiaries

Previous versions of the programs in the three countries used “natural” graduation mechanisms or database updates that accompanied program changes to identify the need to change beneficiary status. As Table 4.2 shows, new programs have included graduation plans that require updated information. El Salvador currently uses natural graduation. In addition, since 2009 the government has been implementing a recertification strategy through a Single Registry of Participants (RUP), whose goal is to collect in the 125 priority municipalities' socioeconomic information that could be used to refine the graduation process. At the time of this evaluation, information has been collected in around half of the planned municipalities. This effort does not solve the lack of information in municipalities not covered by the program. In Guatemala, natural graduation systems were also used. Additionally, in the transformation of MiFaPro to MBS, over 100,000 beneficiaries were eliminated from the eligibility database—some because of new age requirements for each benefit, and some by the

reapplication of the proxy means test: beneficiary families with businesses or other income were removed from the eligibility pool, as were families with significant funds in their bank accounts. The recertification process was widely viewed as a success, but regular recertification and verification processes have yet to be integrated. Finally, in Honduras PRAF II and PRAF III were designed with a specific time horizon for receiving benefits. The changes to the registration systems in Honduras PRAF (SIPRAF and SIRBHO) were actually used to eliminate beneficiaries that did not comply with age limits. The new version of the registry (RUB) is designed to provide permanent updates on the information about beneficiaries and automatically eliminate those who do not fit age and schooling conditions.

The Bank has provided support for strengthening the beneficiary registration and has achieved mixed results. In El Salvador, the IDB was an important player in the design of the RUP, although an IL (ES-L1044, 2010) aimed at supporting its implementation was not approved by Congress. Through a 2009 TC (ES-T1133) the IDB supported the methodological design of the RUP. Consultants were hired, and they produced methodological documents for the organization of the registry. This support seems to have been effective: the government has continued gathering information for the RUP, although progress is slow. In Guatemala, the PBL that supported MiFaPro (GU-L1017) did not include conditions on the recertification and graduation of beneficiaries. However, the fiscal support of MBS (first tranche of GU-L1085) includes a condition that requires MIDES to prepare a plan defining processes, responsibilities, and timetables for identifying improvements in criteria used for the exit of beneficiaries, defining tools for their implementation, and establishing operating rules. For the disbursement of the second tranche, the policy matrix requires ministerial approval of these changes, indicating that they should at least be within the program's operating framework. Whether they will be implemented will depend on capacity at that time. In Honduras, the loans that supported the implementation of PRAF II and PRAF III did not include specific components for the recertification of beneficiaries. However, the inclusion of a new registry (PRAF II, HO-0132, and PRAF III, HO-0222) supported the update of the databases. In Bono 10.000 the loan HO-L1087 included as one of its components the recertification of beneficiaries using the rules of the RUB. Similarly, TC HO-T1170 will provide a technical note on alternatives for the insertion of beneficiaries in the labor market after completing their schooling.

In sum, the need for recertification protocols is recent, but the CCT programs in the three countries will require more emphasis on this component. CCT programs have been in operation for more than a decade in the selected countries, and there is a need to define clear graduation and recertification policies. Improvements in the monitoring and reporting systems will facilitate this process. IDB has supported such improvements in recent operations, but future operations would need more emphasis on this component.

7. Payment method design and administration

The evidence collected in this evaluation shows that payments in the three countries have been irregular in quantity and timeliness. Although the rules of the three current programs require bimonthly payments to the beneficiaries who comply with the conditions, all three reported two- to three-month delays in payments. In addition, the documentation of previous programs indicates that beneficiaries did not receive their transfers on time.

Monitoring system failures and fiscal restrictions are the main factors contributing to payment delays. The irregularity of payments is largely explained by delays in the reporting systems. In Guatemala payments rapidly lost their regularity: in 2012 communities reported only receiving 4 to 6 months of their monetary benefit in two payments, and in 2014 MIDES officials reported the completion of only four payments. The underlying cause of this irregularity was that the expansion exceeded the agency's capacity to prepare the individual payments on time; the program's increased coverage required more investment in the monitoring systems. In addition, the amount of fiscal resources needed to pay the transfers to new beneficiaries increased significantly during a period of fiscal imbalances. The combination of irregular payments and new restrictions on benefits have brought the total payment an individual user is likely to receive down to only 3.6% of the minimum wage, which is significantly lower than the 20% value designed for the program. In Honduras, transfers are designed to be paid bimonthly according to current regulations,⁴⁸ though most beneficiaries are paid every three or four months depending on budget availability. In PRAF II and PRAF III the late delivery of personal records on the completion of conditions impeded preparation of individual data and delayed payments for more than three weeks. In El Salvador, *RED* transfers were designed to be paid bimonthly; however, in 2013 under *Comunidades Solidarias*, the scheme changed to payments every four months. In both cases payments have been delayed, primarily because of lack of access to designated funds.

In all three countries the inclusion of the poorest households in the financial system through the use of mobile payment systems can be considered a positive effect of the CCT programs. Beneficiaries of *Comunidades Solidarias* in rural areas of El Salvador receive the transfers through armored trucks or banks contracted by public tender to pay the beneficiaries. Salvadoran authorities intended to implement payments through banking cards and ATMs, but this initiative was not viable given the lack of banking infrastructure. In Guatemala, each beneficiary is assigned a bank account to which transfers are automatically deposited.⁴⁹ Beneficiaries are then informed of a period of two or three days during which dedicated cashiers or ATMs will be available through which they can access their funds. Funds not accessed on those days can be retrieved at a later designated time. Similarly, since PRAF II in Honduras the large majority of transfers are made through the financial system through *Banco Nacional de Desarrollo*

Agricola and other private commercial banks. In areas with no branch coverage, the government supports the payment in cash in specific dates. Payment by cellphones (TIGO) has been tested with support from the Bank, but given the logistical issues this scheme raised, the authorities decided to maintain the traditional payments based on the banking system.

Only in Honduras has the IDB has been a major player in consolidating the administration of the transfer payment method. The Bank has not provided support in the area of payment method design or administration in El Salvador and Guatemala, aside from one condition in Guatemala's GU-L1085 PBL requiring Guatemalan authorities to take "steps to strengthen operations." In Honduras, almost 80% of the ILs (HO-0132, HO0185, HO-0222, HO-1032, HO-L1042, HO-L1071, and HO-L1087) have been used to pay the transfers. This has required the use of the Bank's auditing processes. Delays in the verification of conditions have been the main cause of irregularity of disbursements. The recent operations have been more regular, particularly since the implementation of the RUB. HO-L1042 included support for payments through cellphones (TIGO Money) and rural credit unions (FACACH); however, as in Guatemala, the pilot tests showed important logistical problems.

In sum, delayed payments are a significant weakness of CCT programs in the three countries. IDB support can help mitigate the causes, but programs the need to be improved. Failures of the verification of conditions and fiscal restrictions are the main causes of the delays in the payments. When the Bank is involved in funding the program, these delays are relatively shorter, but they exist. This can only be solved through better administration of the programs, including better monitoring and reporting of conditions.

8. Support of complementary services

The three countries face challenges in the coverage and quality of complementary services, particularly in the health sector. The background section and Annex 2 show that although all three countries have made improvements in basic education services in the last decade, coverage remains low. In the health sector, only El Salvador has made significant institutional progress; the indicators for Honduras and Guatemala have been stagnant. The efficiency and performance of the health systems in all three are low –a major barrier for the proper functioning of the CCT programs. This situation cannot be solved simply by implementing a CCT program, but the program can provide information on how to expand services.

The three countries illustrate how CCT programs could be an effective tool for diagnosing and addressing gaps in services. Interventions that emphasize only an increased demand for services are a good source of basic data to explicitly define sector needs in treatment areas. The identification of beneficiaries and the assessment of

services at the community level are a valuable source of information to coordinate actions and activities in each sector, although this information must be acted upon before the CCT program comes into full force to maintain the connection between the conditions and building of human capital through adequate service provision. Because of their specific focus, the CCT programs in Guatemala provided information on coverage problems in the poorest zones of the country. In El Salvador, the program was used to map the available services and their reorganization, particularly in the health system. This was information that did not exist before.⁵⁰ In Honduras, the information generated for each sector has been used for improving the services only during recent years.

Questions remain about how best to address gaps in coverage, and in what sequence. Operations in Honduras have shown that simultaneous interventions –in which supply is expanded at the same time as incentives are put in place to increase demand– are extremely complicated to execute and, if executed poorly, reduce the effectiveness and credibility of the program. The failures of PRAF II were caused mainly by simultaneously increasing investment in services and demand for their use through poorly coordinated interventions. That said, more recent improvements in the education sector have had a simultaneous knock-on positive effect on the CCT program's ability to verify conditions (SACE system), improving its functionality.

As has been mentioned, one of the initial ways governments addressed gaps in coverage was by outsourcing basic provision of services to local organizations (with different characteristics in the three countries), a practice that the IDB supported. Although NGOs have a long tradition of providing social assistance in the three countries and their personnel are frequently in close contact with target populations, their execution of these functions had unanticipated legal, political, and logistical consequences. The varied quality and training of NGO personnel made the implementation of standard procedures extremely difficult. This issue was compounded where governments did not have the geographic or technical capacity to closely monitor the services their surrogates provided.

IDB operations have generated critical information for the expansion of health and education services in El Salvador and Guatemala, although increases in actual services have been more difficult.⁵¹ In El Salvador, TCs facilitated IDB specialists' involvement in the analysis of data from primary sources (educational census, census of nutrition, etc.) (ES-T1133, 2009), to identify the current stock of services. IDB also supported studies and proposals for the consolidation of services and the fiscal sustainability of health reform (ES-T1195, 2013). In addition, IDB's health division approved an IL (ES-L1027) that helped expand service coverage and increase the number of families enrolled in health centers. The complement of loans and TCs in the social sector facilitated analysis for new operations,⁵² although some synergies were lost with the cancellation of ES-L1044 (2010), which had the objective of improving the supply of health services in urban areas. Fiscal support was also

provided to the health sector through PBLs (2008 and 2009) that had among their disbursement conditions the expansion of services in priority municipalities. The PCR indicates that these conditions were fully met. In Guatemala, many of the conditions for GU-L1017 were focused on increasing the supply of complementary services, although in implementation they were unable to bring about major changes in service provision. The PCR for GU-L1017 cited among the reasons for the lack of change the misalignment of the internal priorities of MINEDUC and MSPAS with MiFaPro programs, the difficulty each ministry had meeting MiFaPro's expansion schedule on short notice, and poor incentives for complying with PBL requirements as ministries had no guarantee of receiving the associated funds. While GU-L1085 has some promising conditions relating to the supply of complementary services, many of them will need significant additional investment and technical assistance. This could be achieved through a comprehensive approach to the social protection sector that more closely ties CCTs, education, and health loans; as yet the Bank has not used this approach.

The results of IDB support on the expansion of complementary services in Honduras have been mixed. The IDB's experience with the implementation of CCT programs in Honduras provides insights on the risks and problems generated by increasing the demand for public services. The IDB introduced loan HO-0132 as a "model of simultaneous interventions" (incentives for supply and demand), using NGOs as providers of basic services. The IDB operations provided for funding of complementary services independently of the functioning of the line ministries. This design created tension among the different authorities and proved not to be sustainable. According to various evaluations and publications, the model presented major logistical challenges,⁵³ which made it impossible to implement some of the loan's original components.⁵⁴ Results were similar in successive loan operations (HO-0212, HO-1032), and the scheme was eventually abandoned. The loans that supported *Bono 10.000* have included support for complementary services (HO-L1042, HO-L1071, and HO-L1087) through financial support for the reporting of conditions.⁵⁵ The results of IDB's support for health and education operations are significantly different. The IDB's support for a decentralized health system in Honduras helped finance the provision of services to 1,000,000 people and is expected in the coming months to allow the expansion of hospital infrastructure to the neediest departments. These investments are expected to provide effective coverage and improve the national indicators. Although each of the completed loan projects reports a satisfactory conclusion, effective health coverage is still low. Education loans have used the information provided by the CCT on coverage needs in the poorest zones of the country to target investing. While aggregate data indicate progress in several education indicators, the quality of education provided to the beneficiaries (see Annex 2) remains a challenge. The implementation of the national database on social sectors (RUB) is expected to generate accurate information to close the gap of the indicators in the coming years. The newly approved HO-L1093 includes support for the supply of education services according to the needs identified through available information.

In sum, improving the coverage and quality of complementary services continues to be an area of opportunity for the IDB. CCT programs can generate valuable information to define specific objectives for increasing effective coverage. In education, the challenges of poor coverage and low completion rates for primary schools remain, particularly in the countries' poorest zones. The poor quality of health systems presents a major barrier to the effectiveness of CCT programs and to the social protection services more generally, in all three countries. The Bank should continue working closely with authorities to improve the effective coverage of the services (for instance, through the Mesoamerica Initiative). Another major challenge is the fiscal situation of these governments. Effective expansion of health and education services is expensive, and it needs to be done within budget limits. IDB can help identify cost-effective solutions for the expansion of these services.

9. Monitoring and evaluation

Although M&E capacity has increased in the three countries, ongoing difficulties in accessing the information for enforcing conditions indicate that the systems are not yet sufficiently robust. Each country has developed at least some institutional capacity for planning and evaluating social programs. In El Salvador, the Monitoring and Evaluation Unit of the Presidency (STP) was created, logical framework matrices of social programs were generated, and various diagnostics and evaluations of different components of the CCT program have been performed. Despite the progress, the structure of the M&E unit is still insufficient to provide continuous monitoring of the logical matrices and of the evaluation recommendations. The lack of appropriate administrative data continues to make measuring results at the program level difficult. Furthermore, although there have been several external evaluations, the fact that the program does not have systematic reviews of processes limits the ability to make results-based adjustments to programming. In Guatemala, the transition from MiFaPro to MBS included the creation of the *Ministerio de Desarrollo Social*, whose institutional structure includes the Vice-Ministry of Policy, Planning and Evaluation. The purpose of this office is to coordinate the actions of different programs according to diagnostics and evaluations. The office is now being reorganized to strengthen the information system of the CCT program, and results are not yet available. In Honduras, the responsibility for programs has historically been fragmented between PRAF and the Office of the Presidency. With the creation of the Ministry of Development and Social Inclusion, which included a Unit of Planning and Evaluation, the effectiveness of M&E for Bono 10.000 improved compared to previous versions of the program. However, there are still challenges in the reporting on conditions.

IDB support for M&E in the three countries has consisted of comprehensive operations in Honduras, financial and technical support in Guatemala, and technical support in El Salvador. In El Salvador, the IDB has shown strong support for an M&E agenda. The preparation of the *Red Solidaria* and transformation to *Comunidades*

Solidarias included the design of evaluations. The IDB provided technical support for the development of evaluation capacity, and the associated products were effectively delivered. The policy matrices of the PBLs ES-0104, ES-L1030, and ES-L1040 included measures on the incorporation of evaluations that the country implemented and completed successfully. In addition, the IDB supported technical workshops (ES-T1133) on impact evaluation to strengthen the monitoring and evaluation systems of the Salvadoran Social Protection System (SPSU). The Bank also supported the analysis of systems for evaluating the STP and various qualitative evaluations of the program (ES-T1060 and ES-T1063). Unfortunately, the cancellation of the loans ES-L1002 and ES-L1044 truncated the IDB's support for the M&E agenda.

Guatemala has received IDB support for the evaluation of processes and impacts, but it is unclear to what degree the results of that support have been incorporated into the CCT program. For the MiFaPro program, the Bank supported the execution of evaluations through both its PBL operations and a TC. The execution of two operational evaluations and one system evaluation was a condition for the disbursement of the second tranche of the PBL (GU-L1017), and GU-T1089 funded an impact evaluation of the program, which reported positive effects.⁵⁶ Recommendations were incorporated into MiFaPro's 2010 strengthening plan to the satisfaction of the project team. The newly approved PBL GU-1085 incorporates measures to promote accountability and transparency in the social sectors, including the strengthening of the Social Information System (SISO) and the implementation of a dashboard for monitoring physical and financial execution of the programs included in the Zero Hunger Pact. The loan also includes requirements for the collection of baseline data to measure the impact of university-level training on teachers, for the enrollment of Guatemala in the Program for International Student Assessment (PISA) for development—an action that would improve the country's ability to evaluate policies in the future—and for the execution of an independent evaluation of the *Leamos Juntos* program.

In Honduras, the Bank has supported both process and impact evaluations, and has become more effective over time. The SIPRAF, the first attempt by Honduras to institutionalize a social program with monitoring instruments, was supported by HO-0132. The effectiveness of this support was low, given the deficiencies in the processes for gathering information on completion of conditions. The implementation of *Bono 10.000* included new verification mechanisms that the Bank supported through different components of the loans HO-1032, HO-L1042, HO-L1071, and HO-L1087. The first two relied on the information generated by the database SIRBHO, which the Bank also supported through the loan HO-0222. Because the SIRBHO information lacked reliability, the Bank included a technical review of the process for reporting conditions in the new operations. The most recent operational

monitoring of the program is now done through the *RUB*, which the Bank supports. *RUB* represents a major improvement over the previous systems and is expected to significantly reduce the number of errors.

While the IDB supported two impact evaluations of CCT programs in Honduras, only the second was correctly implemented. The support for the impact evaluation of PRAF II (HO-0132) included the participation of IFPRI experts. The evaluation faced difficulties that affected the delivery of the products included in the original design.⁵⁷ Final results did not include the evaluation of supply-side interventions, although they showed some minor effects on education.⁵⁸ This experience was used to modify the design of the following evaluation. In total the IDB had three operations that supported M&E for *Bono 10.000* (HO-L1042, HO-L1071, and HO-L1087), and the second impact evaluation of a CCT program in Honduras was done for *Bono 10.000*. The baseline data were collected 2012, the first follow-up survey was taken in 2013, and the second follow-up survey will be executed in 2015. The first intermediate evaluation shows that the program has had positive effects.⁵⁹

In sum, the Bank's support for M&E systems has not yet attained the desired results. Failures of the monitoring systems are due to multiple causes described in this evaluation. Problems in the reporting and monitoring of conditions affect other components –particularly payments. The low capacities of the line ministries and the extra cost monitoring represents have been two of the major reasons for the delays in monitoring conditions. IDB has been a key supporter of impact evaluations of the three countries' CCT programs. The implementation of the evaluations has faced multiple challenges, but the exercises have yielded valuable lessons.

10. Fiscal funding of CCT programs

The three countries all face fiscal constraints that make the potential efficiency of CCT programs attractive compared to other available policy options like generalized subsidies, although none has been able to provide full fiscal funding. The fiscal stress on countries and the vulnerability of their populations increased with the economic crisis of 2008-09. Between 2000 and 2012 (most recent data available), Guatemala had fiscal deficits every year, El Salvador in all but two years (2007 and 2008), and Honduras in all but one (2006).⁶⁰ In El Salvador, the government adopted an Anti-Crisis Plan, and the Congress approved a tax package to expand the tax base in 2010. Similarly, in 2014 Guatemala and Honduras both passed bills to increase the tax base. CCTs are particularly useful in this context, as they are more efficient than generalized subsidies in protecting vulnerable populations. The cost of CCTs is less than 1% of GDP in Honduras and less than 0.5% in El Salvador and Guatemala.⁶¹ Despite the lower costs of these programs, however, none has been able to reliably make payments on time.

Delays in program payments are explained in part by lack of timely funds. When CCT programs are not prioritized or are highly sensitive to the political cycle, the link between fulfillment of conditions and payments is broken. As described in the payments section, all programs have experienced delays in the payments to beneficiaries. For programs that are funded by national budgets and supported by international donors – those in Guatemala and El Salvador – local authorities have faced difficulties transferring the funds to the authorities in charge of making payments to the beneficiaries. Authorities have taken a range of actions to mitigate this problem, like including specific lines in the national budgets to cover the cost of the programs. However, the fiscal situation has impeded the deposit of funds to make the payments.

IDB loans have been an important source of immediate financing for CCT programs in Honduras, although they are only beginning to take longer-term financing needs into account. In Honduras, IDB loans have been the main source of funding for the CCT programs, including for transfers. The cost of PRAF II and PRAF III and *Bono 10.000* was funded mainly with IDB loans (HO-0132, HO0185, HO-0222, HO-1032, HO-L1042, HO-L1071, and HO-L1087). The newly approved HO-L1093 includes a sensitivity analysis of the fiscal cost of the program for the first time and recognizes the importance of using local funds for the program. It is expected that the cost of the transfers will be gradually included in the national budget to reduce dependence on external sources.

In Guatemala, the Bank has provided financial support mainly through PBL operations. This instrument does not guarantee the funding of transfers to beneficiaries to the same extent as investment lending, since PBL resources are not earmarked for this purpose, though funding issues can in principle be addressed in PBL conditions. The PBL GU-L1017 included measures to create separate budget lines for the provision of complementary services and execution targets. The Bank was not directly involved in the payment of transfers under MBS, but its support provided general resources that could be used for the payments. The recent operation GU-L1085 includes as a condition the provision of fiscal resources needed to make the payments of the transfers on time.

Although the IDB previously supported the financing of El Salvador's CCT program, it does not currently do so. Before 2009, the Bank was a key partner in maintaining the funding of El Salvador's programs, providing US\$500 million in financial support for the consolidation of Social Protection System (PBLs ES0140, ES-L1030, ES-L1040). The IDB did not directly fund the transfers, but its fiscal support strengthened the program during the crisis of 2008-09. Among the conditions for disbursements was the inclusion of an item in the national budget accounts to finance *Comunidades Solidarias*. This condition was met and helped keep the program running during the crisis.

In sum, the IDB has been an important source of financing for CCT programs in the three countries, either directly or indirectly, although the irregularity of payments indicates that all three continue to lack the required fiscal liquidity for ongoing implementation. This is indicative of a trade-offs between resource requirements, payment regularity, and program scale. When the Bank is involved in the technical discussion of this aspect, as in Honduras, results have been significant. For example, although originally there were plans to more than double program coverage, the expansion was abandoned because of the evidence presented in an IDB technical note and elaborated on during dialogue between IDB specialists and the government. The current fiscal situation in other lower-middle-income countries suggests that this type of analysis and dialogue will be needed in the near future.



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The selected countries differ from one another in social indicators, institutional capacity for service provision, and the maturity of their CCT programs, but in all three countries payments to beneficiaries are irregular.

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5 Conclusions and Suggestions

A. CONCLUSIONS

This evaluation used a component-based methodology to analyze support provided by the IDB to develop and implement CCT programs in three lower-middle-income countries: El Salvador, Guatemala, and Honduras. To identify effective elements of the support provided by the IDB, OVE identified 10 components that are necessary for a CCT program to be effective –the basic institutional elements that can facilitate the functioning and administration of the program according to the specific context and policy conditions of each country. The team then analyzed the support the IDB provided to strengthen each component. The challenge of this methodology was to collect evidence for the analysis of each component, as the Bank has a significant amount of formal and informal information on CCT programs that is not properly organized.

The selected countries differ from one another in social indicators, institutional capacity for service provision, and the maturity of their CCT programs, but in all three countries payments to beneficiaries are irregular. El Salvador has significantly lower levels of poverty and better coverage of basic services than Honduras and Guatemala. However, like Guatemala and Honduras, it continues to face challenges in terms of institutional capacity. In Honduras CCT programs have been implemented since 1995, and the accumulated experience and institutional capacity for the functioning of these programs are greater. In contrast, CCT programs in El Salvador and Guatemala started in 2005 and 2008, respectively.



IDB support has had limited results in components that are more closely tied to the state's institutional capacity, including the effective monitoring of conditions, implementation of registry systems, payment administration, and support of complementary services.

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In the three countries beneficiaries have no certainty on the regularity of transfers. Regardless of when implementation began, structural problems, particularly fiscal restrictions and institutional capacity, cause delays in payments.

In Honduras, Bank support has been financially and technically comprehensive, while in El Salvador and Guatemala it has focused primarily on the provision of financing, with limited technical contributions. The IDB has been the main supporter of the CCT programs in Honduras; this support has become more comprehensive over time to include all components required for the functioning of a CCT program. In El Salvador the Bank provided comprehensive support during the design of the *RED* and transition to *Comunidades Solidarias*, but since 2010 it has played a marginal role. The Bank has primarily provided fiscal support for the Guatemalan CCT programs, although the new MBS program includes a set of operations to provide some specific components.

The IDB's technical support of specific components like measurement of poverty, design of targeting and registry systems, and external evaluations can be considered successful. Evidence collected in this evaluation indicates that when the Bank is involved in the design and implementation of these components, results are positive. Most elements that are required for proper functioning are present in the programs when the IDB provides support. Clients value the experience and knowledge accumulated by IDB staff in the design and implementation of poverty measures, targeting and definition of registry systems, and external evaluations.

IDB support has had limited results in components that are more closely tied to the state's institutional capacity, including the effective monitoring of conditions, implementation of registry systems, payment administration, and support of complementary services. One recurrent failure in the design of the CCT programs in the three countries is the assumption that line ministries will cooperate with and participate in the program. The IDB has supported instruments to monitor conditions that health and education ministries have sometimes perceived as an undue burden unrelated to the provision of their services. This has created failures in the monitoring systems and is a major obstacle to the effective functioning of the CCT programs. One consequence of ineffective monitoring systems is delayed payments. For supplementary services, weaknesses in the supply of services forced country authorities to use alternatives, mainly the provision of services by external providers, which the Bank supported through various operations. However, variation in the quality of these external providers, legal restrictions in their hiring processes, and the difficulties in standardizing provision of services and reporting have demonstrated this to be a less than ideal solution to poor service coverage.

The effectiveness of the support provided by the Bank in the three countries depends in part on the instruments used. The three cases reviewed here suggest that ILs are better suited than PBLs for strengthening the institutional capacity needed to manage a CCT program, especially if PBLs do not have a strong technical assistance program attached or the PBL's conditions are not linked directly to institutional concerns.⁶² In general, the ILs reviewed here provided more comprehensive support to various components of the CCT program than did policy-based instruments. ILs led to longer-term and more in-depth engagement at the technical level in support of institutional strengthening. In contrast, PBLs tended to have broader objectives that were not always closely linked to the day-to-day functioning of the CCT program. While CCT programs do often require a significant number of complex and difficult policy reforms, including along the 10 institutional dimensions discussed, providing budget support alone may not be the most effective means for the Bank to help countries achieve them.

Finally, all three countries face fiscal constraints that affect the functioning of the CCT programs, and the problems could worsen if fiscal positions continue to tighten. The Bank has provided valuable fiscal support to all three programs. In Honduras, it is unlikely that the CCT programs would be able to function without IDB financing. In El Salvador, IDB has provided budget support rather than direct funding of transfers, but fiscal conditions have complicated the functioning of the program. Guatemala faces a similar situation, and the new IDB operation is expected to provide needed fiscal support.

B. SUGGESTIONS

Drawing on the evidence collected in this evaluation, OVE has the following suggestions to reinforce the support provided by the Bank to CCT programs.

1. If the Bank is asked to support a country's CCT program through lending or technical cooperation, ensure that there is a comprehensive diagnosis of institutional needs that will help identify and prioritize components that require immediate support. The component-based assessment is a useful instrument to identify the specific institutional elements that are required for the proper functioning of a CCT program. The Bank should consider undertaking a formal assessment of the institutional conditions of the CCT programs to be supported in lower-middle-income countries if one does not exist already. This formal assessment could help identify the specific elements that need to be strengthened in a particular time period. The institutional diagnoses could be shared with other sectors, and the Bank could design new operations that use the same registries as the CCT program. The example of SACE in Honduras shows that this is possible.
2. Strengthen Bank support to institutional components requiring ongoing government capacity and coordination, such as the monitoring and enforcement of conditions and administration of payments. It would be desirable for the Bank to continue its support in areas such as assessment of poverty conditions, targeting design, selection and registry of beneficiaries, definition of monetary benefits, definition of conditions, and M&E design. Likewise, to ensure the proper functioning of the CCT programs, the Bank should improve its technical support to strengthen the institutional capacity of the governments in those processes that require continuous long-term involvement and coordination.
3. Analyze the funding needs of CCT programs (as part of broader social protection spending) and take this into account when deciding on the sizing of new loans and the choice of lending instruments. The lower-middle-income countries included in this evaluation are facing fiscal stress that makes CCTs an attractive policy alternative. However, the use of CCTs requires governments to understand how they best fit within total public expenditures. The Bank can provide important support for this analysis. In addition, new lending for CCT programs can be structured to help countries reorganize their social policy expenditures and subsidies. It would be desirable to use a multiphase design to obtain specific results before new operations are approved. Finally, regardless of the type of loan approved, this evaluation has stressed the importance of designing TCs that help strengthen the institutional capacity of the countries themselves.

4. Systematize the lessons learned from previous operations, processes, and evaluations. The IDB's rich experience in designing and implementing CCT programs is not well organized at the institutional level, and accumulated knowledge has not been systematized. The Bank should consider organizing available information to institutionalize what is known about programs in each country in a comparable way, including relevant data generated in each of the operations.⁶³ The Impact Evaluation Hub is good example of this practice.

- ¹ See Levy (2006, 2015); Fiszbein & Schady (2009).
- ² Stampini & Tornarolli (2012); Paes-Sousa et al. (2013).
- ³ Adato & Hoddinott (2010); Johannsen et al. (2009); Fiszbein & Schady (2009); Galasso & Ravallion (2005).
- ⁴ Stampini & Tornarolli (2012); Paes-Sousa et al. (2013).
- ⁵ Adato et al. (2000); Fox (2008); Baird et al. (2010); Paes-Sousa et al. (2013); Benhassine et al. (2013); Akresh et al. (2013); Attanasio et al. (2015)
- ⁶ Fox (2008).
- ⁷ World Bank (2007).
- ⁸ Adato y Hoddinott (2010).
- ⁹ See Davidson (2005).
- ¹⁰ OVE developed this list based on an extensive literature review, which included, among others, Lindert et al. (2007), Fiszbein & Schady (2009), and Paes-Sousa et al. (2013).
- ¹¹ This includes incidence of poverty (headcount index) and depth of poverty (poverty gap or severity of poverty).
- ¹² There are two basic types of targeting: geographic and means-tested (MT). In geographic targeting, eligibility is determined by the place of residence and the availability of public services. MT targeting is defined at the individual level (person or household) according to specific observable characteristics –for example, quality of housing, ownership of durable goods, demographic structure, and education—that are used to estimate eligibility using an algorithm. The geographic variation of the poverty intensity and characteristics requires the differentiation of MT by zones. Finally, the targeting and selection are sometimes validated by the community to avoid errors of inclusion/exclusion derived from unobserved characteristics. Paes-Sousa et al. (2013).
- ¹³ International Food Policy Research Institute (IFPRI) (2004).
- ¹⁴ De la O (2015).
- ¹⁵ See Gneezy & List (2013).
- ¹⁶ Das et al. (2004), Attanasio, et.al. (2005).
- ¹⁷ Todd (2006), Escobar & Cortes (2005).
- ¹⁸ Ideally, this should occur at a time when the beneficiary has accumulated sufficient human capital to not fall back into poverty. However, it could be the case that households are considered “non-poor” due to a change in the time allocation of one member (a new job or more hours of work). The selection and exit rules need to be carefully designed to be sensible.
- ¹⁹ Fiszchbein & Schady (2009).
- ²⁰ See Levy & Rodriguez (2004), Lindert et al. (2007).
- ²¹ Fox (2008).
- ²² At least 5 of the 10 components can be organized by sharing common information about beneficiaries. This can be done through a centralized database where all the listed components and elements can be managed. In fact, this database is generally considered the “backbone” of the program since it determines the effective design and implementation of the monitoring and enforcement of conditions, administration of payments, and evaluation of results. Lindert (2007).
- ²³ Medium-low- and low-income countries are defined (Atlas method) as those with per capita GNI below US\$4,085 (2012). The purpose of the Atlas conversion factor is to “reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes.” For more details, see <http://data.worldbank.org/about/country-classifications/world-bank-atlas-method>.

- ²⁴ The purpose of this criterion was to compare programs that have a similar design and include incentives for education and health. Otherwise, the comparison would be more difficult. Bolivia was not included as a case study because the program supported by the Bank, *Bono Juana Azurduy*, includes only transfers for health –maternal and infant mortality and malnutrition in children under two years– and not for education.
- ²⁵ In fact, IDB support is more extensive in Honduras, and the accumulation of knowledge on the needs and functioning of the system is significantly higher in Honduras than in El Salvador and Guatemala.
- ²⁶ This is based on poverty headcount ratio at national poverty lines. Source: World Bank and household surveys of each country.
- ²⁷ See Annex 2 for more details.
- ²⁸ Franco (2008), Moore (2008), and Cohen et al. (2006) analyzed the evolution of PRAF.
- ²⁹ Franco (2008).
- ³⁰ Institutional capacity problems affected the impact evaluation, but it was feasible to estimate some effects: consumption at the household level remained constant, and the program had no effects on school attendance but reduced dropout and repetition rates (IFPRI, 2003).
- ³¹ Benedetti et. al. (2015).
- ³² DIGESTYC (2014).
- ³³ These operations include those used to fund the Strategy for Poverty Reduction and *Red Solidaria*. Both efforts included the cash transfers as part of the menu of policies to tackle poverty in Honduras. Including only the loans for the CCT program, the distribution changes to 1 PBL, 9 ILs, and 9 TCs totaling US\$404.8 million.
- ³⁴ Two investment loans were cancelled: ES-L1002 (2005) and ES-L1044 (2010).
- ³⁵ The causal effect of the IDB support is extremely difficult to identify. This exercise does not indicate any causality, given the multiple potential unobservable variables. Similarly, the Bank would be providing support in areas where the country has developed some capacity, which would be a case of inverse causality.
- ³⁶ See Annex 8 for a description of the total hours assigned to CCT programs operations.
- ³⁷ The most recent census data are from 2002. This restricts the sampling.
- ³⁸ The IL ES-L1044, which included a component for the implementation of the RUP, was not able to gain congressional approval, and it was finally cancelled.
- ³⁹ In the case of administrative capacity, the personnel have the basic capabilities for the functioning of the program, and their continuity depends on the political conditions.
- ⁴⁰ The system was designed by IFPRI and was part of the impact assessment. It was also designed for the M&E system SIPRAF, which had a cost of US\$5.2 million. It was initially expected to gather information on the four types of interventions, but in the end only two types were offered. The evaluation had several failures and was eventually abandoned.
- ⁴¹ Funde (2005), IDB (2005), PNUD, IPC (2008).
- ⁴² Transfers were designed with the help of microsimulation exercises funded through ES-T1090. However, as stated by PNUD-IPC (2008) the criteria utilized to determine the amount of the subsidy is not documented.
- ⁴³ IFPRI (2003).
- ⁴⁴ The required amount was needed to “push extreme poor to relatively poor. Arcia (2007).
- ⁴⁵ IDB (2014).

- ⁴⁶ In Honduras, the authorization of NGOs to receive public funds and provide services required a change in the law. This delayed the effective implementation of the program and its evaluation, Moore (2008). In El Salvador, the support provided by the NGOs to the health component of the CCT program ended around 2009 due to a policy decision of the government.
- ⁴⁷ The monitoring report for the loan indicates that the conditions were met, though time will tell if improvements in management capacity are sustainable and the registry of beneficiaries continues to be regularly updated.
- ⁴⁸ Gobierno de Honduras. (2013).
- ⁴⁹ Garoz and Gauster (2013).
- ⁵⁰ It should be noted, however, that El Salvador's recent health reform poses new challenges to the design and relevance of the conditions of the CCT program.
- ⁵¹ This evaluation only covers components included in the CCT-related operations. Specific operations of the education and health sectors are not mentioned in the loan description, and loan components were not included in the analysis.
- ⁵² OVE (CPE, 2015).
- ⁵³ IFPRI (2004), Moore (2008).
- ⁵⁴ OVE (2006).
- ⁵⁵ OVE (2014).
- ⁵⁶ Researchers found positive impacts on individual consumption in households, particularly in indigenous areas. While these results are positive, it is important to note that this did not denote an increase in the value of consumption of the household.
- ⁵⁷ The government provided transfers with no specified timeline; multiple institutional problems delayed implementation; the quality of NGOs that provided basic coverage varied widely; Hurricane Mitch occurred; and the season when the data were collected was not optimal.
- ⁵⁸ The results show that the intervention increased enrollment, reduced dropout rates, and increased attendance and graduation.
- ⁵⁹ Poverty reduction (3.4 percentage points); increase in school enrollment (3.1 percentage points) and health checkups (3.4 percentage points). No effects on vaccination rates. IFPRI (2003).
- ⁶⁰ World Bank, World Development Indicators.
- ⁶¹ For Honduras see Filc (2014); for El Salvador see IMF (2015) and OVE (2015). Guatemala was estimated based on the *Ley del Presupuesto General de Ingresos y Egresos del Estado*.
- ⁶² See Annex 9 for the analysis of the PBL measures and their structural depth.
- ⁶³ The Social Protection and Poverty Framework Document (GN-2784) developed by SPH is an excellent starting mechanism of systematization of information, although still very general in terms of the Bank's specific support for CCT programs.

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