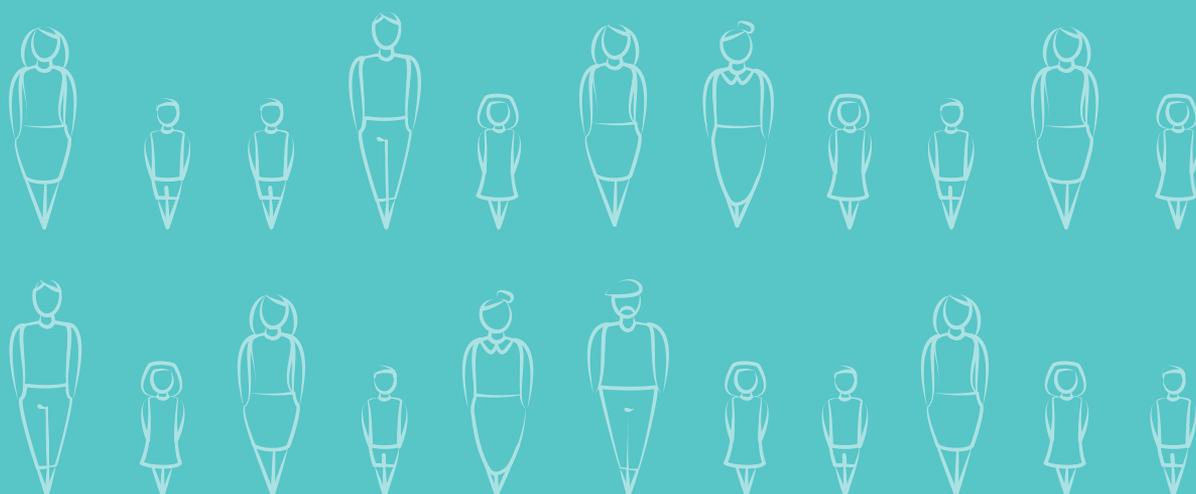
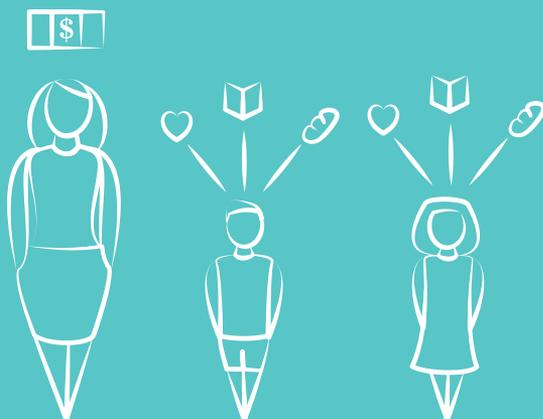


How

Conditional Cash

Transfers Work

Good Practices after
20 Years of Implementation



Edited by

Pablo Ibararán / Nadin Medellín / Ferdinando Regalia / Marco Stampini

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Preface

Some 20 years ago, there was a change in the approach used by poverty reduction programs in Latin America and the Caribbean. Mexico and Brazil began implementing a simple idea, one that subsequently spread to almost every country in the region: instead of transferring income to families living in poverty through price subsidies, vouchers or the direct distribution of food (milk, tortillas, bread, etc.), it is better to deliver this income in the form of direct cash transfers. However, to ensure that these transfers are not required on a permanent basis, they must be directly conditioned to household investments in human capital, particularly children's health, nutrition and education. The aim is for healthier, more educated young people to enter the labor market in a better position than their parents, which will allow them to earn more income through their own efforts, thus breaking the intergenerational transmission of poverty. In short, it shifted from the premise of "income transfers today and income transfers tomorrow" toward a new paradigm that emphasizes "income transfers today to facilitate the generation of greater independent income tomorrow."

A distinctive feature of cash transfer programs is that, more so than other social programs, they have been rigorously evaluated and monitored. The fact that they have shown positive results has contributed to these programs' longevity and expansion. Multiple evaluations have proven that these programs have made a significant difference in the lives of the families living in poverty. They help families put more food on the table and enjoy a more varied diet, allow more children and youth (particularly girls) to attend school, and encourage families to regularly receive basic health services. Today, the governments of the region directly transfer around 0.5% of GDP to the two or three poorest deciles of the income distribution, with much better targeting as compared to pre-existing social programs. Although there is considerable heterogeneity in terms of coverage, conditions, and generosity of transfers, conditional cash transfer programs exist in almost every country in the region.

Twenty years after the launch of the first conditional cash transfer programs, it is clear that they alone are not enough to lift

families out of poverty. Almost by definition, people living in poverty have few productive assets beyond their own labor; therefore, the only way to increase their income is to increase their labor productivity. For this to occur, acquiring more human capital is necessary yet not enough on its own. Aside from being healthier and more educated, the children of families that benefited from conditional transfers must find better jobs once they leave the education system. Thus, the challenge of breaking the intergenerational transmission of poverty is inevitably associated with the performance of labor markets in the region and, more specifically, the productivity of the jobs generated by these markets. While transfer programs have managed to increase human capital, these programs are not designed to impact the generation of productive employment opportunities for beneficiaries, nor should they be asked to do so.

The region is rightfully proud of conditional cash transfer programs, as they have already made a great contribution to poverty reduction. To continue to do so effectively, they need to focus all of their efforts on their principal objective: investing in the human capital of the poor. They must resist the temptation to be the sole poverty reduction instrument, by way of ever-increasing transfers, or to morph into hybrid programs with numerous objectives, only to find that, in the end, they are unable to achieve any of them, like the eagle chasing two rabbits at the same time.

Regardless of the actions taken to improve the operation of labor markets, it is important to note that conditional cash transfers could function more effectively. For that to happen, it is crucial to pay special attention to operational aspects of the program during implementation.

This book describes good practices in the design and implementation of conditional cash transfer programs, identifies challenges, and proposes alternatives to improve program management. These programs require the strategic definition of design features such as target population, type of conditionalities, benefit structure and payment mechanisms. Moreover, implementing these programs has been a social policy management challenge, as they have a complex operating cycle that spans the implementation of eligibility criteria, identification of the target population, verification of conditionalities, and the execution of payments, among others. In addition, programs require coordination with and involvement of the ministries of health and education, which must guarantee an adequate supply of quality services to meet the increase in demand driven by the transfers' incentives and to ensure a real accumulation of human capital.

Those who design, implement and evaluate these programs will find this book to be a useful and practical tool, as it collects the experiences of countries as they have worked to develop creative, innovative solutions to meet day-to-day challenges. While there is most certainly no one-size-fits-all solution, the book does offer lessons that draw attention to aspects to consider when facing similar problems. This book is a reference that supports the design, implementation and continuous improvement of conditional cash transfer programs, thereby contributing to the achievement of better outcomes in terms of support for the social inclusion of families living in the most severe poverty.

Santiago Levy

Vice president for sectors and knowledge

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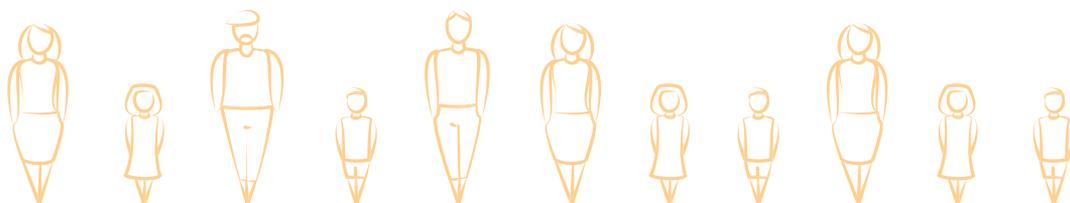
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List of Acronyms

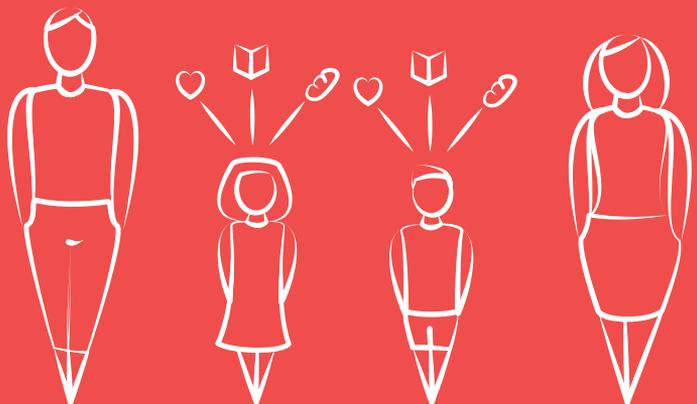
ADESS	Social Subsidies Administration (<i>Administradora de Subsidios Sociales</i>)
BANSEFI	National Savings and Financial Services Bank (<i>Banco del Ahorro Nacional y Servicios Financieros</i>)
BDH	Human Development Bond (<i>Bono de Desarrollo Humano</i>)
BNCR	National Bank of Costa Rica (<i>Banco Nacional de Costa Rica</i>)
CATS	simplified procedure savings account
CCT	conditional cash transfer program
DPS	Department for Social Prosperity (<i>Departamento para la Prosperidad Social</i>)
EDA	Differentiated Support Scheme
IEF	Ethical Family Income (<i>Ingreso Ético Familiar</i>)
IMAS	Joint Institute for Social Welfare (<i>Instituto Mixto de Ayuda Social</i>)
LAC	Latin America and the Caribbean
MDS	Ministry of Social Development and Hunger Eradication
MIES	Ministry of Economic and Social Inclusion
PATH	Programme of Advancement Through Health and Education
PROSOLI	Making Progress through Solidarity (<i>Progresando con Solidaridad</i>)
RAS	Social Supply Network
RSDA	regional social development area
SABEN	Beneficiary Services System (<i>Sistema de Atención de Beneficiarios</i>)
SEDECI	System for the Filing, Review and Follow-up of Citizen Claims (<i>Sistema de Registro, Control y Seguimiento de la Demanda Ciudadana</i>)
SENA	National Learning Service (<i>Servicio Nacional de Aprendizaje</i>)
SENARC	National Secretariat of Citizen Income (<i>Secretaría Nacional de Ingresos a la Ciudadanía</i>)
SIFA	<i>Más Familias en Acción</i> Information System
SIGE	General Student Information System (<i>Sistema de Información General de Estudiantes</i>)
SIIEF	Ethical Family Income Information System (<i>Sistema de Información del Ingreso Ético Familiar</i>)
SIO	Operations Information System (<i>Sistema de Información para la Operación</i>)

SIPAS	Social Action Information System (<i>Sistema de Información para la Acción Social</i>)
SIOP	Institutional Information System for Program Operation (<i>Sistema Institucional de Información para la Operación del Programa</i>)
SIRC	Compliance Record Information System (<i>Sistema de Información y Registro de Compromisos</i>)
SISBEN	Beneficiary Identification System for Social Programs (<i>Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales</i>)
SIUBEN	Unified Beneficiary System (<i>Sistema Único de Beneficiarios</i>)
UNDP	United Nations Development Programme



Introduction

Pablo Ibararán, Ferdinando Regalia and Marco Stampini



Conditional cash transfer (CCT) programs originated in Latin America and the Caribbean (LAC) during the mid-nineties as a result of reforms to poverty reduction programs. These reforms focused on the rationalization and targeting of redistributive programs that were inefficient because—besides being regressive—they generated significant price distortions, such as tax breaks and consumption subsidies.

The theory of change that underpinned CCT design was powerful yet simple: alleviate current poverty by supporting the consumption of the poorest households through transfers granted mainly to mothers, and help break the intergenerational transmission of poverty using conditionality schemes aimed at promoting the accumulation of human capital among children.

Initially, CCT conditionalities focused on compliance with protocols for maternal and child health, nutrition, immunization of preschool-age children, and school attendance through the ninth grade (known as basic education) in those environments where there was already an available supply of these services. The

design of the conditionalities later evolved in some countries to include protocols for health promotion and preventive services for adolescents and adults, as well as school attendance at the upper secondary level. More recently, some countries have introduced transfers to encourage enrollment in tertiary education.

The focus on poverty reduction promoted by CCT programs was quickly adopted both inside and outside of LAC by several national and sub-national governments. In 2013, about 137 million people in 17 LAC countries received transfers that represented, on average, between 20% and 25% of their household income (Stampini and Tornarolli, 2012). The CCT programs with the greatest coverage in LAC have come to invest an average of 0.3% to 0.4% of their respective country's gross domestic product (GDP) (Paes-Sousa, Regalia and Stampini, 2013). The popularity of CCTs as a social policy tool has also grown outside of LAC, as evidenced by the large-scale CCT programs in use in Pakistan, Indonesia and Turkey.

As never before in the history of social programs in Latin America and the Carib-

bean, CCT programs have invested significant resources in targeting and monitoring systems that aim to ensure transparency and the effective distribution of those resources to the neediest populations. As a result of these investments—and despite persistent errors of inclusion and exclusion that require countries to adopt strategies for their reduction—CCTs have achieved higher levels of targeting than those of other redistributive programs (Levy, 2006; Lindert, Skoufias and Shapiro, 2006; Grosh et al., 2008; Stampini and Merino-Juárez, 2012; Robles, Rubio and Stampini, 2015).

Evidence on the impacts¹

CCTs have been unquestionably effective at increasing the consumption of beneficiary households, as well as at reducing the incidence and, especially, the intensity of poverty and inequality (Fiszbein and Schady, 2009; Stampini and Tornarolli, 2012; Levy and Schady, 2013). Not only have CCTs increased household consumption, but they have also improved its composition in terms of the quality and variety of food consumption (Ruiz-Arranz et al., 2006).

The development and spread of CCT programs have been accompanied by the implementation of a variety of rigorous impact evaluations, especially those that examine short- and medium-term effects. One very consistent finding is that CCTs have reduced child labor (Galiani and McEwan, 2013; Edmonds and Schady, 2012) and boosted school enrollment and attendance in many countries, with increases ranging from 0.5 percentage points (p.p.) in Jamaica to 12.8 p.p. in Nicaragua. In terms of behavioral changes, this increase is one

of the key outcomes explicitly pursued by the CCTs' theory of change. At the same time, these programs have also helped to improve school progression. In Mexico, after three to five years of exposure, years of schooling increased by six months to one year; similarly, in Nicaragua, after three years of exposure, beneficiary children progressed almost half a grade more than non-beneficiaries (Barham, Macours and Maluccio, 2013).

The evidence is less conclusive as to the impacts on learning (Fiszbein and Schady, 2009; Saavedra and García, 2012; García, 2012). In Nicaragua, Barham, Macours and Maluccio (2013) found positive impacts on school progression and math and language learning in young men 10 years after the end of a three-year CCT program. Stampini et al. (2016a) found that Jamaica's program positively impacted the Grade Six Achievement Test (GSAT) results of urban male beneficiaries, thus allowing them to access higher-quality secondary schools. In contrast, in the case of Mexico, Behrman et al. (2009) found no impacts on achievement tests, despite documented increases in years of schooling. The evidence from studies conducted in other parts of the world is also mixed. Baird, McIntosh and Özler (2011) showed positive impacts on children's learning following their participation in a CCT pilot in Malawi; however, Filmer and Schady (2014) and Benhassine et al. (2015) found no impacts on learning in Cambodia and Morocco, respectively.

In the area of health, CCT evaluations have consistently shown positive impacts on the use of preventive services, with the magnitude of these impacts ranging from 6.3 p.p. in Nicaragua to 33 p.p. in Colombia;

¹ The evidence on short-term impacts is based on Inter-American Development Bank (2015).

however, the evidence of impacts on health indicators is mixed (Fiszbein and Schady, 2009). Some evaluations have found improvements in children's anthropometric development (Barber and Gertler, 2008). Other studies show a decrease in morbidity for certain age groups (Gaarder, Glassman and Todd, 2010). Similarly, Rasella et al. (2013) find that Brazil's Bolsa Família contributed to a reduction in infant mortality, especially from poverty-related causes, such as malnutrition and diarrhea.

Evidence shows that conditionalities explain a considerable share of the positive short-term impacts of CCTs on school attendance and the use of preventive health services, as compared to the program's impact without them (Akresh, Walque and Kazianga, 2012; Baird, McIntosh and Özler, 2011; de Brauw and Hodinott, 2008; Schady and Araujo, 2008). A review of 75 studies on 35 programs shows the importance of adopting explicit conditionalities that are effectively monitored, with penalties for noncompliance, as this approach significantly increases the impact on school enrollment as compared to unconditional programs (Baird et al., 2014). In addition, verification of co-responsibilities has contributed to more effective —yet still insufficient— coordination in the planning and implementation of measures that strengthen health and education coverage for the poorest. In turn, it has led to substantial advances in information systems and the use of data to inform public policy decisions.

The evidence that examines whether the short-term impacts of CCTs are sustainable in the long term is less developed for several reasons, which are mostly technical and methodological in nature; nonetheless, there are some studies that have examined this topic.

Molina-Millan et al. (2016) present a critical review of the methodological limitations and available evidence on the long-term impacts of CCTs in relation to two stages of the life cycle. The first includes exposure to CCTs in utero and during childhood (up to age 6), with impacts measured during school age. The second includes exposure to CCTs during school age, with impacts measured in adulthood. In the first case, the impact dimensions of interest are years of schooling, learning, health status, and dimensions of cognitive and social-emotional development. In the second case, the dimensions of analysis focus on the impact on schooling, learning, and labor market performance. The evidence is derived from a very limited number of studies and is mixed.

According to Molina-Millan et al. (2016), the experimental literature provides consistent evidence of positive long-term effects on schooling (in Colombia, Mexico and Nicaragua), as well as some positive effects on cognitive development and learning (in Nicaragua), social-emotional skills (in Mexico) and non-farm employment and income (in Nicaragua). However, the long-term effects of CCTs on other dimensions are not significant, and it is often not possible to discern whether this is due to a lack of program impact or to serious methodological challenges. Some of these challenges include a lack of statistical power or a small difference in length of program exposure between the treatment and control groups, given that these evaluations typically measure differential impacts between the original beneficiaries and those who initially belonged to the control group (although that group eventually entered the program as well). The non-experimental literature, characterized by even greater methodological shortcomings, also shows mixed results.

One concern about CCTs is the possibility of generating negative incentives, particularly in terms of the supply of adult labor from beneficiary households. In general, none of the rigorous CCT impact evaluations that examined this issue found negative impacts in the short term (Alzúa, Cruces and Ripani, 2010; Fiszbein and Schady, 2009). However, there is recent evidence on potential disincentives to formal labor, especially when transfers are associated with beneficiaries' job formality. In Ecuador, Araujo et al. (2016) find that the program does not discourage employment among female beneficiaries, but it is associated with a reduction in the condition of formality for both wage employment and self-employment.

The future of conditional cash transfer programs

We are convinced that CCT programs will continue to play a central role in future redistributive and anti-poverty policies. There are several reasons why, but we would like to highlight two of them. First, in LAC—the most unequal region in the world—a better targeted redistributive program than the CCTs has yet to be introduced. In addition, regressive and inefficient subsidies, considered as such due to the price distortions they generate, still persist. Thus, there is ample room for improvement with respect to the efficiency of spending for redistributive purposes, and in this sense, the CCTs represent a clearly superior alternative. Second, in LAC there are still barriers to demand for social services among the poorest and opportunities to promote household behaviors that increase welfare and future productivity. For these reasons, it is important to reaffirm the centrality of conditionalities to induce investment in human capital that would otherwise not occur.

At the same time, a great deal can still be done to make CCTs operate more efficiently. On the issue of beneficiary identification, there is still significant room to reduce errors of inclusion and coverage gaps. In some cases, errors of inclusion are explained by weaknesses, either in the statistical methodologies used for beneficiary selection or in their field implementation (particularly when expanding to urban areas, where poverty is more volatile and more difficult to identify). In other cases, errors of inclusion are due to the fact that some beneficiary households overcame poverty thanks to public investment in the social sector and the economic growth of recent decades; therefore, it is important to establish periodic mechanisms for recertification of families' socioeconomic conditions and to strengthen, where necessary, statistical instruments for beneficiary selection. Furthermore, a major challenge for the design of these programs lies in the exploration of targeting mechanisms that avoid categorical eligibility in favor of benefits that are inversely related to the family's socioeconomic status. These mechanisms would limit potential negative incentives—in terms of labor supply or asset accumulation—for households near the eligibility threshold. Lastly, in many programs, improvements could be made in the management of the rosters of beneficiaries.

With regard to the goal of promoting the accumulation of human capital through conditionalities, it is critical to strengthen the coordination of CCTs with the health and education sectors to improve the quality of the services provided to beneficiaries. It is of great concern that the school attendance of children, whether CCT beneficiaries or not, does not lead to improved learning, or that increased use of health services does not generate better outcomes. Consequently, it is imperative to prioritize improvements in the

quality of the health and education services accessed by CCT beneficiaries, even though the programs are not directly responsible for this task.

In LAC, the centrality of this coordination has diminished over time. There is evidence on the cost-effectiveness of coupling the rollout of CCTs with supply-side interventions that improve quality and access to services (Saavedra and García, 2012). Nevertheless, CCT beneficiaries tend to have more limited access to services and are less likely to participate in quality improvement programs, mostly because of the difficulties that these programs encounter when operating in the poorest, most remote locations (Mancera et al., 2010).

One of the great challenges for CCTs is to leverage their operational capacity and political visibility to promote a more effective model of coordination with the aforementioned sectors, in such a way that they too adopt more effective strategies and interventions to improve the quality of services aimed at the most vulnerable populations. Furthermore, in some countries, the verification of compliance with conditionalities remains an operational challenge. The cost of verification is lower when the education sector had systematized enrollment and attendance information available electronically. The experiences of some countries that have explored this option indicate that the strengthening of information systems for health and education services is operationally complex and requires the establishment of incentives to obtain complete information; however, when the effort is directly led by the health or education sector, the results are positive.

Lastly, it is necessary to adapt the conditionalities to encourage relevant behavior changes depending on the context (for example, rural or urban) and to ensure their cultural relevance. What was relevant two decades ago may not be relevant today. Although there has been a certain inertia in the design of conditionalities, several LAC countries are implementing new schemes, such as those that provide incentives for school performance or the use of preventive health services that better respond to the population's current epidemiological challenges.

Purpose of the book

This book provides practical solutions to the challenges of design and, most importantly, implementation faced by CCT managers. To achieve this goal, the book examines the key operational processes of these programs, systematizes operational knowledge, distills the lessons learned from almost 20 years of implementation in several LAC countries, identifies challenges and discusses policy implications.²

It is aimed at professionals in the public sector, both inside and outside of LAC, who want to improve the operations and outcomes of an existing CCT, or to create a new program by building on the experiences of other countries. Similarly, by providing an explanation of how these programs operate, this book serves as a useful reference for academics and researchers studying the impacts of CCTs. Lastly, it is also relevant to private-sector professionals interested in understanding CCT operations in order to develop tech-

² The book is accompanied by the following website, which contains case studies and relevant material on CCTs: www.iadb.org/transferencias-condicionadas.

nological and logistical solutions for these programs.

The book contributes to the literature on the operating cycle of the CCT programs. Grosh et al. (2008) cover the set of interventions that could form a social safety net, and they include operational and design components relevant to CCT programs—for example, beneficiary identification and payment mechanisms; however, there are other aspects relevant to the operation of CCT programs that are not treated in depth, such as the verification of co-responsibilities and coordination with the ministries of health and education.

Andrews et al. (2011) also focus on social protection systems, and they offer a series of four-page snapshots containing important considerations for each operational process along with four brief examples. The website associated with the publication allows the reader to navigate by operational stages and to download the collection of summaries. In this sense, their research is the most similar to the material developed in this book; nonetheless, this publication offers a deeper analysis of each topic, thereby providing a more detailed operational guide for those who run CCTs.

The seminal work of Fiszbein and Schady (2009) mainly focuses on systematizing the evidence of the impacts of CCT programs. Furthermore, it discusses the rationality of these programs, their role in social protection systems, how the parameters for transfer amounts are determined, and the types of conditionalities. Paes-Sousa, Regalia and Stampini (2013) identify and describe the key elements for

the successful implementation of CCT programs based on the LAC experience. Nevertheless, neither of these publications goes into detail about the implementation of operational processes. This knowledge gap was identified in a recent study by the Inter-American Development Bank's Office of Evaluation and Oversight, which recommended the systematization of operational knowledge and good practices in implementing CCT programs (Azuara, Maciel and Tetreault, 2015).

This book fills the void that exists in the aforementioned literature and the process evaluations and operations manuals, which contain very detailed information but are not easily accessible. Nor do they analyze the advantages and challenges of the various alternatives. This goal is achieved by a systematic, critical review of technical documents from programs around the region and the codification of their practitioners' unwritten knowledge.

The cases analyzed in greater depth include those of Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica and Mexico, as well as the payment process in the Dominican Republic.³ In the mid-nineties, Brazil and Mexico were the first countries to implement CCTs on a large scale, and they have managed to consolidate their operational processes while adapting the design of their programs to the dynamic context of poverty. Programs in Colombia, Ecuador and Jamaica have also been implemented on a large scale, and after over 10 years of operation, they offer useful lessons on operational issues. The case of Chile is interesting because, although the program serves a limited percentage of the population, it

3 It is important to note that references to the CCT programs in this book correspond to the programs' design and structure at the time of the case studies: Brazil and Colombia in 2015, and Mexico, Costa Rica, Chile and Ecuador in 2016.

TABLE A. Quick index of major design and operational components

DESIGN ASPECTS	CHAPTER 1	CHAPTER 2	CHAPTER 3	CHAPTER 4
Definition of the target population	•			
Definition of conditionalities		•		
Definition of benefit structures			•	
Selection of the payment method			•	
OPERATIONAL ASPECTS				
Selection of targeting methods	•			
Survey collection	•			
Electronic data capture, eligibility determination, and generation of a list of eligible households	•			
Enrollment of beneficiaries	•			
Updating of the roster of beneficiaries	•			
Verification of conditionalities		•		
Contracting of financial institutions			•	
Preparation of payroll			•	
Payment delivery			•	
Financial inclusion			•	
Territorial organization				•
Information systems				•
Monitoring and auditing				•
Beneficiary services				•
Linkages with other social programs and services				•

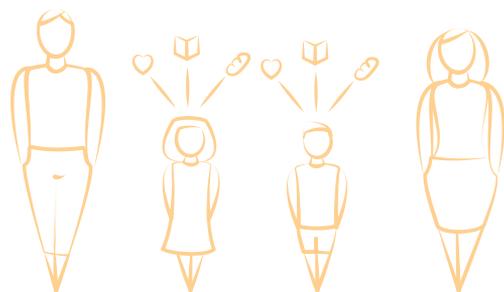
Source: Prepared by the authors.

features an innovative design in which a short-term CCT forms part of a comprehensive policy to combat extreme poverty. Lastly, the case of the Dominican Republic serves as an example of innovation in payment instruments for transfers. These countries' experiences are supplemented with particularly relevant examples from other programs in the region, based on the authors' operational experience.

The book is organized into four chapters, plus this introduction and a section for conclusions. Chapters one through three address the major operational processes of CCT programs: beneficiary identification and the management of the roster of beneficiaries, verification of conditionalities,

and payment of transfers. Although these chapters focus on operational aspects, they also discuss how the programs' main design parameters are determined. Subsequently, chapter four deals with cross-cutting issues that support program operations, such as territorial organization, management information systems and the linkage of beneficiaries to other social programs. The final section concludes the book by systematizing the lessons learned, challenges and policy implications. Table A aims to facilitate the reader's search for discussion of major design and operational aspects in the text.

We sincerely hope you enjoy this publication and find it useful.

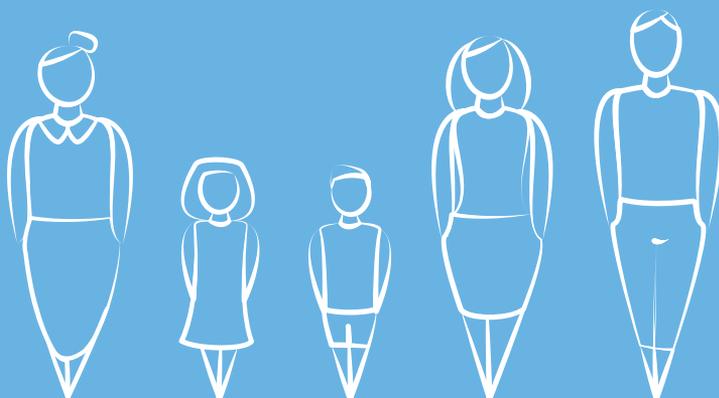


Chapter

1

Beneficiary Identification and Management of the Rosters of Beneficiaries

Marco Stampini



Conditional cash transfer (CCT) programs are targeted at the population with lower levels of welfare. To this end, they have developed mechanisms to identify potential beneficiaries and determine their eligibility. In addition, they have put systems in place that seek to keep beneficiaries' socioeconomic information up to date and to ensure that transfers reach those who most need them.

Under what is known as the redistribution paradox, there is literature that holds that targeted programs have fewer redistributive and poverty reduction impacts as compared to universal programs (Korpi and Palme, 1998). An extension of this literature argues that universal programs increase political support for redistribution, thereby increasing the budget allocated for this objective (Marx, Salanauskaitė and Verbist, 2013). Van Oorschot (2002) discusses the disadvantages of targeting, including administrative costs, the stigmatization of beneficiaries, and the possibility of generating dependency traps (behavioral changes to avoid losing eligibility).

In the face of budgetary constraints and a long history of highly regressive general subsidies —many of them for consumption— governments have made efforts in terms of targeting so that CCT programs are seen as efficient. Given their twofold purpose, targeting has meant deciding which population should receive CCTs, based on its condition of poverty and its need for human capital accumulation. This has shielded programs from criticisms of arbitrary allocation or leakage to population strata with higher levels of welfare.

In this chapter, we discuss which target population has been selected by the region's CCT programs. We examine the targeting mechanisms adopted by CCTs and how successfully they have been implemented. We describe the operational processes behind the identification and enrollment of beneficiaries. We discuss the process of updating the rosters of beneficiaries, with particular attention paid to exit criteria and eligibility recertification. The main lessons learned and directions for reform are not discussed in this chapter; instead, they will be presented in the book's conclusions.

1.1 Definition of the target population

Defining the target population is the first step in the design of a CCT. It involves the selection of eligibility criteria that cover at least two levels. First, socioeconomic criteria must be selected; that is, a decision must be made as to whether the program will target the extreme poor, all the poor, or the poor and other vulnerable groups. Second, demographic criteria must be determined; that is, a decision must be made as to whether the program will be aimed at all households or, for example, only those with children, which are those most in need of incentives for human capital development.

1.1.1 Socioeconomic eligibility criteria: extreme poverty, poverty and/or vulnerability

The selection of socioeconomic eligibility criteria reflects the debate over which population group needs income support, particularly when it comes to achieving the program's human capital development objectives. Several CCTs target the extreme poor (e.g., Ecuador and Mexico), while others include the poor and/or vulnerable. In Jamaica, for example, the Programme of Advancement Through Health and Education (PATH) is aimed at the poorest 40% of the population, although the incidence of poverty has not exceeded 20% since the program's creation in 2002. Chile's program is aimed at the extreme poor and some vulnerable groups, such as the homeless and children whose parent(s) or guardian is incarcerated.

There is usually a trade-off between the size of the target population and the amount of the transfer. Theoretically, it is possible for a government to finance a simultaneous increase in both the target population and the amount of the transfer through increased tax revenue or the reallocation of public spending; however, in practice, creating sufficient fiscal space to finance CCTs has not been easy. In most cases, mature programs invest 0.3% to 0.4% of the country's GDP (Paes-Sousa, Regalia and Stampini, 2013), and the selection of a broader target population implies a lower transfer value.⁴

The literature has documented cases in which very small transfers have made impacts in terms of increased demand for health services and education (Filmer and Schady, 2009; World Bank, 2011); however, to what extent the amount can be reduced before losing impact is essentially an empirical question whose answer varies from case to case. In contrast, with regard to the CCTs' redistributive goal, it can be said with certainty that a smaller transfer will have less impact on immediate poverty (incidence and gap) reduction among beneficiary households.

Another consequence of choosing a broader target population is that it means including beneficiaries who are less deeply impoverished, a status that has also been empirically shown to be more dynamic (Stampini et al., 2016b). This implies the need to design more dynamic management rules for the rosters of beneficiaries, with frequent program entries and exits to support households only during episodes of poverty.

⁴ For a comparison of the generosity of transfers in some Latin American and Caribbean countries, see figure 2 in Stampini and Tornarolli (2012).

1.1.2 Demographic eligibility criteria: all households or only those with children?

CCT programs, as originally conceived and implemented, were mainly focused on providing incentives for the accumulation of human capital; therefore, only households with members subject to conditionalities on health (pregnant women and preschoolers) or education (school-age children and adolescents) were eligible. Households without children were excluded. Subsequently, several countries—placing emphasis on the CCT programs’ redistributive function—expanded eligibility to all households that met socioeconomic eligibility criteria. This decision amounted to the de facto inclusion of a basic unconditional component, typically of a low amount, in the structure of the transfers.

In some cases, expanded demographic eligibility criteria made up for the lack of a non-contributory pension program. For example, Jamaica’s PATH includes a specific component for the elderly in its transfer. Typically, the CCT amount paid to the elderly is lower than that of a non-contributory pension. Furthermore, coverage of the elderly through CCT programs continues to target the poor, while several non-contributory pensions cover all older adults who do not receive a contributory pension, regardless of their poverty status.

1.2 Geographic, categorical, means testing, and community-based targeting methods

Once the target population has been defined, targeting mechanisms—that is, the methods used to determine whether

applicants meet socioeconomic eligibility criteria—must be selected. This phase represents an intermediate point between program design and implementation, with the latter beginning with surveys for the collection of eligibility data. The content of these surveys depends on the targeting criteria and methods selected.

CCT programs have used a combination of targeting methods: geographic, categorical, means testing, and community-based. Only occasionally has one method been used exclusively; in general, programs have adopted a combination of two or more methods. With respect to pre-existing social protection programs, the combination of targeting methods has substantially reduced the leakage of benefits to the non-poor. It is impossible to formulate a general rule for the optimal selection of targeting methods to ensure that the CCTs reach everyone who should receive them (and only them); however, the combination of geographic targeting in high-poverty areas together with means testing through welfare estimates stands out as a good practice for the allocation of CCT programs, and, more generally, poverty alleviation programs. Similarly, there are practices that should be applied with caution, such as the use of geographic targeting to exclude areas of the country with low poverty rates. Next, we will individually review the different targeting methods and discuss the success of their implementation.

1.2.1 Geographic targeting

In its pure form, geographic targeting selects all households within certain areas of the country, as long as they meet the demographic criteria established by the program. For example, in 2016, Panama’s

Red de Oportunidades decided to implement pure geographic targeting in localities (*corregimientos*) where the incidence of extreme poverty exceeds 70%.

Pure geographic targeting only makes sense in those areas where the incidence of poverty is so high that the risk of including non-poor households is relatively low in comparison to the risk of excluding poor ones. Besides eliminating exclusion errors, pure geographic targeting saves resources needed for the implementation of other targeting methods (discussed below), such as means testing.

Geographic targeting is generally used in combination with other methods. In some cases, it has been the instrument used to determine in which areas of the country the program should be implemented. For example, El Salvador implemented its *Red Solidaria* program in the country's 100 poorest municipalities. Geographic expansion was carried out in stages between 2005 and 2010, beginning with the poorest municipalities selected using a poverty map (Barham et al., 2015). In other cases, such as in Mexico, geographic targeting has been used to guide program expansion.

Finally, geographic targeting has been used to determine the geographic distribution and territorial concentration of beneficiaries. This is the case in Brazil, where the program quota for each municipality is determined by the federal government, based on estimates of the number of poor families using data from the Population Census and the National Household Sample Survey. This mechanism aims to reduce the risk that local governments, which are responsible

for targeting within their administrative boundaries, include non-poor families in the program (Hellmann, 2015b).

1.2.2 Categorical targeting

The pure form of categorical targeting consists of granting automatic eligibility to specific population groups, without applying other methods. Few countries use categorical targeting alone, and generally they do so to include population groups that represent a minority of CCT beneficiaries. Colombia's *Más Familias en Acción*, for example, offers automatic eligibility to victims of displacement, as defined by the Unit for Comprehensive Victim Support and Reparations, which manages a registry of those affected. In 2013, victims of displacement accounted for 19% of program beneficiaries (Medellín and Sánchez, 2015).

In other cases, categorical targeting is used to guarantee entry into the CCT program for beneficiaries of other social programs that the government wishes to replace or complement. An example of the former is the granting of automatic entry into PATH for beneficiaries of Jamaica's Poor Relief program, a decision justified by political-economy reasons rather than theoretical or technical ones. An example of the latter can be found in Colombia's *Red Unidos*, a case in which *Más Familias en Acción* complements a package of social welfare interventions aimed at families in extreme poverty.

In other cases, categorical targeting is used to establish priority groups among eligible individuals. For example, Brazil's *Bolsa Família* gives priority to *Quilombola*⁵ fami-

5 *Quilombolas* are self-identified racial/ethnic groups, who have their own historical trajectory, specific territorial relations, and a presumed black ancestry associated with a history of oppression.

lies, indigenous families, families engaged in informal recycling, families relying on child labor, and families with members freed from conditions analogous to slavery. As long as they meet the program's income criteria, these families will receive the benefit even if the municipality's beneficiary quota has been reached (Hellmann, 2015b).

1.2.3 Means testing

Means testing aims to classify the level of welfare of the household applying for the program. Since all LAC programs are targeted to the poor or vulnerable, every country uses a means test to identify beneficiaries, usually in combination with one or more other targeting methods. This involves administering a survey that captures variables related to welfare while, at the same time, verifying demographic eligibility criteria.

Brazil conducts a direct means test based on per capita family income, as declared by the head of household before the municipality's registration official. The official conducts an interview during which the income declaration is taken, and the paper form for the *Cadastro Único* (Single Registry) is completed. In addition to capturing household income, the survey seeks to build a profile of the family's vulnerabilities. The head of household must agree to provide true statements, under penalty of losing the right to access government programs (Hellmann, 2015b).

To reduce the risk of false income declarations, *Bolsa Família* has adopted the following strategies: (i) use of poverty maps to determine, at the federal level, the beneficiary quota for each municipality; (ii) beneficiary selection performed by the municipalities; (iii) monitoring of

beneficiaries' level of welfare through the *Cadastro Único* and the cross-checking of information with other administrative databases; (iv) publication of the names of beneficiaries to allow for peer monitoring at the local level; and (v) recertification of eligibility every two years.

The other LAC countries have decided not to rely on self-declared income. As an alternative, they use the estimate of a welfare indicator—for example, income, consumption, income generation capacity, the quality of life index, or the vulnerability index. This estimate, known as the proxy means test (hereafter referred to as proxy), is calculated using variables statistically associated with the level of welfare. Typically, it includes demographic variables (e.g., household size), socioeconomic variables (e.g., adult education level, asset holding, and housing characteristics) and geographic variables (e.g., place of residence). Not all survey variables are used in the proxy formula. Some merely fulfill a control function; that is, they provide the first opportunity to verify the accuracy of statements regarding proxy variables. Others aim to identify elements of vulnerability, such as the presence of individuals with disabilities or, more generally, in a situation of dependency.

With their focus on household and housing characteristics, standard surveys and proxy formulas typically do not adapt well to measuring the level of welfare of people living in institutions. For this reason, Costa Rica's *Avancemos* has adopted a differentiated questionnaire for people living in social welfare institutions (e.g., shelters) or those who have no fixed residence (Hernández, 2016).

The proxy generates a score that allows households to be sorted by estimated level

of welfare. Together with the proxy formula, an eligibility threshold is determined. If the proxy measures the level of welfare, households are eligible to receive a transfer when their score is below the predetermined threshold; in contrast, if the proxy measures the likelihood of poverty, they are eligible when the score is above the threshold.

Normally, the variables used to calculate the proxy score and their relative weights are not known to the public. Countries do not disclose this information, possibly due to concerns that applicants might manipulate their statements to increase their likelihood of entering the program. In box 1.1, we describe, by way of example, one possible method for developing a proxy. In table 1.1, we list a few of the variables used in Mexico's proxy formula.

There are four good practices that must be followed during the proxy variable selection process. First, it is important to avoid the inclusion of manipulable variables, such as the possession of assets that can be easily hidden and for which there are no ownership records. For example, although ownership of a DVD player is negatively related to poverty, it is easy to remove this asset when the social worker visits the home to administer the application survey or to verify information previously provided in the office. The same considerations do not apply to cars or motorcycles if the program has the ability to cross-check the beneficiary database with ownership records for these assets.

Second, it is necessary to avoid including variables related to the program's objectives. Although children's school attendance or dropout rate is a good predictor of the level of welfare, CCTs aim to have an impact on

this dimension; therefore, when recertifying eligibility, it does not make sense to penalize a beneficiary household for improved school participation.

Third, it is necessary to carefully consider the inclusion of variables affected by other social programs. For example, does it make sense to include a flooring variable if there is a housing improvement program that provides concrete floors? In the absence of such a program, it is reasonable to assume that households with a better-quality floor also have a higher level of welfare, which has allowed them to install a concrete floor; however, the existence of a housing improvement program invalidates that correlation. It is possible that the poorest households have better floors than less-poor households, exactly because their lower level of welfare has enabled them to benefit from the housing improvement program. The problem must be carefully considered, with decisions and solutions that vary on a case-by-case basis; for example, through regular updating of the proxy to identify which variables have lost their predictive power.

Lastly, but importantly, it is necessary to avoid the inclusion of labor variables—for example, social security enrollment—to reduce the risk of applicants and beneficiaries assuming that improving or formalizing their employment status will affect their eligibility for the program. For this reason, Honduras and Panama recently decided to exclude labor variables from their proxy formula.⁶ Similarly, it is advisable to avoid questions about household members' employment status when conducting the eligibility or recertification survey, even if this information is not used in the proxy

6 For details on the review of Honduras's proxy, see Benedetti et al. (2014).

BOX 1.1 Example of developing a proxy for income poverty

Developing a proxy for the classification of the income poor requires the availability of household survey data, usually representative at both the national and the urban-rural level, that measure per capita household income. The first step is to estimate a regression in which the logarithm of per capita income is the dependent variable. The logarithmic transformation is intended to ensure a normal statistical distribution. Although not the best practice, in some cases, factor analysis has been used instead of regression.

The regression includes a series of household characteristics as explanatory variables. It is important to note that the regression describes correlations and not necessarily causal relationships, so explanatory variables may be determinants or consequences of income level.

The coefficients resulting from the regression are used to predict the per capita income of each surveyed household. Subsequently, households are sorted by per capita income, as estimated by the model.

An eligibility threshold is determined such that the number of individuals with income below the threshold is equal to the number of poor in the country. Individuals living in households with an estimated per capita income below this threshold are eligible. This implies that, in principle, the budget allocated to the program allows for the entry of a number of households equal to the number of poor households.

To estimate the magnitude of the model's errors of inclusion and exclusion, a matrix is constructed: the rows indicate the number of poor and non-poor, based on actual income reported on the survey, whereas the columns indicate the number of poor and non-poor, based on income estimated by the proxy. The cell containing the actual poor with an estimated per capita income above the eligibility threshold measures exclusion errors, or undercoverage, while the cell containing the non-poor with an estimated income below the threshold measures errors of inclusion, or leakage.

The aforementioned process can be repeated using different sets of explanatory variables in order to identify the proxy model specification that achieves the desired or acceptable balance between exclusion and inclusion errors. The model estimation is usually run separately for rural and urban areas. This means that urban and rural proxies use different sets of explanatory variables, coefficients and eligibility thresholds, reflecting differing poverty characteristics in the two areas.

Once the variables for the proxy model have been selected, the survey that will be administered to applicants to determine eligibility is constructed. This survey contains model variables (derived from questions that are formulated exactly the same as in the household survey), plus other variables considered useful by the programs.

Source: Prepared by the author.

calculations. In any case, if they wish, programs have the option to verify applicants' and beneficiaries' employment status by cross-checking their records against other government data.

Recently, some countries have considered targeting social programs, including CCTs, using indicators that estimate multidimensional poverty. These indicators combine

variables that measure deprivations—for example, poor housing quality and gaps in health and education. Unfortunately, the use of multidimensional poverty indicators does not constitute good practice, because these indicators assign arbitrary weights to dimensions of poverty. In contrast, proxies use similar variables to estimate poverty, but they employ statistical methods to determine their weights. A second problem

TABLE 1.1 Variables used in *Prospera's* proxy

Demographic dependency ratio: ratio of the number of household members ages 0–15 and 65+ to the number of household members ages 16–64
Number of women ages 15–49 in the household
Logarithm of the total number of household members
Average years of schooling of the head of household and spouse, secondary incomplete
Average years of schooling of the head of household and spouse, secondary complete or more
Number of household members, dependent workers
Number of household members, self-employed
Number of household members, unpaid dependent workers
Food insecurity indicator 1: due to a lack of resources, an adult in the household skipped breakfast, lunch or dinner at least once (during the last three months)
Food insecurity indicator 2: due to a lack of resources, an adult in the household ate just one meal or did not eat for a whole day (during the last three months)
Combined food insecurity indicator: one of the two previous cases
Number of household members with Seguro Popular
Indicator – at least one household member has access to health coverage through his/her employer
Indicator – head of household is self-employed and at least one household member has access to health coverage through his/her employer
Indicator – the household receives remittances
Indicator – household owns the dwelling it occupies
Indicator – household rents the dwelling it occupies
Total number of rooms in the dwelling, excluding kitchen, hallways and bathrooms
Indicator – bathroom for the exclusive use of the household, with access to water
Indicator – concrete floor throughout most of the dwelling
Indicator – floor covering throughout most of the dwelling
Indicator – use of fuels such as firewood, charcoal or oil for cooking
Indicator – does not own a refrigerator
Indicator – does not own a vehicle
Indicator – does not own a computer
Indicator – does not own a VCR or DVD player
Indicator – does not have a fixed telephone line
Indicator – does not have an electric oven or microwave
Social gap index at the municipal level
Indicator – household lives in a town with a population of 100,000 or more
Indicator – household lives in a town with a population greater than 15,000 but less than 100,000

Source: Dávila (2016, table 1).

with existing multidimensional poverty indicators is that they include outcome indicators from social programs—for example, children’s school dropout rates. This is not a drawback if the goal is to monitor the effectiveness of a social policy, but it is if the goal is to target a program.

Over time, proxy formulas lose their predictive power as the result of changes in the relationship between poverty and certain household characteristics or asset ownership. The classic example is mobile phone ownership. At the beginning of the 2000s, it was positively associated with welfare levels, but it is no longer a good predictor. Nowadays, a specific feature of the phone would be a better predictor of the level of welfare—for example, smartphone (vs. more basic phone) or the type of plan associated with the phone—but household surveys do not contain this information.

The loss of predictive power means that it is a good practice to periodically revise the proxy formula, using the most recent surveys. The operative question is, optimally, how often should the proxy be revised? If the new formula is based on variables that already appear in the eligibility and recertification survey, then revising the proxy will not incur high costs and can be frequently performed. For example, the new formula can maintain the previous variables but update the coefficients to reflect changes in the relationship between the variables and the level of welfare, as measured by the proxy. However, if revision of the proxy formula calls for the inclusion of new variables, the resulting changes will entail administrative costs, as the eligibility and recertification survey must be modified. The review process may offer the opportunity to enrich the household survey and deepen the analysis of poverty in the context of a broader discussion on the mea-

surement of poverty at the country level. It is reasonable to expect that this more extensive review will occur less frequently; for example, every three or five years.

1.2.4 Community-based targeting

Community-based targeting places the responsibility for determining the program’s beneficiaries in the hands of the community. In LAC, it has always been used in combination with one or more of the methods previously described. The program that uses what most closely resembles pure community-based targeting is Colombia’s *Más Familias en Acción*, in its work with the indigenous population. The traditional authorities of each indigenous community autonomously compile an indigenous census, recognized and administered by the national government, that the program then uses for the categorical targeting of indigenous households (Medellín and Sánchez, 2015).

In other cases, community-based targeting is used in a softer (more informal) way to validate the results of the means test; that is, to confirm the poverty status of those declared eligible or to include those who were misclassified as non-poor. This type of targeting aims to use community knowledge about each household’s standard of living. For example, the Mexican program *Prospera* used it as the last targeting step of the initial stage of its rural expansion. A list of eligible households was presented at community meetings for public validation, and households were given the opportunity to exit the program (Orozco and Hubert, 2005). Currently, as new beneficiaries are added, community members may indicate households that, in their opinion, have been wrongly selected. These households undergo a process known as ongoing

verification of socioeconomic conditions (Dávila, 2016). Overall, the experience of CCT programs suggests that community-based targeting has proved effective at reducing exclusion errors—that is, households mistakenly excluded—but relatively ineffective at reducing inclusion errors (Paes-Sousa, Regalia and Stampini, 2013).

1.2.5 Targeting success: errors of exclusion (undercoverage) and inclusion (leakage)

Thanks to the adoption of objective rules for measuring poverty and the use of modern monitoring and information management systems, CCTs are among the better targeted social programs. Nonetheless, exclusion errors persist, leading to undercoverage of the target population. In some cases, undercoverage is also due to the insufficient allocation of resources to the program, which, even if perfect targeting were achieved, would not be large enough to reach all its target population. In most cases, however, there is another reason. In fact, using international lines of \$2.50 and \$4 for extreme poverty and poverty, respectively, Robles, Rubio and Stampini (2015) found that, in 2013, the number of CCT beneficiaries was 2.5 times the number of extreme poor in 16 LAC countries; however, CCTs only covered 50.6% of the extreme poor living in households with children under age 18. At the same time, inclusion errors persist, a phenomenon also known as leakage. Robles, Rubio and Stampini (2015) estimate that, in 2013, the non-poor accounted for 39.2% of CCT beneficiaries.

To understand problems of undercoverage and leakage, it is important to remember that targeting mechanisms are not perfect. Proxy models typically explain just 50%

to 60% of the variability in the studied welfare indicator. A significant percentage of the variability associated with the level of welfare cannot be accurately predicted by survey variables. The statistical limitations of the proxy must be compared to the drawbacks potentially viable alternatives. Compared with the risk of manipulation in the selection of beneficiaries and political use of social programs, statistical error may prove the lesser evil, because it is at least impartial. In other words, this type of error is blind, random. For this reason, the use of the proxy remains a good practice in CCT program targeting. Nonetheless, its contribution to the existence of errors of inclusion and exclusion is a source of concern, so it makes sense to continue experimenting with other targeting methods.

The proxy's performance is worse in urban areas than in rural ones (Robles, Rubio and Stampini, 2015), because urban poverty is more transient and less predictable through asset ownership data. Moreover, given the inevitability of a degree of error, the use of a statistical model is questionable in areas with a particularly low or high incidence of poverty. In the latter case, it may be preferable to establish universal eligibility, using only geographic targeting. The real challenge, as yet unresolved, is targeting in contexts with a low incidence of poverty.

It is conceivable that the Brazilian government has decided to base its targeting system for social programs on self-declared income instead of estimated income due to the abovementioned limitations of the proxies. Existing studies (Stampini and Tornarolli, 2012; Robles, Rubio and Stampini, 2015) find that the targeting used by *Bolsa Família* was, at least initially, as good as that of the other CCT programs in the region. These studies are based on data from 2006, when *Bolsa Família* had already

reached approximately 48 million beneficiaries; that is, very close to the program's current size. A more recent analysis finds that the program's concentration index has remained constant over time (Côrtes Neri and Cavalcanti Ferreira de Souza, 2012).

In addition to the imperfections of the proxies, high levels of undercoverage can be explained by the fact that the poorest households are difficult to reach, as they are not well-connected to social services and social protection programs.⁷ Sometimes they do not trust that the government is concerned about their poverty status, nor do they know that they are entitled to government benefits. Occasionally, certain areas are excluded from CCT coverage due to a lack of health and education services, the availability of which is a condition for receiving transfers. Generally, the poorer the household, the higher the financial and human resources costs to reach it, include it in a social protection program, and provide it with related social services. Consequently, several countries have favored the expansion of CCTs toward the less poor rather than focusing their efforts on closing coverage gaps among the extreme poor.

Simply put, despite the efforts made, CCT programs must do more to reach those who need them most. Statistical targeting models prevent arbitrary allocation but are not sufficient to identify all of the extreme poor. To complement these methods, innovative community-based targeting methods and active search mechanisms implemented by social workers should be considered, with the aim of identifying the poorest

households excluded from the program. Professional evaluation and outreach play an important role—especially in urban areas—in overcoming information barriers, reducing the stigma of CCT program participation, and bringing government services to the poorest households, thereby reducing exclusion errors. Active search efforts can be guided by the construction of poverty maps by block, which are a highly useful tool for prioritizing geographic areas where the number of extremely poor households exceeds the number of beneficiary households, despite the fact that the program has the capacity to serve them.

Community assessment, through which the communities themselves identify extremely poor households excluded from the CCT program, may also contribute to the reduction of undercoverage. Recent innovative experiences provide interesting examples of experimentation in this direction. For example, Bangladesh's Targeting the Ultra Poor program selects its beneficiaries through a community process of classification that identifies the extreme poor (Goldstein, 2016). Similarly, Tanzania's Productive Social Safety Net program uses community-based targeting, followed by a proxy administered only to those families short-listed by the communities (Rosas, Pinzón-Caicedo and Zaldivar, 2016). Colombia's *Produciendo por Mi Futuro* uses a similar targeting scheme.⁸ As we saw in subsection 1.2.4, the application of community-based targeting methods in LAC programs has yielded mixed results. It should be recognized that there is a risk of arbitrary allocation and capture by local

⁷ This paragraph and the next two are based on Robles et al. (2016).

⁸ See https://www.youtube.com/watch?v=2od_CkZSxls&feature=youtu.be. For another example of community-based targeting for the selection of the ultra-poor in Honduras and Peru, see Karlan and Thuysbaert (2013).

elite; however, this risk can be mitigated by auditing processes and the dissemination of a list of program beneficiaries, a practice already in use in several countries in the region that can increase the accountability of authorities involved in targeting. The recent experience of community-based targeting combined with a means-test mechanism for the purposes of verification deserves attention, and without a doubt, a rigorous evaluation of its results would generate useful lessons.

Aside from statistical error in proxies and operational error in their application process, leakage stems from the contrast between the dynamic nature of poverty and the static nature of the rosters of beneficiaries. Between 2000 and 2013, the incidence of poverty in LAC decreased by 16.6 percentage points. During that same period, it is estimated that 9% of extreme poverty and 50% of moderate poverty were transient in nature (Stampini et al., 2016b). These data imply that it is good practice to ensure the dynamic management of the rosters through periodic recertification of eligibility and the auditing of poverty status by cross-checking administrative data. As we will see in subsection 1.4.2, these processes have not been regularly implemented in all countries.

1.3 Beneficiary identification and enrollment

Once the target population and targeting methods have been selected, the operational cycle leading to beneficiary identification and enrollment is set in motion. The steps include the following: (i) gather program applications, including socioeconomic and demographic information needed to determine eligibility; (ii) enter the data in an information system; (iii) determine eligibility and generate a list of eligible house-

holds; and (iv) enroll beneficiaries. We will examine these steps in detail in the following subsections.

1.3.1 Gathering of applications

The process begins with the training of field workers and the dissemination of information about the program and the application process through posters in busy places (e.g., schools and markets), flyers, sound trucks or local radio.

To collect data on households, one or more of the following three methods is used: poverty censuses, beneficiary services desks, and active search. The choice of method(s) to be used depends on the estimated percentage of eligible households and the budget available for data collection.

Poverty censuses, during which all homes are visited, are good practice when it is estimated that a high percentage of households are eligible. The process can be an initiative of the CCT program or of a broader targeting system for social programs. For example, Colombia's Beneficiary Identification System for Social Programs (SISBEN) and the Dominican Republic's Unified Beneficiary System (SIUBEN) periodically collect information on the majority of the country's households, classify them by poverty status, and communicate this information to the CCT programs.

Beneficiary services desks at preselected locations, which may include program, municipal, or ministry of social development offices, receive applications. These desks may operate solely during certain periods (e.g., during program expansion), or they may provide assistance on a permanent basis. For example, to register for Jamaica's PATH, those interested must head

to their local government offices, declare themselves poor, and complete an application. Households can apply for the program at any time, but their acceptance will depend upon their eligibility and budget availability.

In Mexico, applicants who visit beneficiary services desks are directed to fill out a simplified form, which, through an algorithm, allows for the preselection of those households that will be visited to complete the full survey (Dávila, 2016).

The use of beneficiary services desks reduces the cost of fieldwork but increases the risk that poor households will be excluded from the program. For this reason, it is good practice to supplement it with active search mechanisms to locate beneficiaries with higher levels of social exclusion. Such mechanisms exist in Brazil and Costa Rica. In the latter, *Puente al Desarrollo*, a strategy focusing on the 75 poorest districts in the country, was implemented in 2015. This strategy provides for the active search for the poor through the figure of a social co-manager, who gives the family direct and personalized support (Hernández, 2016).

It is common practice to administer the full survey in the home, because this allows the social worker to verify that the statements regarding household assets are true and to perform the first professional social assessment. In recent times (e.g., in Ecuador in 2013), it has also allowed for the georeferencing of dwellings, thereby increasing the likelihood of success of future contacts. Brazil is an exception in this regard: “As of September 2014, 77% of registrations were made without a home visit and 6.1% with a home visit; 16.9% of registrations did not contain information on how the registration was carried out”

(Hellmann, 2015b, 9). The use of artificial intelligence and machine learning represents an interesting opportunity to reduce the risk of false declarations and to improve targeting (box 1.2).

At the conclusion of the interview, a unique identifier is assigned and the person who provided the information is asked to sign the application. In signing the form, the household assumes responsibility for the accuracy of the information provided. In general, false declarations result in the loss of the right to access social programs.

While the performance of poverty censuses and the set-up of temporary beneficiary services desks are sporadic events performed at multi-year intervals, permanent beneficiary services desks allow for the continuous registration of new beneficiaries. A continuous registration process is necessary to respond to the dynamic nature of poverty, particularly in urban areas or places where CCT eligibility has been extended to the moderately poor and/or vulnerable; however, this requires the availability of slots for new applicants. Dynamic management of the roster of beneficiaries, with frequent recertification that allows for the exit of households that are (either temporarily or permanently) no longer poor, is important to ensure the availability of slots for the newly poor (see section 1.4).

1.3.2 Electronic data capture, determination of eligibility, and generation of a list of eligible households

In most cases, applications are gathered through paper surveys, making it necessary to enter data in the program information system. Data entry is performed by trained personnel, usually in the

BOX 1.2 Artificial intelligence and machine learning harnessed by CCT programs

Machine learning methods are beginning to be implemented in the social sector for the design of public policies. Machine learning consists of algorithms that make predictions about a variable based on large amounts of data using new statistical methods (Varian, 2014). For example, in Denmark this type of algorithm is used to predict school dropout (Sara et al., 2015). In Ivory Coast, mobile phone data have been used in the construction of poverty maps that could help target social programs (Smith, Mashhadi and Capra, 2013).

In the Dominican Republic, machine learning algorithms for data quality control were incorporated into the collection of socioeconomic information for SIUBEN. The application data collected via a mobile device feeds an algorithm that, based on an analysis of all SIUBEN data, recognizes patterns and identifies irregular information to alert quality control staff. For example, the algorithm issues an alert if it identifies a household characteristic that is unusual for a particular neighborhood or if it finds a poor household in a wealthy area of the city. Once the household information is verified, the algorithm learns and incorporates this new data to improve its accuracy in identifying erroneous information. Should these algorithms prove effective, they could be used to reduce data collection costs associated with the registration of households and to improve program targeting, thereby generating savings and allowing for better use of resources.

Source: Tejerina (2016).

regional or central offices of the program or ministry. It is good practice to conduct this process as close as possible to where beneficiaries live, in case fieldworkers must return to address incomplete questionnaires or inconsistencies in the data.

Recently, some programs have begun to use mobile devices to capture information, an approach that streamlines the interview process, allows for the inclusion of consistency checks, and avoids the need for data entry. The captured data is synchronized with the program's information system, either in real time or later when an Internet connection is available. Nonetheless, the use of mobile devices presents some technical difficulties; for example, insufficient battery life in situations in which the device cannot be plugged into an outlet.

Once program application data have been captured by the information system, an algorithm verifies compliance with socio-

economic and demographic eligibility criteria. If means testing is performed on the basis of a proxy, then the process includes the calculation of its score. Mexico's program tested the integration of the proxy calculation with the mobile device used to capture survey data, allowing for an immediate determination of eligibility that could be directly communicated to applicants. But difficulties arose when households received an unfavorable response; for example, they would refuse to return the mobile device—in some cases, destroying it—or to let the fieldworker leave. For this reason, in mid-2010, the program stopped informing beneficiaries of their score upon completion of the survey (Dávila, 2016).

Lastly, the information system generates a list of eligible households, which represents the main input for the enrollment process.

1.3.3 Enrollment of beneficiaries

To receive transfers, households identified as eligible must be formally incorporated into the program through the enrollment process. To this end, the household must present various documents—in accordance with national laws and regulations—that contain the information necessary to ensure the transparency of the targeting and payment processes.

For example, to enroll in Costa Rica's *Avancemos*, “photocopies must be presented of identity cards for all adults in the family, birth records for all minors, a photocopy of an electricity, water, or telephone bill to show the address of the residence, and proof of salary or a sworn statement of family income” (Hernández, 2016, 10). The program may also request additional documents to determine the applicant's level of welfare and to verify the aforementioned documents (Hernández, 2016).

It is worth highlighting that the requirement to submit documents, including identity documents for all household members, may represent a barrier to enrollment for the poorest. For this reason, it is good practice to reduce the number of required documents to a minimum and/or facilitate access to them. For example, the enrollment process can be used as a platform to issue documents to those without them. This is the case in Colombia, where “the Mayor's Office must also summon other entities, such as the National Civil Registry and the Colombian Family Welfare Institute, so identity documents of parents and minors, as well as custody documents, which are essential for enrolling in the program, will be issued on site” (Medellín and Sánchez, 2015, 10).

With regard to the enrollment process, it is good practice to dedicate the staff and

implement the operations necessary to properly record the personal information of all household members; that is, name, date of birth, sex and, for children, school information and grade level. In the case of health conditionalities, it is also good practice to try to connect program enrollment with health center enrollment or to find some other practical way of getting families started on regular check-ups.

In parallel with the submission of documents, households sign a participation contract and receive additional information on their rights and obligations, program objectives, and how to go about fulfilling their co-responsibilities, as well as the practical aspects of receiving the transfer. This information is provided at community meetings or in written form. The enrollment packet for Mexico's *Prospera* includes a form to register the household with the health center and the relevant school enrollment form, to be submitted to the educational institution. This is a first formal step to establish a linkage between the CCT program and the health and education sectors. In other countries, such as Honduras, households sign a commitment letter specifying their obligations within the context of the program.

During program enrollment, one household member—usually a woman—is selected to serve as the family representative. In Mexico, Community Promotion Committees are formed. Lastly, countries with more advanced payment systems issue an electronic benefits card as a means to access transfer payments.

1.4 Updating of the roster of beneficiaries

Changes in the demographic characteristics and socioeconomic conditions of

beneficiary households mean that CCT programs must constantly update their rosters of beneficiaries. Some examples of these changes include pregnancies, births, deaths, and grade progression. It is important to update the roster to reflect these events in order for the program to both support the development of human capital (e.g., by supporting compliance with prenatal check-ups) as well as determine the exit of households that fail to meet eligibility criteria. This section focuses on the analysis of beneficiary exit criteria and eligibility recertification processes, which, in the face of the dynamics of poverty, are necessary to facilitate the availability of slots for new applicants.

1.4.1 Exit criteria

Generally, beneficiary households exit the program for one of the following reasons: (i) their socioeconomic status improves, (ii) they fail to comply with the obligation to recertify their eligibility, (iii) they do not comply with conditionalities, (iv) their demographic structure changes, (v) they fail to withdraw cash transfers over a long period of time, (vi) they are found to have submitted false information, or (vii) they withdraw from the program. Exit due to improved socioeconomic status occurs as a result of recertification, a topic that will be covered in the next subsection. Exit due to a lack of compliance with conditionalities, usually preceded by a period of suspension, will be analyzed in chapter two.

Exit due to changes in household demographics only occurs in programs with demographic eligibility criteria. For example, households must exit Costa Rica's *Avancemos* once the student reaches the age of 25 or completes his or her upper secondary education. In countries without

demographic eligibility criteria, changes in household structure merely generate an adjustment of the transfer amount. For example, when an adolescent in a beneficiary household in Brazil's *Bolsa Família* reaches the age of 18, the Variable Youth Benefit payment for that household member is discontinued.

Several programs provide for the exit of beneficiaries who repeatedly fail to withdraw transfers. For example, beneficiary households of Chile's *Ingreso Ético Familiar* (IEF) are excluded from the program if they fail to withdraw funds for more than six months. In Mexico, the failure to withdraw funds on two occasions (2 two-month periods) is administrative grounds for suspension.

All of the programs stipulate that the submission of false information is grounds for expulsion. Misrepresentations can be verified by means of administrative data, which shows how important it is for CCTs to use modern information management systems that allow information to be cross-checked with other databases. Lastly, beneficiaries may withdraw from the program of their own accord.

As a rule, beneficiary households exiting the program on an involuntary basis do so following a period of suspension. Beneficiaries receive a notice explaining the reason, circumstances and legal grounds for the suspension, and they have a period during which they may present information and request a restoration of benefits. In Costa Rica, a home visit is conducted within 30 working days from the date of suspension. If the fieldworker confirms the reason for the suspension during the visit, the program proceeds to rescind the benefit; otherwise, the student is reimbursed the amount equal to the payments missed during the verification process (Hernández, 2016).

1.4.2 Recertification: frequency and consequences

The recertification process is a periodic review of beneficiary eligibility that includes an update of information on the household's level of welfare. In a context of dynamic poverty, it constitutes a fundamental step for reducing leakage to the non-poor and, at the same time, ensuring the availability of slots for the entry of the newly poor.

It is important to note the conceptual difference between exit due to recertification and the concept of graduation. Program exit following recertification refers to the exit of beneficiaries who are no longer poor. Beneficiaries may be lifted from poverty for any of the following reasons: (i) causes external to the program, such as economic growth and job creation; (ii) investment of program transfers in productive initiatives on the part of beneficiaries; or (iii) graduation initiatives, among which complementary social and/or productive inclusion services, provided in parallel with the program with the aim of increasing independent-income-generating capacity (an aspect that will be discussed in section 4.5.2). In this section, we will examine program exit following recertification, regardless of the cause.

CCT program expansion has coincided with a period of sustained economic growth in LAC. In 2010, the number of CCT beneficiaries matched the number of poor in the region (Stampini and Tornarolli [2012], based on an international poverty line of \$4 per day). Without a process to update beneficiary information—particularly on socioeconomic status and demographic eligibility criteria—the rosters would likely include a large number of households that have ceased to be eligible. Nevertheless, with few exceptions, recertification has been

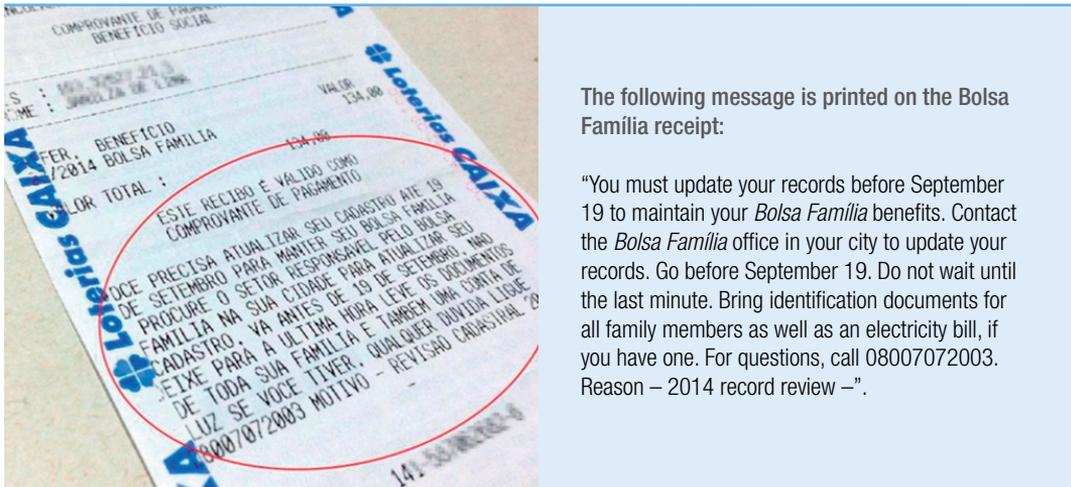
slow and only sometimes results in the exit of ineligible households (Medellín et al., 2015). This is, at least in part, due to concerns of high political costs.

Recertification closely mirrors the registration process and has the same requirements in terms of staff training, mass media campaigns to inform beneficiaries of the purposes and consequences of recertification, fieldwork, and submission of documents. In some countries, such as Colombia, Ecuador and Brazil, it is the responsibility of the unified targeting system, while in others, such as Mexico, it is an operational process of the same program.

In Colombia and Mexico, recertification is a discrete process in which fieldworkers are deployed to review the information of all beneficiaries (or potential beneficiaries) in certain areas. The review of beneficiary information in Colombia's SISBEN resembles a poverty census that includes interviews with about 75% of the country's households. When conducted in this manner, recertification is often the occasion to revise the formula used for the means test.

Recertification includes mechanisms that encourage beneficiaries to participate in the process. In Mexico, for example, if the program is unable to update information on the welfare of a beneficiary household during the recertification period, transfers are suspended for up to 3 two-month periods in order to encourage the beneficiary to contact the program and complete recertification. Failure to recertify within this period results in an indefinite suspension of benefits (Dávila, 2016).

In other countries (e.g., Brazil and Costa Rica), recertification, as well as enrollment, is an ongoing process. Beneficiaries must periodically update their information at

FIGURE 1.1 Extract from a *Bolsa Família* payment receipt

The following message is printed on the Bolsa Família receipt:

“You must update your records before September 19 to maintain your *Bolsa Família* benefits. Contact the *Bolsa Família* office in your city to update your records. Go before September 19. Do not wait until the last minute. Bring identification documents for all family members as well as an electricity bill, if you have one. For questions, call 08007072003. Reason – 2014 record review –”.

Source: Ministry of Social Development and Hunger Eradication (MDS), quoted in Hellmann (2015b, 18).

predetermined intervals. In these cases, the responsibility for recertification falls even more heavily upon households, and failure to update beneficiary information constitutes grounds for expulsion from the program. In Costa Rica, the level of responsibility placed on beneficiaries is such that the Joint Institute for Social Welfare (IMAS) “neither contacts nor reminds families that they need to update their information. It is felt that they have sufficient incentive to request that their information be updated, given that failure to do so results in a loss of beneficiary status” (Hernández, 2016; 19).

In Brazil, the transfer payment receipt serves as a means of communicating with beneficiaries about the obligation to recertify their eligibility (figure 1.1). Messages become progressively more urgent and contain a call to action, followed by warnings regarding suspension of payments and, eventually, removal from the roster of beneficiaries (table 1.2). The *Bolsa Família* Program Conditionalities System (SICON)

generates a list of non-compliant families. Using this list, the municipal manager can arrange for support for the most vulnerable or socially at-risk families (Hellmann, 2015b).

Countries differ in terms of the frequency of recertification. At one end of the spectrum is Chile, which does not conduct recertification for the IEF because the benefit period is just two years. In Brazil, recertification is required every two years. At the other end of the spectrum is Mexico, which recertifies beneficiaries every eight years. In Colombia, the SISBEN review process begins three years after the introduction of the previous version of the system. The review and poverty census may require two to three years of work. Since the launch of *Familias en Acción* in 2001, there have only been two updates: the introduction of SISBEN II in 2003 and SISBEN III in 2011. SISBEN IV is currently under development by the National Planning Department.

TABLE 1.2 Examples of progressive reminders on *Bolsa Família* payment receipts

MESSAGE	PURPOSE OF THE MESSAGE
<p>Attention – important message –</p> <p>You must update your records before December 12 to maintain your <i>Bolsa Família</i> benefits. Contact the <i>Bolsa Família</i> office in your city to update your records. Go before December 12. Do not wait until the last minute. Bring identification documents for all family members as well as an electricity bill, if you have one. For questions, call 08007072003. Reason – 2014 record review –</p>	<p>In November, the beneficiary is informed that his or her information in the <i>Cadastro Único</i> is almost two years out of date and must be updated.</p>
<p>Attention – important message –</p> <p>You must update your records to maintain your <i>Bolsa Família</i> benefits. Contact the <i>Bolsa Família</i> office in your city to update your records. Do not wait until the last minute. Bring identification documents for all family members as well as an electricity bill, if you have one. For questions, call 08007072003. Reason – 2014 record review –</p>	<p>In December, the message reinforces the previous notice.</p>
<p>Attention – important message –</p> <p>You must update your records this month to maintain your <i>Bolsa Família</i> benefits. Contact the <i>Bolsa Família</i> office in your city to update your records. Do not wait until the last minute. Bring identification documents for all family members as well as an electricity bill, if you have one. For questions, call 08007072003. Reason – 2014 record review –</p>	<p>In January, the message alerts the beneficiary that his or her records must be updated by the end of the month or else access to benefits will be blocked.</p>
<p>You have not updated your records.</p> <p>To withdraw your <i>Bolsa Família</i> benefit, you must update your records before March 20. Contact the <i>Bolsa Família</i> office in your city to update your records as soon as possible. Bring identification documents for all family members as well as an electricity bill, if you have one. For questions, call 08007072003. Reason – 2014 record review –</p>	<p>In February, the message informs the beneficiary that access to benefits has been blocked and that he or she has one month to update registration information before benefits are cancelled.</p>
<p>Attention</p> <p>Your benefits were cancelled because you did not update your records or because your family's income exceeds the amount permitted to receive the <i>Bolsa Família</i> benefit. If you still have not updated your records, contact the <i>Bolsa Família</i> office in your city. Bring identification documents for all family members. Bring an electricity bill as well, if you have one. For questions, call 08007072003. Reason – 2014 record review –</p>	<p>In March, the beneficiary is informed of the cancellation of benefits.</p>

Source: Adapted from Hellmann (2015b, 22).

In Costa Rica, a full recertification with home visit is conducted every seven years; however, it is complemented by a small-scale recertification every two and a half years at the offices of the Regional Association for Social Development. The beneficiary household must request recertification or else face dismissal from the program. This process includes a review of variables on the Social Information Record that are “directly related to the family: births, deaths, education level of family members, and income level, among others” (Hernández, 2016; 19). The information system instantly determines the household’s eligibility score, allowing the result of the recertification to be immediately shared with the family (Hernández, 2016).

It is good practice for the frequency of recertification to reflect the dynamics of poverty among program beneficiaries; therefore, based on evidence presented in the literature (Stampini et al., 2016b; Vakis, Rigolini and Lucchetti, 2015; Ferreira et al., 2013), recertification should be performed more frequently where CCTs have expanded to cover the moderately poor and in urban areas. For example, Panama’s Ministry of Social Development recently established recertification periods of three years for the moderately poor and five years for the extreme poor.

In Ecuador, the five-year review of the Social Registry conducted in 2013 was seen as an opportunity to retarget the *Bono de Desarrollo Humano* (BDH). More specifically, the eligibility threshold was modified to target only the extreme poor, whereas before the program targeted the entire poor population. This decision led to the exit of 748,000 households from the program between April 2013 and April 2015. Each month, the program generated a list of beneficiaries who were now ineligible under

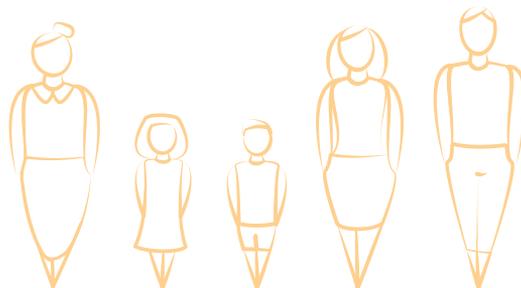
the new rules. That list was then shared with local CCT offices so that home visits could be scheduled with households, under the family support program *Plan Familia*, to inform them of the reasons for their exclusion from the program (Martínez et al., 2017).

Following recertification, households with a level of welfare below the eligibility threshold remain in the program, those above the exit threshold (e.g., half of the monthly per capita minimum wage in Brazil, the threshold for ongoing verification of socioeconomic conditions in Mexico, and the eligibility threshold for the subsidized health regime in Colombia) are immediately excluded from the program, and those that fall between the two thresholds enter a transitional regime. Where it exists, the transitional regime was created in the hopes of reducing the risk of households exiting the program due to either temporary improvement in their level of welfare or inaccurate welfare measurement.

In Brazil and Colombia, the transitional regime retains all of the program’s features and transfers but with a fixed period of two years. In Mexico, a transitional regime known as the Differentiated Support Scheme (EDA) was accessible only to households with school-age members (under age 22 or up to age 23 in the case of those with special education needs) or women under age 49. Households that failed to meet these criteria were immediately excluded. EDA beneficiaries lost food assistance, child benefits and primary school scholarships, but they kept “the secondary school, high-school, and Occupational CAM scholarships, the Basic Healthcare Package (PBS), food supplements, supplementary food benefit for senior citizens, and *Jóvenes con Prospera*” (Dávila, 2016, 45).

It is good practice to complement field-based recertification efforts with audits that include the cross-checking of administrative databases, allowing for substantial savings and increased confidence in the accuracy of the information on beneficia-

ries' welfare. For example, in Ecuador the roster of beneficiaries is cross-checked with the Ministry of Finance's database of public employees and the Civil Registry (Martínez et al., 2017).

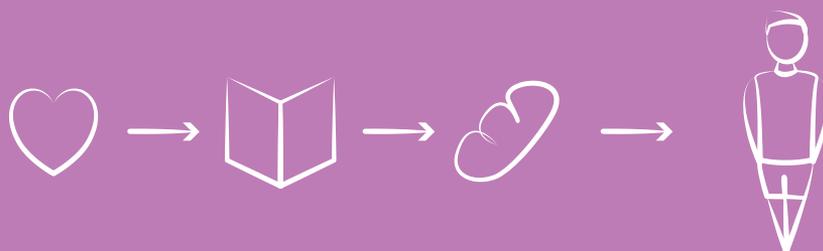


Chapter

2

Conditionalities for Human Capital Development

Pablo Ibararán and Pedro Cueva



Together with the targeting of the poorest families and the provision of cash transfers, conditionalities constitute an essential element of CCT programs. They refer to the behaviors that households must adopt to be eligible to receive the cash transfers. In CCT jargon, as well as in this book, the terms “co-responsibilities,” “conditionalities,” “conditions” and “commitments” are used interchangeably to describe these behaviors. Despite their interchangeability, as discussed in box 2.1, the distinction between these terms is interesting—for example, the term “co-responsibilities” highlights the government’s shared responsibility to provide high-quality services to program beneficiaries.

CCTs’ theory of change proposes that cash transfers alleviate the symptoms of poverty in the short term, while the fulfillment of conditionalities contributes to the accumulation of beneficiary children’s human capital. When they enter the labor market later in life, their enhanced human capital will allow them to generate autonomous income to sustainably overcome poverty in the long term.

In parallel with the role of co-responsibilities in the CCT programs’ theory of change, there have been discussions on the rationality of these programs. Economic theory posits that families will make the best decisions based on their preferences and constraints, so imposing certain behaviors is less than optimal. Nonetheless, the existence of externalities, information failures, and bounded rationality can justify the definition of co-responsibilities, even from the perspective of economic theory. Furthermore, in terms of political economy, conditionalities lend an element of legitimacy to CCT programs, as they represent the government and families’ joint commitment to increasing the human capital of children and adolescents. Also, with respect to the behavioral economics literature, conditionalities may be considered a nudge for families to invest in children’s human capital.

As explained in the introduction, conditionalities contribute to CCT programs’ positive outcomes in terms of school enrollment and attendance and the use of preventive health services. Furthermore, the verification of compliance with

BOX 2.1 Conditionalities and co-responsibilities

It is important to discuss how the term “conditionality” evolved into “co-responsibility.” Initially the term “conditionality” was used—hence the generic name for these programs—to avoid the suggestion that transfers were a mere government handout. Indeed, conditional transfers were seen as an agreement or commitment on the part of families to meet behavioral requirements that, according to assessments of the dynamics and causes of poverty, help break the intergenerational transmission of poverty.

The public and verifiable nature of the conditions also contributed to increased transparency of the programs and eliminated the discretionary allocation of benefits. With that said, for families to fulfill these conditions, there must be an adequate supply of the health and education services that are linked to the transfers. In other words, families cannot be expected to send children to schools or visit health clinics that are closed or too distant. This highlighted the government’s responsibility to ensure access to health and education services. Thus, the concept of co-responsibility is folded into the CCTs. On the one hand, families assume a commitment to visit health clinics and attend school, and they are responsible for complying with the rules of each program. On the other hand, the government is responsible for paying the transfers and ensuring the delivery of the aforementioned health and education services.

The government’s co-responsibility for effective access to health and education services is fundamental to achieving the CCTs’ objectives. The anticipated impact of these programs on future poverty rests on the assumption that the use of health services and school attendance will result in an accumulation of human capital that will allow individuals to generate autonomous income in the labor market. To truly generate human capital in children, high-quality services must be offered, which is why the conversation shifted from conditionalities that families must fulfill to the use of co-responsibility schemes, which are tied to a package of health and education services. This package constitutes the supply side of the co-responsibilities scheme, while CCT beneficiaries’ use of services constitutes the demand side.

Without minimizing these other considerations, in this book we focus on the demand side of co-responsibilities; namely, the conditionalities that CCT beneficiaries must meet, their verification and the consequences of non-compliance.

Source: Prepared by the authors.

conditionalities has led to more effective coordination in the planning and implementation of measures to strengthen the supply of health and education services for the poorest, as well as substantial progress on information systems and the use of data to inform policy decisions. Lastly, the existence of conditionalities also helps to highlight gaps in coverage and the quality of health and education services available to disadvantaged populations. Nevertheless, as discussed in box 2.2, achieving effective participation and coordination with health and education sectors remains a challenge to attaining CCT program goals in all countries.

This chapter is divided into six sections, the first being this introduction. The second section defines the concept of conditionalities. The third section explains how CCT programs define their most important conditionalities, mainly in education and health, and provides some additional specifics for each program. The fourth section describes how the verification processes for program conditionalities actually work, beyond what is explicitly stated in their operating guidelines. The fifth section discusses the consequences of noncompliance with different conditionalities, followed by conclusions about perspectives on the use of CCT conditionalities.

2.1 Definition of conditionalities

Conditionalities have been defined as behaviors that favor the accumulation of human capital in the children of beneficiary households, thereby increasing their ability to generate income in the future and help break the intergenerational transmission of poverty. To achieve this goal, conditionalities must be relevant and appropriate; that is, they must be related to aspects associated with the accumulation of human capital in children that can be modified through the incentives offered by the transfers. To ease the process of verifying that beneficiary families are complying—a process necessary to link these behaviors to the payment of transfers—from an operational perspective, it is good practice for conditionalities to meet the following basic criteria:

- I. All beneficiary families must have the opportunity to comply with verifiable behaviors.
- II. The variables used to monitor compliance with conditionalities must be objective and easy to measure.
- III. Behaviors that serve as program incentives must be consistent with sector priorities (e.g., in the case of health-care, early initiation of prenatal care or postnatal care) and established based on existing bottlenecks that limit the accumulation of human capital.
- IV. Since the program will encourage demand for health and education services, the system's capacity must be able to meet the new demand generated by the transfers.

The first criterion assumes an adequate supply of health and education services and no other barriers to access so that compli-

ance falls within beneficiary families' scope of action. As will be seen later, some programs have recently begun to explore the use of conditionalities that not all families can fulfill, with transfers representing an award for the achievement of certain goals. One example is academic performance bonuses, which depend not only on school attendance but also on aspects such as the effort and ability of students and the quality of teachers, among others. Clearly, this results-based support is more closely linked to the goal of human capital accumulation than to the CCT programs' redistributive goal.

The fourth criterion has the potential to exclude the most disadvantaged populations from the program, as they lack access to the services linked to conditionalities. To prevent this situation, there must be a commitment on the part of the government to fulfill the right of the poor to access basic health services and quality education.

The original design of Mexico's CCT program allowed for health and education conditionalities, with the intention of breaking the transmission of poverty from one generation to the next. These conditionalities were aimed at breaking the vicious cycle in which the lack of resources faced by poor families leads to deficits in nutrition, health and education, which, in turn, affect children's ability to have a more prosperous future than their parents (Levy, 1991). Most programs have followed a similar strategy. By way of example, table 2.1 describes *Bolsa Familia's* conditionalities.

As will be seen below, some countries define broader co-responsibilities—for example, prenatal and postpartum check-ups for pregnant and breastfeeding women—or ones linked to particular outcomes, such as school achievement and progression. These co-responsibilities are also aimed at encour-

TABLE 2.1 *Bolsa Família* conditionalities

AREA	COMMITMENTS/CONDITIONS	HOUSEHOLD MEMBER
Health	Compliance with immunization schedule and children's growth and development visits	Children under age 7
	Prenatal care for pregnant women and breastfeeding support	Pregnant and breastfeeding women
Education	School enrollment and minimum attendance rate of 85%, monthly	All children and adolescents ages 6 to 15
	School enrollment and minimum attendance rate of 75%, monthly	Adolescents ages 16 and 17 who are beneficiaries of the Variable Youth Benefit

Source: Hellmann (2015b) defines the eligibility criteria and authorizes payments to families. Some of the principal characteristics of this program are its focus on families as beneficiaries (those with monthly per capita incomes lower than R\$154.00).

aging the development of human capital in children. Some countries have introduced complementary mechanisms to promote behavioral changes. In Mexico, for example, community workshops focused on self-care seek to reinforce behavioral changes related to health and nutrition; however, the impacts of these workshops have not been documented, and evidence has shown that simply providing information is not enough to achieve sustainable behavioral changes (European Food Information Council, 2014; Hernández-Díaz, Paredes-Carbonell and Marín Torrens, 2014).

2.1.1 Health conditionalities

In general, in the area of health, CCTs expect children under 6 to comply with the well-child visit schedule defined by health

authorities,⁹ and pregnant and breastfeeding women to comply with the prenatal and postpartum care plan. All individuals required to meet health conditionalities must do so, but the associated transfer is generally a fixed amount. Some countries also include health conditions for other household members. This is the case in Ecuador, where individuals of childbearing age must attend an annual presentation on family planning (table 2.2). In Mexico, the CCT's health condition requires all household members to attend routine check-ups twice a year, except pregnant and breastfeeding women and children up to age 5, for whom a different visit schedule has been established.¹⁰

While the CCT programs' theory of change fully justifies the inclusion of health-related conditionalities for pregnant and

9 The specific age range varies by country. For example, the well-child visit subsidy for the IEF (Chile) is given for children under the age of 6, while the health co-responsibility for *Más Familias en Acción* (Colombia) applies to children under the age of 7.

10 It is worth highlighting that in Mexico and Jamaica older adults must also fulfill a health conditionality, with the program designating a specific transfer for this age group. Nevertheless, both countries are moving toward the establishment of a social pension for older adults who do not receive a contributory pension. These pensions tend to operate outside the purview of the CCT program.

breastfeeding women —because of their impact on children’s health and cognitive and emotional development— in practice, they are difficult to monitor. If a woman is pregnant at the time of program enrollment, it is simply a matter of documenting her condition and monitoring her compliance with the corresponding prenatal and postpartum check-ups. Nevertheless, as will be seen later, when the pregnancy is documented at a later stage, the delay between the fulfillment of conditionalities, verification and payment may be greater than the length of the pregnancy and postpartum period.

When pregnancy occurs after enrollment, the program must have some scheme or incentive for the woman to report the pregnancy and comply with the required prenatal check-ups. To avoid an impact on the number or timing of pregnancies, in most programs, the payment linked to health conditionalities is fixed by design, regardless of the number of individuals required to meet the co-responsibilities. This, however, eliminates the incentive to notify the program of a new pregnancy. Such is the case in Chile, Colombia, Ecuador, Jamaica and Mexico. *Bolsa Familia* takes a different approach, granting its variable benefit (35 reais/US\$10.50) to families with pregnant or breastfeeding women or children up to the age of 15. Each family is eligible to receive up to five of these benefits, so women who notify the program of their pregnancy may see an increase in their monthly transfer amount. In June 2014, the program monitored the health conditions of more than 209,000 pregnant women.

Several programs also establish conditionalities linked to attendance at workshops or talks on topics related to health and child-rearing. An emblematic case is that of Mexico, where the topics of the com-

munity self-care workshops are selected by the Ministry of Health according to epidemiological risk factors or seasonal variations in the region. In 2016, *Prospera*’s operating guidelines included 50 health-related courses on topics such as nutrition, sexual and reproductive health, healthy physical environments, healthy psychological and social environments, child growth and development, diversity and gender equality, physical activity, right to health and social participation. Families in rural areas are required to attend six workshops per year while those in urban areas must attend four. Furthermore, there are certain actions that, if performed, can serve as a substitute for workshop attendance requirements, including improvements in health conditions (e.g., children under 5 who recover from anemia) or additional health screenings or procedures (e.g., sexually active women who have a Pap smear or men who undergo a vasectomy).

Lastly, the model of health service delivery may also influence the type of behavior the program hopes to encourage. For example, health conditionalities were eliminated from El Salvador’s *Comunidades Solidarias* when the program migrated to a family health model, in which health teams were responsible for mapping the families in their assigned area and following up with them directly through home visits. On that basis, authorities no longer considered it necessary to continue encouraging the demand for health services, since the supply side was assigned the responsibility of ensuring that families access these services. The results of this change have yet to be evaluated; however, it is recommended that these types of decisions be based on an analysis of the most cost-effective mechanisms to achieve established objectives and that outcomes be monitored.

TABLE 2.2 Frequency of health exams, by BDH beneficiary household member

HOUSEHOLD MEMBER	REQUIRED HEALTH EXAMS
Pregnant women	Two visits in the first four months
	Two visits in the second four months
	One visit in late pregnancy
Children under age 1	Two visits between 0 and 4 months of age
	Two visits between 5 and 8 months of age
	Two visits between 9 and 12 months of age
Children under age 5	Minimum two visits per year
Individuals of childbearing age	At least one annual presentation on family planning

Source: Martínez et al. (2017).

2.1.2 Education conditionalities

In line with CCTs' central goal of promoting human capital accumulation in beneficiary children, in the area of education, the aim is to increase the number of years of schooling. From the beginning, programs have promoted the completion of compulsory education, which, although it varies by country, is generally equivalent to the upper secondary level. With that being said, children are currently encouraged to study beyond the compulsory level, because evidence has shown that an increasingly higher level of education is required to perform well in the labor market. In most countries, transfers continue until children reach 18 years of age, while others provide support for technical or higher education.

Emphasis has been placed on school enrollment and attendance, responsibility for which lies with the families, provided that there is a sufficient supply of education services. The goal is to promote the regular attendance of school-age children, so the

conditionality requires a minimum rate of school attendance, typically set at 80%. Some programs have incorporated performance criteria, which are normally related to progression through the school system. In Costa Rica, if a child repeats a grade three times, benefits are discontinued until the student is promoted to the next grade. In Mexico, at the basic education level, the beneficiary may only repeat each grade once (if the child must repeat a grade for the second time, support is suspended until the child moves to the next grade level).

In Chile, the IEF establishes school attendance as a conditionality and offers an additional incentive based on performance. Families receive the transfer for the school attendance if the child regularly attends school. Additionally, from fifth grade until the last year of secondary school, students demonstrating outstanding academic performance are eligible to receive the academic achievement bonus. Those in the top 15% of their class receive the full bonus, while those in the next 15% receive a lower amount.¹¹

11 The structure of the IEF program is explained in greater detail in the next chapter.

To exemplify the typical education conditionalities used in LAC programs, table 2.3 presents the case of Mexico's *Prospera*. Families take on a commitment to send all school-age children to school. The table also shows another element that is common to most CCTs: differentiated payments by grade level. In general, transfer amounts increase as the child progresses through school. There is also the option of differentiated payments based on gender. In Mexico, beginning at the secondary level, girls receive a larger payment. In contrast, until 2013, Jamaica's program paid larger transfers to boys than to girls, because boys had lower rates of school attendance. These examples illustrate how conditionalities can respond to each country's development challenges and allow for the fact that the same problem—school dropout—affects males and females differently.

In terms of education incentives, an unusual case is that of Costa Rica. *Avancemos* does not include health conditionalities, and the program's only education conditionalities focus on attendance at the secondary level (seventh to twelfth grades, with students usually between the ages of 13 and 18). In this case, the program's main objective is "to promote student retention and recovery with the aim of reducing poverty, preventing child labor, and counteracting grade repetition and school dropout in the Costa Rican secondary education system" (Hernández, 2016, 5). Given this objective, plus near-universal attendance in the first through sixth grades and support from the National Scholarship Fund for extremely poor students in those same grades, *Avancemos* has directed its incentives toward secondary education. When the program launched in 2006, it originally included health co-responsibilities, but they were rolled back

in 2008. Mexico's CCT program has also been exploring the possibility of modifying its education conditionalities by eliminating transfers for primary school students and increasing incentives for upper secondary school attendance. A pilot is being run in urban areas, under the rationale that co-responsibilities should not be associated with behaviors that households routinely perform, as is the sending of children to primary school in urban areas. A recent evaluation of this experience shows positive results in terms of reducing the dropout rate and increasing the graduation rate from upper secondary education (Araujo et al., 2016).

By and large, education conditionalities are linked to specific individuals, with transfer amounts that vary by age, grade and/or gender; if the student does not fulfill the conditionality, only the payment associated with that particular individual is suspended. Since school is only in session for 10 months of the year, programs must determine how to handle the remaining two months. In some countries, the transfer is paid according to the student's average attendance during the second semester, as is the case in Chile, where payment for the months of December and January depends on the student's attendance from July to December. In Colombia, education transfers are not paid during the months of school vacation. In Mexico, the payment to upper secondary students for the last month of the school year is proportional to the number of self-care workshops they attended; payments are not made while school is in recess.

Transfers linked to education conditionalities are usually paid to the family representative; however, this approach may not provide sufficient motivation for students to meet the conditionalities, particularly

TABLE 2.3 Amount of *Prospera* monthly education benefit

PRIMARY SCHOOL GRADE	MALES AND FEMALES			
	MEXICAN PESOS		US DOLLARS	
First	175		11	
Second	175		11	
Third	175		11	
Fourth	205		13	
Fifth	265		17	
Sixth	350		22	
LOWER SECONDARY SCHOOL GRADE	MALES		FEMALES	
	MEXICAN PESOS	US DOLLARS	MEXICAN PESOS	US DOLLARS
First	515	32	540	34
Second	540	34	600	38
Third	570	36	660	42
UPPER SECONDARY SCHOOL GRADE				
First	865	55	990	62
Second	925	58	1,055	67
Third	980	62	1,120	71

Source: 2016 *Prospera* Operational Guidelines (Government of Mexico, 2015); values in Mexican pesos remain current for 2016 (unchanged since 2014).

in the case of adolescents. To increase attendance among this group, some programs give the school attendance transfer directly to the student. For example, in Costa Rica, those of legal age can directly pledge to fulfill education conditionalities. In Mexico, a pilot test is underway at 625 schools to assess whether changing the transfer recipient—that is, giving the payment directly to the student—has an impact on the dropout rate at the upper secondary level.

2.1.3 Other conditionalities

Aside from health and education conditionalities, some CCT programs require

compliance with additional conditionalities that are aligned with program objectives. The IEF, for example, seeks to provide security and opportunities to the vulnerable and the extreme poor, and acknowledges that poverty is linked to psychosocial, cultural, and geographic factors, as well as access to social services, which is why the program emphasizes the dimension of social inclusion. To this end, the IEF includes a psychosocial and a social and occupational support component, in which attendance and involvement are fundamental requirements for program participation.

Furthermore, there are certain behaviors that are promoted by CCT programs but

that are not monitored, verified, or associated with the transfers themselves. In these cases, to prevent diluting the concept, it is good practice to avoid referring to these behaviors as conditionalities.

2.2 Verification of conditionalities

CCT programs have made great efforts to monitor compliance with the commitments assumed by families at the time of enrollment. Although the ministries of health and education participate in the defining of conditionalities, most of the interaction between these ministries and the CCT programs occurs during the verification process. The aforementioned is attributable to the fact that verification is an ongoing process with intensive data requirements, one that is necessary for the timely and predictable transfer of benefits to families. As discussed in box 2.2, achieving effective intersectoral coordination remains a challenge.

Compliance with conditionalities is documented at health clinics and schools. In both cases, service providers have mechanisms in place for this purpose: health records and school attendance records. The operational challenge is how to reliably and expeditiously transfer that information (which is not always available in an electronic format) to the program in order to monitor compliance with conditionalities and to adjust payments accordingly.

The programs' approach to solving this particular challenge has changed over time, and it varies according to the type of conditionality. The most direct approach—one used by Peru's *Juntos*—consists of sending program staff to collect information at health centers and schools. With

the growth in program coverage and technological advances, this alternative is no longer the most common. A variant of this approach is to require beneficiaries to obtain proof of compliance and then submit it to the program. This option generates transaction costs for families; however, it continues to be used by some programs. To comply with the health co-responsibility, in Chile, families must present the Well-Child Booklet, stamped by the health clinic, to the program every six months. In Mexico, upon entering the program, families are given a form that they must take to the health center on their first visit as program participants. During this visit, families receive a schedule of medical visits for each family member and a document that verifies their compliance with the co-responsibility of health clinic registration, to be submitted at the program's offices. Families are not required to demonstrate compliance with subsequent health conditionalities (routine visits and workshop participation).

Another option is for programs to develop data capture tools that school or health center staff can use to document compliance with conditionalities. In Mexico, for routine conditionalities, forms are printed at the state level and sent to the state health and education sectors, which, in turn, distribute them to the 17,000 health centers and 115,000 schools where conditionalities are certified (figure 2.1). Fully completed forms are returned to the program's state delegation office, where the information is entered into the system. Alternatively, technological advances make it possible for sector personnel to access the program's information system to record fulfillment of the conditionality. In the case of Colombia's *Más Familias en Acción*, school administrators and the directors of healthcare provider institu-

BOX 2.2 Coordination with the health and education sectors —an ongoing challenge

The involvement of the health and education sectors in CCTs is, without a doubt, a complex, multifaceted issue. First, in some areas —usually the poorest— there is no effective provision of health and education services. CCT program expansion generates information about these coverage gaps, which should be used by the sectors to plan service provision. Unfortunately, there is no documentation demonstrating that this has occurred on a systematic basis. As a result, there are still very vulnerable segments of the population without access to CCT programs. Second, in those places that CCT programs do serve, it remains challenging to provide high-quality health and education services, which are necessary for beneficiaries to develop skills and accumulate human capital. The effective provision of high-quality services constitutes the government's co-responsibility (see discussion in box 2.1) and is fundamental to achieving the CCTs' development goals.

Lastly, the sectors' active involvement in the verification of conditionalities remains a challenge. This is a daily struggle for those operating CCT programs. Countries that have managed to improve coordination use each sector's information systems to track compliance with conditionalities. Unfortunately, in many countries these systems are incomplete and fragmented, thus making the verification process more complex.

To overcome these challenges, it is important for the health and education sectors to take ownership of CCT programs and to see them as an instrument to achieve their objectives. Furthermore, incentives must be aligned that so that the sectors view CCT programs as a tool that allows them to serve the most disadvantaged populations, instead of as some outside entity or distraction from their day-to-day work. To this end, ministries need a specific budget for actions related to their program involvement, as well as clear goals regarding the services to be provided to the beneficiary population. Generally, this level of coordination requires the involvement of authorities beyond the ministries and the CCTs in order to achieve an adequate working relationship. The success stories in this vein are few and are not properly documented.

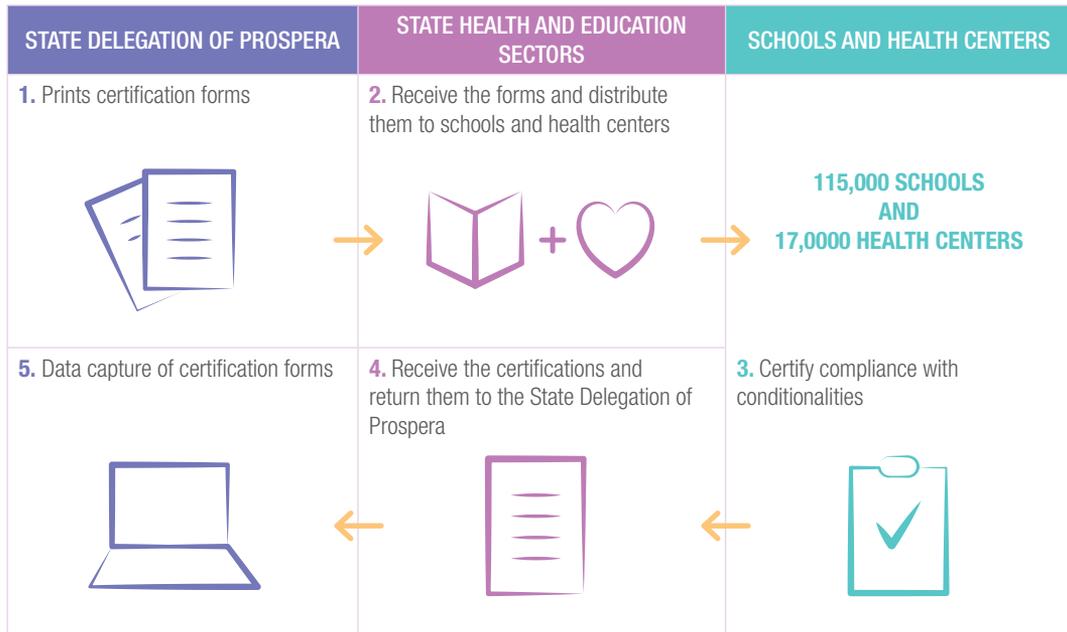
Source: Prepared by the authors.

tions directly document compliance with education and health conditionalities through the *Familias en Acción* Information System (SIFA).¹² In Brazil, the verification of conditionalities is performed by the ministries in a decentralized manner. The education and health ministries have each developed their own systems for verifying conditions: the School Attendance System, which can capture data from paper forms or online, and the *Bolsa Familia* Health Management System. In both cases, information flows from the

Ministry of Social Development and Hunger Eradication (MDS) to the line ministry, which collects information at the municipal level, aggregates it, and returns it to the MDS for a determination of non-compliance and consequences in terms of payment (figure 2.2).

The third verification scheme for co-responsibilities involves the use by the program of sector information systems. For example, in Chile the verification of compliance with education co-responsibil-

12 Each school administrator and support staff member receives training on SIFA and a user password to access the system. There are about 19,000 users spread across almost all of the country's municipalities. If a child attends a private school that is not connected to SIFA, the family representative provides proof of attendance by presenting a certificate to the municipal liaison, who requests validation and records the child's attendance in SIFA (Department for Social Prosperity, 2014).

FIGURE 2.1 Compliance verification process for *Prospera* conditionalities

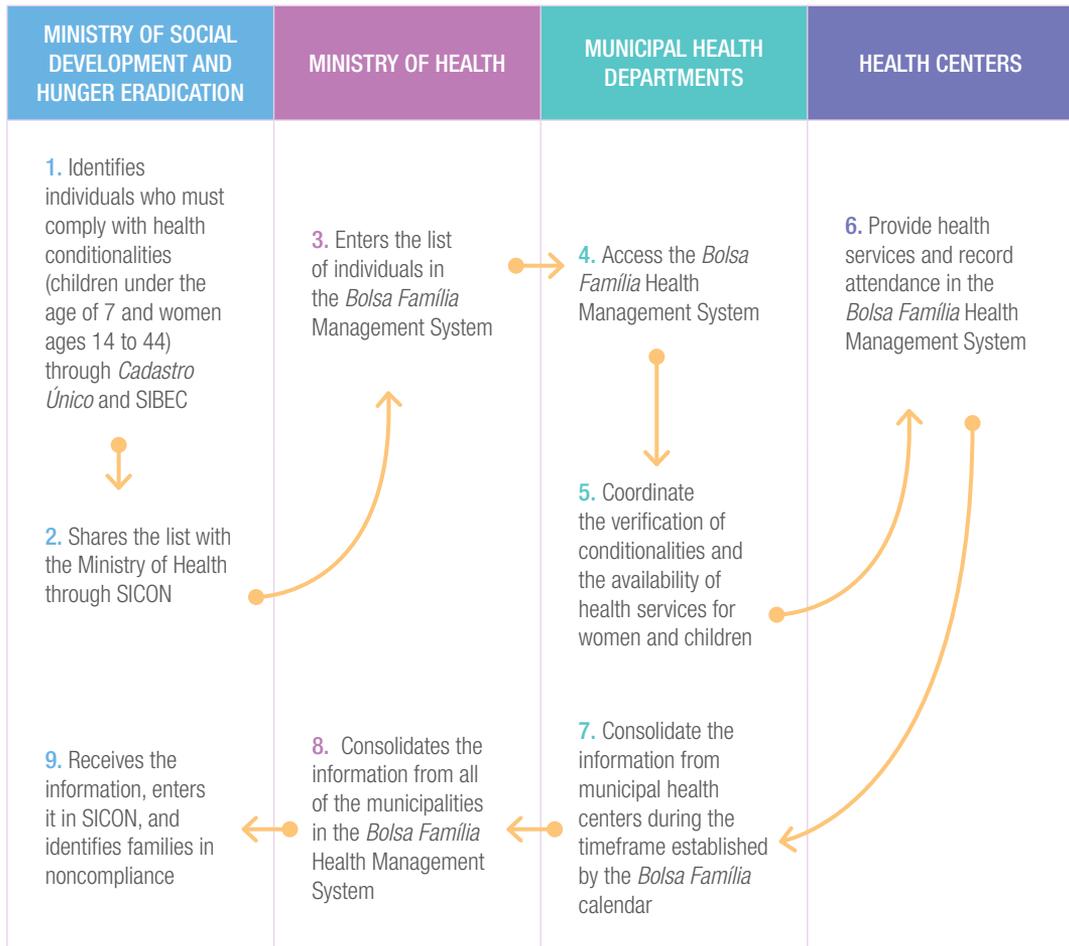
Source: Based on Dávila (2016, figure 7).

ities is based on information provided by the educational institution to the Ministry of Education through the online platform known as the General Student Information System (SIGE). Each month, the school principal logs in to the SIGE with a username and password and records the attendance of all of the institution's students. To obtain attendance data for IEF students, the Ministry of Social Development electronically transmits a list of beneficiaries and their national identification numbers (RUN) to the Ministry of Education. Subsequently, the latter informs the Ministry of Social Development of each IEF student's attendance rate, which is documented in the *Ingreso Ético Familiar* Information System (SIIEF) as a record of compliance with the program conditionality. Another example of this approach is *Bono Vida Mejor* in Honduras. To verify

the enrollment and school attendance of beneficiary children, the program cross-checks its database with the education sector's information system.

In general, the greatest operational difficulties in the verification of compliance with conditionalities have been encountered in the area of health, for which there are several reasons. In comparison to the education sector, the health sector makes less use of electronic record systems. Furthermore, health sector personnel already have a heavy paperwork load. At the same time, since most transfers are linked to education conditionalities, health ministries have been more reluctant to become involved in the operation of CCT programs. Although educators are used to recording and reporting data on enrollment, attendance and academic progression for internal purposes,

FIGURE 2.2 Compliance verification process for *Bolsa Família* health conditionalities



Source: Based on MDS (2015) and Hellman (2015b).

Notes: SICON: System for *Bolsa Família* Program Conditions; SIBEC: System of Benefit Payments to Citizens.

health personnel do not typically document compliance with the healthcare protocols defined in each country. Moreover, in the field of education, there is a precedent for supporting low-income students with scholarships or other financial aid, which means that the sector has already internalized this key aspect (subsidized demand) of CCT programs. Although poverty is recognized as one of the social determinants of health, it is not common practice to encourage people

to seek out preventive care by providing cash incentives.

The use of health and education sector information systems is a good practice for verifying compliance with conditionalities. This practice avoids additional data collection and separate capture and validation processes, and it helps consolidate health and education sector information systems. Nevertheless, sometimes it is not feasi-

ble, whether because sectoral information systems are not sufficiently developed or because they do not generate the information required by the program. In these cases, it is advisable to ensure that compliance is documented directly in the CCT program information system, ideally at the point of service delivery. This requires coordination to make certain that service providers at schools and health centers have access to the CCT program information system. In some cases, the method of verification that works best varies by sector. One example is Chile, where, as mentioned, the verification of education conditionalities is carried out using the education sector's information systems, while in the case of health conditionalities, beneficiary families are required to obtain a certificate of compliance from the sector and submit it to the program.

2.3 Implications of noncompliance with conditionalities

Generally speaking, the implications of non-compliance with conditionalities are twofold: the possible suspension of benefits and, in some countries, specific support interventions to help families fulfill the conditionalities.

The consequences of noncompliance are not immediate. The cycle of conditionality consists of three phases: (i) compliance (e.g., the period when children regularly attend school); (ii) documentation, the period when attendance information is captured by the program; and (iii) repercussion, the period when transfers are paid or when the consequences of noncompliance are applied.

Table 2.4 describes the cycle of conditionality in Brazil. As noted in the table, if non-compliance with school attendance occurs in the February/March period, this will affect the corresponding payment in May. With respect to health conditionalities, since requirements vary with the individual's age, compliance is based on whether each person is up to date with the applicable preventive care schedule. In the case of Colombia, the time gap is even greater. For education conditionalities, the February/March compliance period corresponds to payment (or sanctions) in June, while for health conditionalities, it is the January/February verification period that determines the June payment (table 2.5).

It is important to highlight an inherent difference between compliance with health and education co-responsibilities and their operational implications. In general, education conditionalities are linked to school registration and attendance, as measured by enrollment and a minimum attendance rate in a given period. Since the academic calendar is predetermined and generally the same for all children,¹³ the program's operational challenge is to establish a compliance-verification-repercussion timetable that aligns with the school calendar. For example, table 2.5 shows that Colombia's program does not pay the education transfer in April because that month corresponds to a compliance period when students were on vacation. With regard to health conditionalities, the goal is to be current with the age-specific preventive care schedule, which is determined by date of birth. There are verification periods without an associated conditionality, so the transfer is paid as long as the person is up to date on

¹³ Colombian schools follow one of two academic calendars, depending on their location; some schools break for the winter, while others break for the summer.

TABLE 2.4 The *Bolsa Familia* cycle of conditionality

AREA	RECORD SYSTEM	COMPLIANCE PERIOD	DOCUMENTATION PERIOD	REPERCUSSION MONTH
Education	Attendance System	February and March	April	May
		April and May	June	July
		June and July	August	September
		August and September	October	November
		October and November	December	March
Health	<i>Bolsa Familia</i> Program Health Management System	January–June	February–June	September
		July–December	August–December	March

Source: Hellmann (2015b).

all health check-ups. It is therefore essential to establish timetables and verification processes that are realistic and coordinated with payment processes.

The conditionality cycle calendar becomes an indispensable tool for organizing this process and staying on track with the timetable so that the program can be implemented on the massive scale required by the vast majority of programs. Mexico's *Prospera* uses its 1-2-3 calendar to organize and synchronize activities that are critical to the payment process. The calendar takes its name from the program's cycle of compliance, verification and payment, which consists of 3 two-month periods. Figure 2.3 details how the six payment cycles (each distinguished by a different color) are organized over the year. Using the first two months of the year as an example, the cycle begins with the registration of beneficiary compliance with program conditionalities at schools and health centers. Once that period ends, schools and health centers report beneficiary compliance to *Prospera* during the second two-month period so that the program, in turn, can enter the

data in its information system and calculate the amount of support. Finally, in the third two-month period, the program makes payments corresponding to the fulfillment of conditionalities during the first two months of the year.

To ensure that program transfers are effectively conditioned, from the outset the processes that enable the effective verification of conditionalities must be defined, tested, fine-tuned and monitored. The consolidation of these processes takes time, as it is the result of the interaction between the program (at the central level and throughout the territory) and the health and education sectors. This recommendation is relevant not only for new programs but also for existing programs that have undergone adjustments or to which innovations have been introduced. It is important to start on a scale that allows for implementation of the processes as originally designed, the monitoring of their feasibility, and consideration of the logistical implications of taking them to scale. With regard to the verification of co-responsibilities, when a program starts off lax, it makes it very diffi-

TABLE 2.5 Lag between compliance and payment for *Más Familias en Acción*

PAYMENT PERIOD	COMPLIANCE PERIOD	
PAYMENT DELIVERY	HEALTH CONDITIONALITY	EDUCATION CONDITIONALITY
1st delivery: February	Previous September/October	Previous October/November
2nd delivery: April	Previous November/December	No payment due to school break
3rd delivery: June	January/February	February/March
4th delivery: June	March/April	April/May
5th delivery: October	May/June	June/July
6th delivery: December	July/August	August/September

Source: Information provided by *Más Familias en Acción*.

cult to be strict later, both for beneficiaries and program staff.

Noncompliance does not usually result in an immediate suspension of payment; instead, programs typically begin the gradual application of penalties as well as social assistance. In the case of *Bolsa Familia*, there are four stages: (i) warning, (ii) block, (iii) suspension, and (iv) cancellation (MDS, 2015). At the first instance of noncompliance, the family receives a notice but sees no sanctions in terms of benefits. The warning remains on the family's compliance record for six months. If, after those six months, the family has another episode of noncompliance, the family will simply receive a new warning; however, if the family has another episode within that six-month period, the family's benefits will be blocked. In this case, the payment of benefits is blocked for 30 days, but that payment can be withdrawn along with the next month's payment, as long as the family does not already have other episode of noncompliance. If, during the six-month period following the block on benefits, the family has another episode of noncompliance, the consequence will be suspension.

If the family continues to fail to comply during the six-month period following the last suspension, the household will receive a new and then subsequent suspensions. The benefit can only be cancelled if noncompliance continues past a 12-month period of suspension and family case management support.

Bolsa Familia's communication with families also stands out from other programs. As explained in the case of recertification, families are notified of sanctions for noncompliance by the National Secretariat of Citizen Income (SENARC) via mail and/or through messages on benefit payment receipts (figure 1.1). This makes the family aware of the noncompliance situation so that corrective action can be taken, and it helps them understand why there may be possible variations in the transfer amount.

CCT programs seek to encourage and support families, which is why—in conjunction with the process leading to the suspension of benefits—they have several support mechanisms to help families fulfill their commitments. Noncompliance is taken as an indicator of vulnerability

FIGURE 2.3 *Prospera's 1-2-3 calendar system*



Source: Based on Dávila (2016).

and of the need for support. In the case of Jamaica, there is a case management mechanism, which attempts to ensure that, through a series of meetings with social workers, users make the best possible use of program benefits and improve their living conditions. This process is based on the experience of *Chile Solidario* and includes a number of dimensions on documentation, education and family life in which the social worker supports the family.

In Brazil, for example, the family's number of repeat suspensions is monitored and interpreted as an indication that the family

is in a vulnerable situation, which triggers social assistance actions (MDS, 2015). Recently, the MDS has sought to strengthen family case management support before blocking, suspending or cancelling benefits. Family support is individualized social assistance provided by the local government to families that are socially vulnerable, especially those that are in noncompliance with program conditions. The objective is to understand the reasons for noncompliance and to help the family improve the situation. The list of families in noncompliance can be obtained from the program's information system using

the “Advanced Search for Noncompliance.” Using this list, the municipal manager can arrange for support for these families (MDS, 2015). In Chile, the CCT program forms part of a broader family assistance scheme, in which families receive support and follow-up by family case managers.

The financial consequences of noncompliance depend on the benefit structure (a topic that will be discussed in greater detail in the next chapter). It is easier to suspend the transfer when it is directly linked to the fulfillment of individual conditionalities; however, when the transfer depends on compliance by all household members (as is the case of health-related transfers in Mexico and Colombia), the penalty for noncompliance may be the suspension of family support associated with the co-responsibility. In fact, in Mexico, failure to comply with the health conditionality can lead to a total suspension of family support. In other words, systematic noncompliance with health conditionalities¹⁴—which apply to all household members, including older adults— may result in the suspension of benefit delivery to young people who are regularly attending school.

In general, the practical implications of noncompliance are less drastic than what the regulations state. An extreme case is that of Ecuador, where the program does not verify compliance with co-responsibilities; however, the program emphasizes the need for compliance through information campaigns, and this has generated positive short-term impacts on the use of health and education services (Schady and Araujo, 2008).

In operational terms, and of particular relevance to countries with more limited institutional development, it is important to distinguish conceptually between noncompliance and nonverification. Noncompliance occurs when the program verifies with certainty that a co-responsibility was not fulfilled; for example, that a child did not comply with the minimum school attendance rate. Generally, in these cases, there are procedures in place that allow families to clarify the situation.

Alternatively, sometimes programs are unable to verify all the conditionalities. In these cases, the program must decide between paying only when there is certainty of compliance and not paying only when there is certainty of noncompliance. In countries where regulations state that transfers will not be paid without verification of compliance with conditionalities, delays in verification generate confusion and delays in payments, since, in some cases, transfers are accumulated and paid out after verification takes place. This negatively affects the redistributive goal of CCT programs by reducing the predictability of transfers. Nevertheless, in most cases, programs make exceptions to the verification requirement and go on to issue the payments. When this occurs, it creates confusion regarding the need to comply with conditionalities, and it can affect the program’s goal of supporting human capital development.

In this sense, there are two other important considerations. First, in emergency situations (e.g., a natural disaster), programs generally issue directives allowing for the payment of transfers without proper

14 Noncompliance by families with the health conditionality for four consecutive months or a total of six months within the last 12 months, in rural areas, or two consecutive two-month periods or a total of 3 two-month periods within the last 12 months, in urban areas, will be grounds for indefinite suspension (Government of Mexico, 2014).

verification. Second, programs sometimes face pressure —whether for financial or accountability reasons— to pay only those households for which compliance with co-responsibilities has been verified.

2.4 Perspectives on the use of conditionalities

Several countries are reviewing which conditionalities are best suited to enhancing impacts on the accumulation of human capital. Since, in many contexts, primary school attendance is almost universal, even among the poorest population, from the perspective of human capital accumulation it does not make much sense to continue to encourage school attendance at this level. Over time or in specific contexts, conditionalities may lose or lack relevance. There are several examples in which co-responsibilities have been changed to address bottlenecks relevant to human capital accumulation in children and youth.

Jamaica is innovating through the use of a conditionality tied to a parenting skills program designed to boost comprehensive early childhood development. This initiative came about for two reasons. First, there is evidence of the effectiveness of these programs on child development, and there are gaps in development between children from poor and non-poor households (Berlinski and Schady, 2015). Second, for children between the ages of 2 and 5, the CCT program had established two annual well visits as a co-responsibility, yet the health sector's care protocol required just one annual visit. Thus, families were required to

visit the health center more often than necessary, a demand that also placed a strain on the health sector. As an alternative to the second visit, a pilot program is underway in which parents must participate in a parenting skills program, which includes group sessions and home visits. This represents one of the first efforts to find synergies between the CCTs and early childhood development programs in the region, and shows how conditionalities may be adapted to form a link to relevant bottlenecks, such as gaps in child development.

In the Bahamas, an effort has been made to define relevant co-responsibilities during the CCT's design phase. In terms of health, immunization coverage and preventive health services for children and pregnant women are virtually universal; however, childhood obesity has been identified as a very serious problem. To combat this issue, the program developed a co-responsibility that offers incentives to the parents of children with a certain weight-for-age and weight-for-height to attend nutrition workshops. It is important to stress that the conditionality is based on workshop attendance, which is under the family's control, and not on the child's weight. Similarly, since almost all young people complete upper secondary school, the program plans to introduce a conditionality for youth whose academic performance prevents them from receiving a graduation diploma, thereby encouraging participation in remedial classes to improve their academic performance.¹⁵ Again, the important thing to note is that the conditionality is based on remedial class attendance (which is within the young person's control) and not

15 In the Bahamas, there is a system of automatic promotion, meaning that all students complete upper secondary education. In this context, the graduation diploma is only awarded to students who complete their education with high academic performance. For this reason, the graduation diploma is an important credential in the labor market.

improved academic performance (which depends on other factors).

In Mexico, *Prospera* introduced innovations in the benefit structure with the aim of increasing upper secondary school attendance, which remains a challenge. To this end, the education grant scheme is being modified at this level, by changing who will receive the support. With this innovation, which is being rigorously evaluated, the student will directly receive the resources that correspond to fulfillment of the conditionality. Since school attendance at these levels is, to some extent, a decision of the young person rather than of his or her parents, it is expected that a direct transfer to the adolescent will be a better incentive to improve attendance and stay in school. These schemes complement another program transfer, *Jóvenes con Prospera*, which consists of the payment of a one-time benefit to beneficiary youth who complete secondary school in less than four years and before age 22. These two innovations seek to adapt co-responsibilities to make them more relevant to the factors that nowadays hinder the accumulation of human capital in young people. Given that increasingly higher levels of education are required to improve the likelihood of successful job placement, dropping out before completing upper secondary school jeopardizes the CCT programs' objectives. These changes

in co-responsibilities seek to address this challenge.

While there is ample evidence that CCT programs have no negative impact on the labor participation of adults in beneficiary households, there has been recent discussion of possible disincentives to formal work, since beneficiaries may have the impression that obtaining formal employment will render them ineligible for the program (Araujo et al., 2016). In terms of co-responsibilities, Chile's IEF introduced a subsidy for women who obtain formal employment, seeking to promote their successful entrance into the work force. The transfer associated with this achievement is an incentive that functions in the same way as the school achievement bonus explained further above, since obtaining formal employment is not under women's control.

Without a doubt, defining conditionalities in an innovative way that makes them relevant, need-oriented and effective in terms of human capital accumulation is a process that should be encouraged. In this sense, it is important for these innovations to be as rigorously evaluated as the original CCT programs were in their early years and to give proper consideration to their operational and logistical aspects in order to implement them on a large scale, if they are successful.

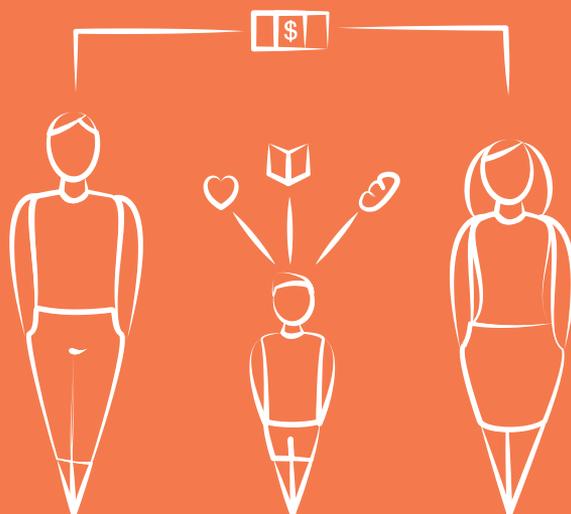


Chapter

3

Benefit Structure, the Payment Process, and Financial Inclusion

Nadin Medellín and Luis Tejerina



The payment of transfers to families is one of the key operational processes of CCTs. The total amount of transfers received by families that participate in CCT programs is generally the sum of a set of subsidies that should prompt different behaviors or responses from families or specific family members. These subsidies often have different characteristics. For instance, some are a fixed amount, whereas others vary based on aspects such as household size or the ages of the children, some are tied to specific conditions, whereas others are not and some are paid monthly, whereas others are paid annually.

Furthermore, the amounts of the subsidies almost always differ. The sum of all these subsidies is what we refer to in this book as the CCT programs' benefit structure.

The benefit structure reflects the tradeoff between the importance that the CCT program assigns to each behavior that it seeks to promote—such as families' investment in health, nutrition, and the education of their children—and the operational capacity of the institutions involved in program implementation. The literature has found that the design of the benefit structure has an effect

on the size of the CCT programs' impacts; however, more research is needed before recommendations can be developed. For example, with regard to the value of transfers, some studies suggest that there are diminishing returns on school enrollment as the transfer amount increases (in Cambodia, Filmer and Schady, 2009; in Malawi, Baird, McIntosh and Özler, 2009), while others indicate the opposite (Saavedra and García, 2012). Moreover, this literature has ignored other outcomes that CCT programs seek to obtain, such as the reduction of poverty (Filmer and Schady, 2009).

All CCT programs rely on both public and private financial institutions to deliver payments. The vast majority use electronic payment methods, a move that has improved the service to families by expanding the network of payment points and the hours of operation. Despite these efforts, one of the main hurdles when it comes to cost-effectively improving services is the lack of payment points in the remote, rural areas where a significant proportion of beneficiaries reside. One possible answer to this difficulty is to promote greater participation by private institutions using competitive and innovative contracting schemes.

Lastly, in recent years, some countries have used the CCT program platform to promote financial inclusion strategies, which has great potential to improve the welfare of families. With that said, these strategies must be carefully implemented because, although there are complementarities between the payment delivery process and financial inclusion, there is also some friction between these two goals. First, CCT programs require payments to be made in the most efficient manner; however, the most efficient way is not necessarily through a card linked to a savings account when, due to a lack of infrastructure, beneficiaries in remote areas cannot collect the benefit. Second, beneficiaries require support in the form of financial education, which could add a considerable workload to the CCT program; therefore, it is necessary to make provisions for additional resources or partnerships to provide training. It is also important to consider the welfare effects of financial inclusion. In that sense, the literature has found that the use of formal savings mechanisms and access to insurance have positive effects on the welfare of poor families; however, the literature indicates that access to credit does not always translate into improvements in consumption, as discussed below.

This chapter is organized into three sections. The first section reviews the benefit structures used by CCT programs to promote investment in human capital through compliance with conditionalities. Then, it analyzes the delivery of transfers, addressing the payment methods used, the financial services received by beneficiaries, and the types of agreements programs make with financial institutions to distribute payments. Lastly, in an effort to provide some evidence-based policy recommendations, special attention is given to initiatives implemented in the region with the goal of

leveraging financial inclusion through the delivery of conditional transfers.

3.1 Benefit structure

Some programs, such as Chile's IEF, use an incredibly complex benefit structure with multiple subsidies, each with a different conditionality, frequency and value. At the other end of the spectrum are programs with a structure consisting of a single, fixed subsidy, as in the case of Ecuador's BDH, Peru's *Juntos* and Panama's *Red de Oportunidades*. It is worth mentioning that it is common for programs to change their benefit structures and that this book analyzes the program design that was current in 2015.

This section analyzes the characteristics that distinguish the different subsidies used by programs in the region, including the following: fixed vs. variable benefit amounts, conditional vs. unconditional benefits, payment frequency, and benefits' monetary value. It concludes with an overview of how these subsidies fit into benefit structures.

3.1.1 Fixed and variable amounts

CCT programs typically use a fixed transfer amount to encourage compliance with health co-responsibilities. For example, in Colombia, the transfer is conditioned upon health check-ups for all children under age 7. Similarly, in the Dominican Republic, all children under 5 and pregnant women must attend required health check-ups for the family to receive the *Comer es Primero* subsidy, which has a monthly value of 825 Dominican pesos (US\$18.30). One exception is Brazil, where the family is able to receive one subsidy for

each person required to comply with health co-responsibilities.

The values of benefits tied to education tend to be more complex and vary according to household composition. It is common for programs to provide families with a subsidy for each child and adolescent who attends school, with the goal of preventing families from focusing their efforts on some children to the detriment of others (and avoiding possible gender discrimination). In addition, CCT programs usually grant larger subsidies as students advance in their education, particularly at the age at which higher dropout rates are observed. This seeks to offset the higher opportunity costs of staying in school versus working, to encourage young people to continue their education during the years that have the most potential impact on future labor income. Lastly, some programs use gender-differentiated benefits for students in the same grade level to close gender gaps.¹⁶ Countries have chosen different designs with varying degrees of complexity to encourage school attendance, grade progression and the closing of gaps. For example, Mexico's *Prospera* provides a subsidy for each student (although the girls' benefit is larger), with different values for practically every grade level. In contrast, the Dominican Republic uses simpler operating rules. The amount of the bonus, called the *Incentivo a la Asistencia Escolar*, increases with the number of students in the household attending basic education, but the program does not give a bonus for each student. The amount of the incentive is the same for families with one or two students, increases with three students, and is still higher in families with four or more

students. It is worth mentioning that these rules do not apply to the secondary education (from the ninth grade) benefit called the *Bono Escolar Estudiando Progreso*. In that case, families do receive a bonus for each student, and the amount increases with each grade level.

Programs also set limits on the total value of transfers that families can receive, partly to discourage them from having more children. For example, the operating rules of Mexico's *Prospera* establish a monetary limit on the total amount of benefits a household can receive. Families with primary and secondary school students cannot receive more than 1,825 Mexican pesos (US\$115.20) per month, while the limit for a family with college-level students is 2,945 pesos (US\$185.80) per month. Alternatively, *Bolsa Familia* and *Más Familias en Acción* place a limit on the number of individuals who receive benefits. In the case of *Bolsa Familia*, beneficiary families can receive up to five variable benefits and up to two variable youth benefits. By comparison, *Más Familias en Acción* beneficiaries can receive three benefits tied to school attendance, excluding the preschool attendance subsidy (figure 3.1).

One of the frequent concerns that arises by giving a benefit to each student is that the program may be creating incentives for families to have more children; however, no evidence has been found that offering a per-student benefit increases fertility. Analyzing the case of *Prospera*, Levy and Rodríguez (2005) discuss several reasons why, quite the contrary, fertility would be expected to decrease in response to a well-designed benefit structure. Their

16 Until recently, PATH used a gender-differentiated education transfer with a larger value for boys in response to their higher school dropout rates (Paes-Sousa, Regalia and Stampini, 2013).

reasons included the following: students who stay in school postpone marriage, an increase in female schooling decreases fertility, a family would not collect benefits for an additional child until 10 years after the birth, and there is a limit on the number of benefits a family can receive.

Another criterion used to determine the value of variable benefits is the vulnerability of the area where the family lives. In this regard, some programs provide more income support to residents of rural municipalities or municipalities with a high incidence of poverty. For example, in Colombia, municipalities are classified into four groups based on the degree of rurality and incidence of multidimensional poverty. The fourth group is the most vulnerable and receives the maximum amount for each of the benefits granted by *Más Familias en Acción*.¹⁷ In the case of subsidies tied to secondary and upper secondary education, the value of the amounts increases as vulnerability increases. In the case of benefits linked to health conditionalities, only families residing in group four municipalities receive a higher amount (74,100 Colombian pesos/US\$27) than the other groups (63,525 pesos/US\$23). Similarly, benefits for preschool attendance are the same for all families in groups two, three and four but are unavailable to families living in Bogota (the only municipality in group one). As discussed in Angulo (2016), the motivation of *Más Familias en Acción* managers to include this criterion is to encourage the closing of regional poverty gaps by channeling more economic resources to municipalities with greater need.

3.1.2 Unconditional subsidies

Paradoxically, the benefit structure of some CCT programs includes subsidies not directly linked to the fulfillment of co-responsibilities. This means that, although families must be registered with the program to receive the subsidy and comply with some administrative rules, the subsidy is not linked to a specific behavior, as in the case of school attendance transfers. The intention behind these subsidies is to establish a minimum social protection floor, with a focus on poverty alleviation. Even if families fail to comply with health and education co-responsibilities, they will continue to receive the unconditioned subsidies until their noncompliance leads to exit from the program for administrative reasons.

Some examples of unconditioned subsidies are the IEF's protection benefit and the basic cash transfer —part of the pillar of dignity— to which all beneficiary families are entitled (as long as they take part in psychosocial support services, which are mandatory for continued participation in the program). Other examples are *Bolsa Familia*'s basic benefit and benefit to overcome extreme poverty, which, unlike the variable benefits, are not directly linked to compliance with school attendance and health visits.

3.1.3 Payment frequency

The frequency of payments varies from one program to the next. The programs in the region that transfer payments more

17 Specifically, the groups are composed as follows: group one —solely the district of Bogota; group two— 21 municipalities located in major cities; group three —remaining municipalities with an incidence of multidimensional poverty of less than 70%; and group four— remaining municipalities where the incidence of multidimensional poverty is equal to or greater than 70%.

frequently, such as *Bolsa Familia* and the BDH, do so on a monthly basis. Others, like *Más Familias en Acción* and *Prospera*, deliver transfers every two months. In Central America, Honduras's *Bono Vida Mejor* and El Salvador's *Comunidades Solidarias* make payments three times a year or less.

There are cases, such as the Dominican Republic, Chile and Mexico, where the frequency of payment varies depending on the type of transfer. In the Dominican Republic, health transfers are made on a monthly basis, whereas education transfers are made every two months except for when school is in recess. In Chile, the portion of the female employment subsidy that goes to the beneficiary and the school achievement bonus are paid annually. There are also one-time bonuses, which are generally linked to particular achievements. For example, in Mexico, the *Jóvenes con Prospera* bonus is delivered when a young person completes upper secondary school before the age of 22. It is also worth mentioning that the value of this bonus is considerably higher than regular attendance incentives. Therefore, while young people in their third year of upper secondary school receive a bimonthly subsidy of 980 Mexican pesos (US\$61.80) for males and 1,120 pesos (US\$70.70) for females, they receive a one-time bonus of 4,890 pesos (US\$308.60) upon completion of upper secondary school.¹⁸

Payment frequency influences the effectiveness of programs. A recent literature review indicates that frequent payments

help beneficiaries to smooth consumption and plan their expenses, whereas less-frequent, higher-value payments at critical moments can be a deciding factor when making investments (Bastagli et al., 2016). Alternatively, a meta-analysis by Saavedra and García (2012) suggests that programs with bimonthly and quarterly payments have greater effects than programs that use monthly payments.

3.1.4 Transfer values

There are several criteria that serve as guidelines to define the amount to be delivered by CCT programs. The selection of the criteria used to define transfer amounts, among other things, reveals whether the CCT program is putting more emphasis on its redistributive goal or on the accumulation of human capital. The transfer amount may be determined using reference values such as the poverty line, the extreme poverty line or the minimum salary. Each of these values reflects in some way the amount of income necessary to cover basic needs. One program that uses the extreme poverty line as a reference is *Bolsa Familia*. If a family's income remains below the extreme poverty line even after receiving program benefits, the family is eligible to receive an additional transfer equivalent to the difference between the family income and the extreme poverty line. In Chile, the IEF's basic cash transfer follows a similar logic and is equivalent to 85% of the extreme poverty gap of each family. Another example is El Salvador's *Comunidades*

¹⁸ Urban families that were incorporated into the urban model pilot between 2009 and 2013 participate in the program under a different incentive structure, which only provides supports for secondary and upper secondary education and grants higher amounts than those offered under the traditional model. As of 2016, the *Jóvenes con Prospera* subsidy has been discontinued and replaced by a college scholarship plan.

BOX 3.1 Microsimulations: What are they and how are they useful?

The microsimulation method is a tool that has been used to estimate the appropriate value of transfers according to the opportunity cost incurred by beneficiaries through their participation in the program. This tool, initially proposed by Bourguignon, Ferreira and Leite (2002), uses data from household surveys to calibrate utility functions and identify the value that monetary incentives must have to influence a family to send its children to school instead of to work. The results of these exercises indicate that transfers should be less than the wages a child could earn in the labor market, because households prefer for their children to have more education and even consider future returns on a higher level of schooling.

In addition, microsimulations can be used to predict the type of behavioral impacts that can be expected from families, based on a specific benefit structure.

Source: Prepared by the authors.

Solidarias, for which the value of transfers was established as a fifth of the minimum salary (Azua Herrera, Maciel and Tetreault, 2015).

To set the value of transfers, the opportunity cost of participating in the program can also be considered—for example, the income forgone by attending school instead of working. This approach, in contrast to that of the reference value, has the advantage of being directly related to the behaviors that the program seeks to encourage. The calculation of opportunity cost can be purely algebraic (i.e., equivalent to the salary in the labor market), or it can be calculated using the microsimulation method to take into account household preferences (box 3.1).

In addition to these technical criteria, more practical aspects, such as budget constraints, should also be considered. For example, if the program has a goal of strict coverage and a budget ceiling, the average

amount of transfers is defined exogenously in some way by these restrictions.

The value of transfers can be adjusted to maintain purchasing power; otherwise, it will gradually decrease in real terms. For example, in the case of Mexico, the amount was adjusted semiannually using the prices of the baskets of goods used to set poverty lines. The value of these baskets is updated monthly by the National Council for the Evaluation of Social Development Policy according to inflation, and it has a different value in rural and urban areas.¹⁹ Not all programs, however, update the values of transfers using the variation in the price index of a specific basket, and some simply increase the value without predefined criteria.

3.1.5 Overview of the benefit structure

Figure 3.1 describes some of the benefit structures used by programs. One of the

19 See <http://www.coneval.org.mx/Medicion/MP/Paginas/Lineas-de-bienestar-y-canasta-basica.aspx>.

most complex structures is that of Chile's IEF.²⁰ Its transfer consists of eight benefits organized into three pillars, according to the type of condition to which they are bound. Pillar of dignity benefits are unconditional transfers given to all families in the program for a specific period of time. In contrast, the pillar of duties includes conditional transfers given for compliance with health and education conditionalities. Finally, transfers under the pillar of achievements are delivered for actions such as obtaining formal employment or high academic performance. This is one of the most innovative elements of IEF, since these bonuses seek to reward performance beyond the use of public services, as is the case with the pillar of duties²¹ (and most CCTs). Furthermore, there is added complexity due to the fact that each bonus has different characteristics (e.g., in terms of frequency). Specifically, transfers under the pillar of duties—those related to school attendance and health check-ups—are delivered monthly, whereas the female employment subsidy and the school achievement bonus are paid annually.

As a result of the different structures, the same family would receive very different transfers in different countries (table 3.1). For example, if the Pinzón family fulfills all of its co-responsibilities in Chile, it receives US\$1,230 per year, as compared to US\$600 in Ecuador or US\$230 in Colombia. By contrast, in Costa Rica, the family would

receive no support because *Avanceemos* purely focuses on students attending secondary school or higher. This exercise is just the first step in comparing the generosity of transfer programs.

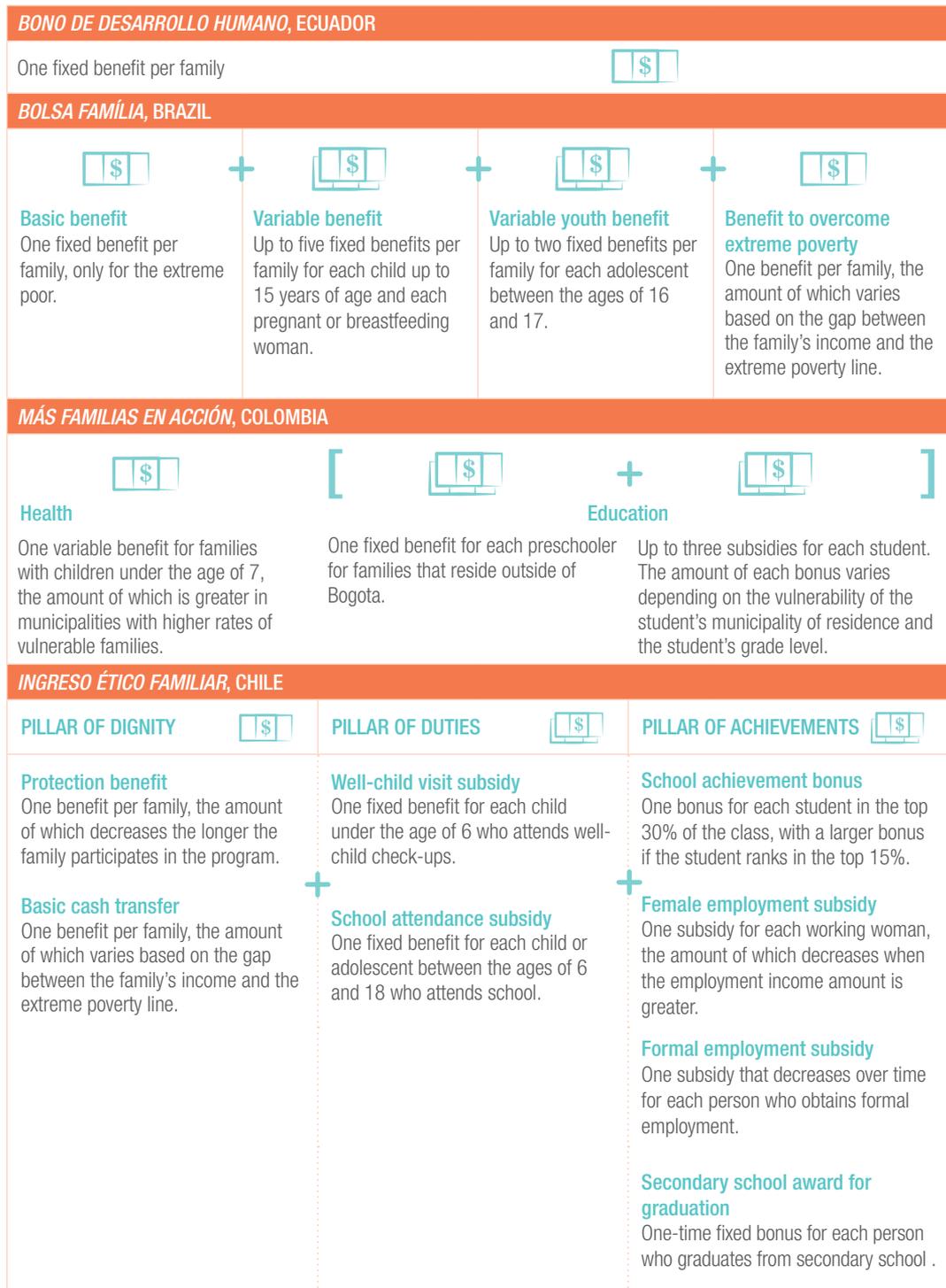
The analysis of household income and spending compares the generosity of programs in relation to beneficiary households' income. The result of this calculation indicates that one of the most generous programs is Mexico's *Prospera*, in which the average transfer represents 41% of household income for the poorest quintile. In contrast, the transfers for Colombia's *Más Familias en Acción* are less generous, since, on average, they account for 18% of household income for the poorest quintile (Robles and Loaysa, 2013).

It is important to highlight that the more complex the benefit structure, the greater the operational capacity and the more robust the information systems must be for the program to be implemented correctly. Box 3.2 summarizes the experience of Honduras, which, following an adjustment to the design of its transfer scheme, had to modify its verification and payment processes. To calculate the amount payable to each family, the program must have updated information on family composition (number of children, age, grade, presence of pregnant women, etc.) and reliable and timely information on compliance with conditionalities. Without this inputs, timely payment of transfers is not feasible.

20 It should be mentioned that the IEF first launched in 2013, and the benefit structure and design have yet to be rigorously evaluated to identify its impacts. It is also relevant to note that the IEF has its roots in the program *Chile Solidario*, which began in 2002 and was the precursor of an approach in which the CCT programs include family case management support schemes for the social and productive inclusion of beneficiaries. In 2016, the IEF transformed into a new program known as *Programa Familias*. For more information, see Vargas, Cueva and Medellín (2017).

21 It is worth mentioning that the bonuses under the pillar of achievements are not exclusive to IEF beneficiaries; although they form part of the IEF, they are also available to higher-income groups. In this regard, it should be clarified that IEF beneficiaries are defined as those families that participate in psychosocial and social and occupational support services.

FIGURE 3.1 Examples of benefit structures



Source: Prepared by the authors with information from Vargas, Cueva and Medellín (2017), Medellín and Sánchez (2015), and Hellmann (2015b).

Note: The *Semilla de Compromiso* incentive is excluded, as it is only delivered to families upon entering *Más Familias en Acción*.

TABLE 3.1 Value of annual transfers for different family compositions for some programs in the region, in US dollars

CCT PROGRAM	MOSQUERA FAMILY	PINZÓN FAMILY	LÓPEZ FAMILY
	 2 month-old	 1 - 6 - 9 year-old	 8 - 10 - 12 - 19 year-old
<i>Ingreso Ético Familiar</i> (Chile)	1,010	1,230	1,313
<i>Avancemos</i> (Costa Rica)	0	0	1,291
<i>Bono de Desarrollo Humano</i> (Ecuador)	600	600	600
<i>Más Familias en Acción</i> (Colombia)	162	230	203
<i>Prospera</i> (Mexico)	451	734	2,072

Source: Prepared by the authors with information from Vargas, Cueva and Medellín (2017), Hernández (2016), Martínez et al. (2017), Medellín and Sánchez (2015) and Dávila (2016).

Note: This table is for illustrative purposes only. The details and assumptions made to estimate each of these amounts can be found in the country case studies cited above. We used the 2015 exchange rate published in the International Monetary Fund's International Financial Statistics: for Chile, 654.12 Chilean pesos per dollar; for Costa Rica, 534.57 colones per dollar; for Colombia, 2,741.88 Colombian pesos per dollar; for Mexico, 15.85 Mexican pesos per dollar.

3.2 Transfer payment process

The main goal of the payment process is to regularly transfer benefits in a punctual, secure manner at the lowest possible cost, both for governments and for families. This process roughly consists of two stages: preparation of the payroll and distribution of transfers to families.

The payroll is a list of beneficiary families eligible for payment and the corresponding amount to be transferred. It is prepared from the program's master list of beneficiaries and should incorporate current information on compliance with conditionalities. Based on payroll information, the CCT

program transfers resources and indicates to payment entities the amount to be delivered to each family. Most programs are directly responsible for generating the payroll. One notable exception is *Bolsa Familia*, whose payroll is prepared by a state-owned bank (Caixa Econômica Federal) based on MDS criteria.

Families must obtain a payment instrument, typically a benefits card, in order to receive transfers. This instrument is usually issued at the time of registration or in a mass roll-out of new payment instruments for those already enrolled in the program. The payment instrument is usually in the mother's name. Only a few programs opt not to

BOX 3.2 Changes to the cash transfer structure and the resulting operational consequences

From 2010 to 2015, families participating in Honduras's CCT program *Bono Vida Mejor* received a benefit that was conditional on at least one child fulfilling one of the health and education conditions. An evaluation found greater impacts on the health of children in families in which there were no older children subject to compliance with education co-responsibilities (Benedetti, Ibararán and McEwan, 2016). Given the program's design, it was concluded that, in these cases, families had a greater incentive to take their children in for health check-ups — since otherwise they would not receive the benefit— while families with older children could skip check-ups for their younger children and still receive the transfer as long as one of their school-age children attended school. This finding led to a change in the rules of the program, which now require that each child complies the health and education co-responsibilities according to his or her age.

Bono Vida Mejor currently consists of three subsidies: one linked to compliance with health conditions, another for children who attend grades one through six of primary school, and one for children attending grades seven, eight and nine. In addition, it was established that each family can receive up to two benefits of each type of subsidy and a maximum amount of 10,000 lempiras (US\$454) per household. The launch of the new transfer scheme put a great deal of pressure on the CCT program's operation, by multiplying the number of children for whom conditionalities must be verified; however, it has been an opportunity for improvement, not only for the verification process but also for the payment process and coordination between the two processes.

When the time came to prepare the first payroll of 2016, it was clear that the program was not prepared to take on the additional workload. In fact, it only had information on 17% of the children who needed to be monitored for compliance with health co-responsibilities. To respect the payment calendar and deliver the transfers in a timely manner, payment was made only to those families with complete information. This decision has put tremendous pressure on the CCT program to rapidly improve its ability to verify conditions and streamline payroll preparation. As a result of the program's efforts, in the second payment period, verification of 31% of health conditions was achieved.

One of the measures to expedite the process has been to review the critical path to deliver transfers to households. As a result, the review process and delivery of payments was cut to about one month. For example, rationalizing the frequency of meetings of the Technical Committee (composed of the undersecretaries of the social sector), which met before each payment, helped reduce the timeline by two weeks. With these measures, the program managed to stabilize the payment calendar and improve certainty regarding payments for households.

It is also important to mention that it was necessary to implement an information campaign to make beneficiaries aware that all children must now fulfill co-responsibilities to receive program benefits. The strategy that was used was to hold a special payment event during which information tables were set up to explain the changes directly to beneficiary families.

Source: Prepared by the authors.

systematically issue a payment instrument, for example, Ecuador's BDH, which uses the country's national ID card instead.

Most programs also provide beneficiaries with basic training on how to request transfers. This training seeks to make beneficiaries aware of the characteristics and rules of

use of the payment instrument. For example, in the case of electronic benefits cards, beneficiaries need to know if a business can charge a fee for using the card, or if they are required to make a purchase to withdraw cash. In the case of ATMs, it is important for beneficiaries to know how to use them and what kind of fees may apply when

balance inquiries or withdrawals are made or when using the ATM of another banking network.

In the following sections, we first address payment methods and financial services for beneficiaries, and then we will look at the agreements that programs make with financial institutions to execute the payment process.

3.2.1 Payment methods for the delivery of transfers

In general, major advances have been made in the delivery of transfers with regard to timeliness, security, and lower financial and time costs for families, especially with the implementation of electronic payment methods. Even so, for some programs, providing a more accessible, timely and convenient payment process, especially in remote areas, still remains a challenge (see box 3.3).

The adoption of electronic payment methods is a good practice that has expanded the number of payment locations and business hours, thus considerably reducing lines at payment points and, by extension, the time required for families to access transfers. For example, in Colombia, the adoption of electronic payment methods reduced waiting time by an average of four hours compared to payments through money orders payable to beneficiaries, who must go to the bank to withdraw the transfers in cash (Maldonado and Tejerina, 2010).

A payment method contains three elements. The first is the instrument used

by beneficiaries to request the delivery of transfers—for example, an electronic benefits card, an identification card or a cell phone. The second is the mechanism by which the transfer's value is stored—for example, a prepaid account, or a debit or savings account in the beneficiary's name. In cases in which the transfer is paid directly in cash, this element is absent. Lastly, the third element is the payment point, such as a bank branch, ATM, or temporary non-bank cash delivery point set up by the program (see table 3.2).

Most programs use more than one payment method to transfer resources to participating families. For example, in Colombia, 9 out of 10 transactions requesting payments are made electronically through bank cards linked to an account or electronic payments via cell phone;²² however, in-person payments using money orders made payable to beneficiaries are still issued. In some cases (e.g., *Bolsa Familia* and the IEF), beneficiaries can choose the payment method they find most convenient.

The use of an electronic benefits card with a magnetic stripe or microchip allows for payments through electronic payment systems used by banks, ATMs and payment terminals. Nevertheless, it is important to note that countries can choose from several different mechanisms to accumulate value, including virtual accounts, electronic wallets, and debit or savings accounts.

For example, the Dominican program's *Progresando con Solidaridad* Card is linked to a virtual account that allows beneficiary mothers to make purchases as debit transactions at a network of businesses. With that said, this account does not allow

22 Box 3.5 describes how mobile payments work.

BOX 3.3 The challenge of making timely transfer payments

The timeliness of payments is critical for families to plan their expenses. This favors improvements in the consumption of food and basic items, as well as planning for special expenses, such as uniforms and school supplies. The fact that payroll preparation depends on information pulled from various sources, such as schools, clinics and local program offices, is one of the main reasons for delays in the delivery of transfers. It is at this point that the strong link between the payment process and the management of the roster of beneficiaries and verification of conditionalities becomes evident.

An essential approach to achieving timely payments is the establishment of a strict schedule that includes deadlines for each of the activities that make up the critical path for the timely delivery of transfers (Azua, Maciel and Tetreault, 2015). In other words, the calendar organizes all operational activities required to make payments on time. In addition to the payment calendar, the program's operating manual must establish protocols on how to proceed when there are delays in activities prior to payment delivery, often in the verification of co-responsibilities. At this point, it is a good practice to avoid delays in the issuance of payments when certain requirements have not been fulfilled in order to pay a group of households. There is no optimal way to handle those households whose conditions were not verified. On the one hand, they are affected by not paying them; on the other hand, payment without verification is a bad practice because it has the potential to create incentives for families to not fulfill the co-responsibilities, and it is unfair to those families that were subject to verification.

Source: Prepared by the authors.

beneficiaries to withdraw cash, make additional deposits, or save the transfers received, as would be permitted if it were an actual bank account. These virtual accounts allow programs to impose certain restrictions on families' use of resources by way of subaccounts. Money cannot be transferred from one subaccount to another, and each subaccount has different restrictions (box 3.4). Moreover, since the virtual account is jointly owned by the Dominican government, it is possible to recover transfers that have not been used after a period of 90 days.

Another example is Ecuador's *Bono Rápido* Card, which is not linked to a bank account but is enabled for cash withdrawals at ATMs. In this case, the information stored in the electronic card allows the cashier to identify the beneficiary in the database of active beneficiaries (payroll) and to authorize payment of the transfer. Finally, another example of a card that is not linked

to a bank account is the *Avancemos* card, which is linked to a prepaid account. With this card, beneficiaries can withdraw cash and make purchases in stores; however, restrictions are placed on the percentage of benefits that can be withdrawn in cash, and the card cannot be used at nightclubs, casinos, car rental agencies, hotels, airlines, bars, restaurants, gas stations or jewelry stores (IMAS, 2008).

In contrast to the abovementioned cases, Mexico, Colombia and Peru have opted to use cards linked to simplified savings accounts, which are designed for low-income users such as CCT beneficiaries. In most cases, this choice of payment method coincides with the explicit intention of programs to promote the financial inclusion of participants. When beneficiaries receive transfers in their bank accounts, the money becomes their property; therefore, they have greater freedom when deciding how to spend it. In these cases, programs cannot

TABLE 3.2 Elements of payment methods

INSTRUMENT TO REQUEST PAYMENT	MECHANISM FOR STORING VALUE	PAYMENT POINTS
		
ID card Electronic benefits card Mobile phone	Virtual account Payroll registration Prepaid account Debit or savings account	Bank branches Small businesses ATMs Temporary points Local program offices

Source: Prepared by the authors.

confiscate the transfers if families do not use them (and therefore it is suspected that they do not need them), but they can use other tools, such as limiting the maximum amount that can accumulate in the account.

In 2009, Brazil launched the *Bolsa Família* Banking Inclusion for Beneficiaries project. In this context, program beneficiaries have the option of opening a simplified bank account called a *Caixa Fácil* account. *Caixa Fácil* users enjoy some important benefits. For example, they can make partial withdrawals of benefits, while beneficiaries without a bank account must withdraw the full benefit amount. In addition, in theory, *Caixa Fácil* users can also access financial services such as microloans, savings and insurance (Hellmann, 2015b).

In Colombia, the *Más Familias en Acción* payment process aims for beneficiaries to access the financial products that suit their needs. To facilitate this goal, beginning in 2009, the government created a system that allowed beneficiaries to quickly open a bank account; these accounts are now

known as simplified procedure savings accounts (CATS). These simplified accounts entail lower opening and operating costs for financial institutions and, consequently, for the government, when contracting with financial institutions to make transfer payments. CATS do not require account holders to maintain a minimum balance, they require little documentation to open, and they have monthly maximum amounts for both transactions and the total balance. For further details on CATS, see Medellín and Sánchez (2015).

In most programs, transfers can be picked up at a variety of payment points, including bank branches, ATMs and networks of non-banking correspondents. Nevertheless, the financial infrastructure where beneficiaries live is often limited. For this reason, the third element of the payment method represents a major constraint on CCT programs' operations. More specifically, limitations are observed in scattered rural areas, where there are no financial institutions and few institutions that can serve as non-banking correspondents. In these

BOX 3.4 How do the subaccounts of the *Progresando con Solidaridad* Card work?

Families that participate in *Progresando con Solidaridad* (PROSOLI) typically have five subaccounts in their virtual account, each with different operating rules. The benefits that are tied to health and education conditions are deposited in subaccounts that can only be used to buy food, school supplies and medicines from businesses in the Social Supply Network (RAS), which is composed of more than 5,600 establishments overseen by the Social Subsidies Administration (ADESS). These benefits include *Comer es Primero*, which is paid on a monthly basis, and the education bonuses *Incentivo a la Asistencia Escolar* and *Bono Estudiando Progreso*, which are paid every two months, with the exception of the two-month school vacation period. In addition, beneficiaries are eligible for unconditional transfers for the payment of public utilities in two other subaccounts. The money in the *Bono Gas Hogar* subaccount can only be used at liquefied petroleum gas suppliers, while money in the *Bono Luz* subaccount can only be used to pay the electric bill. It is worth mentioning that the *Bono Gas Hogar* and *Bono Luz* subsidies are also granted to low-income households living just above the poverty line, whose income is greater than that of the population targeted by PROSOLI.

Source: Prepared by the authors.

cases, the lack of payment points encourages beneficiaries to go just once per period to withdraw the total transfer amount, even when they have a bank account.

One of the options identified as a good practice to increase payment points has been to use networks of non-banking correspondents, which are typically made up of small businesses. A non-banking correspondent may have the capacity to deliver cash transfers to program beneficiaries if it receives requests at different times over the course of the month; however, if all of the beneficiaries in a geographic area appear on the same day to withdraw cash, there will be a liquidity problem that the correspondent will be unable to resolve.

In Colombia, some beneficiaries use their cell phone to request the payment of transfers (box 3.5). This method has been convenient for expanding coverage to places where the presence of financial institutions is limited. The phone functions as a tool for identifying households, does not need to be linked to a bank account, and is accepted at

a large number of payment points, including retail networks. Another country in the region that has tested the transfer of payments via mobile phone is Honduras; however, some operational problems were encountered when trying to scale up the pilot project, and the use of phones was abandoned (Tejerina et al., 2014).

When an electronic option is not feasible, the program has the option of directly paying out cash benefits at its local offices or setting up temporary offices for the delivery of transfers. These cases require that program or municipal staff organize and summon beneficiaries to be present at the time and place indicated. Mothers must travel to the payment points, with journeys that may take several hours. The payment process itself involves long lines, with beneficiaries waiting half the day or longer. In some cases, the program must arrange public transport so that families from remote villages can attend the payment event. Box 3.6 describes the payment points that Caixa Económica uses to pay *Bolsa Família* transfers. One of the noteworthy strategies

BOX 3.5 The cell phone as a payment method

Más Familias en Acción is the only LAC program that delivers transfers via mobile phone. This payment method uses the beneficiary's cell phone subscriber identity module (SIM card) as a means of identification. It works via text messaging and is not linked to a bank account in the beneficiary's name. Banco Davivienda is the only financial institution that currently offers this payment method.

Money can be withdrawn at payment points or through Davivienda's ATMs. Transactions can be made at any time, do not generate airtime costs, and do not require an Internet connection. Users of this payment method can accumulate a transfer amount equal to three minimum salaries. The balance can be used to pay public utility bills or to send and receive domestic money orders, among other options.

To perform a transaction—for example, a cash withdrawal—beneficiaries must open the Daviplata application, choose the “Get Cash” option, and enter the amount they wish to withdraw. They will then receive a six-digit key that they can use to withdraw cash at a Davivienda ATM or a correspondent of the Puntored network. Once the transaction has been scheduled, the key is valid for one hour. If it expires, the transaction must be rescheduled. It is worth mentioning that beneficiaries who use Daviplata receive a text message indicating that the transfer has been deposited, the amount, and locations where they can withdraw money.

Source: Medellín and Sánchez (2015) and <http://www.daviplata.com>.

employed is to outfit boats as floating bank branches, which then travel to serve remote populations living on the banks of rivers and lakes.

The lack of payment point coverage is a major challenge that limits *Prospera's* strategy to expand access to banking services. The bank card issued by the National Savings and Financial Services Bank (BANSEFI) has many potential advantages for families: it is accepted at commercial establishments—where it can also be used to receive cash back from a purchase—and it may also be used at ATMs. Unfortunately, these benefits are unavailable to 80% of beneficiary families because they live in communities with limited financial infrastructure. In these cases, beneficiaries must use their bank cards to withdraw the full transfer amount from a BANSEFI branch, savings banks, Diconsa shops, or temporary points set up by the program to make payments (Dávila, 2016).

Another problem—observed during the initial stages of card use and when the level of financial literacy is low—has been the cardholder's reliance on another person to withdraw the transfers (Maldonado and Tejerina, 2010). This situation can undermine the potential for increased participation in decision-making by the mother—in terms of family and personal decisions (e.g., health and paid work) as well as those surrounding the use of resources in the home—that could potentially result from delivering the transfers directly to her (Aleman et al., 2016).

In the case of Ecuador's BDH, beneficiaries simply use their identification card to request payment; there are no accounts, virtual or otherwise, at financial institutions. The heart of the payment system, called the central switch, is a database managed by the Ministry of Economic and Social Inclusion (MIES) with the names of beneficiaries eligible for payment. When

BOX 3.6 *Bolsa Família* payment points



The Caixa Econômica Federal is the only institution that delivers *Bolsa Família* program transfers. Beneficiaries can collect transfers at bank branches and ATMs; however, these payment points fall short of reaching the program's nearly 14 million beneficiary families. The first strategy to expand the payment network was to incorporate lottery agents that sell national lottery tickets. Nevertheless, in some cases, the nearest payment point still lay more than 60 miles (100 km) from beneficiary families.

One of the solutions to reach beneficiaries living in remote riverside communities has been to outfit boats as Caixa bank branches. The first time this strategy was used was in 2010 in the state of Amazonas. The ship serves 153,000 people from riverside communities, in seven municipalities, along the Solimões River. The boat travels 530 miles (850 km) in 23 days. Based on this experience, Caixa launched two other floating banks, one in the state of Pará, where it serves 400,000 inhabitants of the Marajó Archipelago, and another in the state of Bahia, where it serves 90,000 people living near the Sobradinho Reservoir. Another CCT program that uses ships to distribute transfers is *Juntos* in Peru.

Source: Prepared by the authors based on Hellmann (2015a); image available at <http://www.novasb.com.br/trabalho/agencia-barco/>.

a beneficiary goes to a payment point to request a transfer, the financial institution queries the list of active beneficiaries using a network operator that acts as an intermediary. If the beneficiary is listed, the financial institution delivers the transfer

using its own resources, and it subsequently receives compensation from the Ecuadorian government. BANRED is the largest network operator. In April 2015, it performed 42% of queries to the central switch for the transfer of benefit payments

made by the MIES.²³ It serves about 20 financial institutions that make payments, including a large number of rural cooperatives. The banks with the greatest national presence, Banco Pichincha and Banco Guayaquil, have developed networks of non-banking correspondents to increase the number of payment points available (Martínez et al., 2017). The BDH makes limited use of electronic cards.²⁴

3.2.2 Contracting of financial institutions to make payments

For the delivery of transfers, CCT programs rely on public or private financial institutions. To that effect, some CCT programs have signed common-interest agreements, while others have opted for public bidding. A lack of market development for financial products that serve scattered, low-income populations may help explain why, in some cases, public tenders have attracted little interest or have resulted in contracts with high service charges.

In some countries, such as Mexico, Costa Rica and Brazil, the CCT program has signed agreements with state-run banks. In these cases, it is not unusual for the financial institution to assume certain costs, such as the costs associated with issuing and managing benefits cards.

In the case of Costa Rica, IMAS entered into an affinity agreement with the National Bank of Costa Rica (BNCR) to issue and manage the prepaid cards used to deliver

benefits. The state-owned BNCR is the country's largest bank. The agreement is based on the common interest of offering and issuing cards to be used exclusively with the BNCR network, which currently includes affiliated businesses, the bank's own ATMs, and ATM networks with which it has agreements.²⁵ The agreement establishes that, for a fee, the BNCR will assume the cost of the card itself and carry out the approval process and activation of cards. In addition, it places restrictions on the use of cards, in accordance with the operational rules of *Avancemos* (IMAS, 2008).

The case of BDH is interesting because of the large number of public and private financial institutions that participate in the payment of transfers. Participation in the payment system is open; that is, financial institutions that meet certain requirements can participate without bidding. The contracting scheme is simple. The government offers a commission of 0.30 US dollars to financial institutions for each payment made to beneficiaries and a commission of 0.05 US dollars to companies that act as technical intermediaries by providing network service (Martínez et al., 2017).

In contrast to previous cases, Colombia and the Dominican Republic have called for public tenders to contract with financial institutions. Both in the case of *Más Familias en Acción* (Colombia) and PROSOLI (the Dominican Republic), the territory was divided into several geographic areas, with a public tender held for each one to promote competition. In the case of

23 In addition to BDH payments, non-contributory pension payments for the elderly and people with disabilities use the same payment mechanism.

24 Currently, only about 10,000 beneficiaries use the *Bono Rápido* Card to withdraw cash from ATMs.

25 The BNCR currently has agreements with Banco de Costa Rica's interbank network and the *A Toda Hora* network.

Colombia, groups of municipalities were defined in such a way that each grouping combined both rural and urban municipalities, so that the high costs of providing services in the former were offset by the more affordable costs of the latter. In the case of the Dominican Republic, these groups were determined according to the number of beneficiaries in each one (about 200,000).

Regarding the terms of the tender, in Colombia, the government determined that financial institutions can use any payment method, or even a combination of several, as long as they meet certain conditions, including the following: the payment method allows for purchases in commercial establishments; the payment method can accumulate value; transactions can be performed throughout the country; and a customer support line is available 24 hours a day, seven days a week. With this bidding scheme, financial institutions have incentives to use strategies that keep down the costs of providing service to remote areas (Medellín and Sánchez, 2015). One strategy has been the development of a mobile payment platform implemented by the bank Davivienda (described above in box 3.5).

In the case of the Dominican Republic, the call for tenders to contract financial institutions specifies in detail the type of financial services required to maintain the operation of the complex Social Subsidy Payment System administered by ADESS. The payment instrument is an electronic benefits card called the *Progresando con Solidaridad* Card, which is linked to a virtual account that can only be used at RAS-affiliated businesses. The call for tenders requires financial institutions to divide the virtual account into several subaccounts, one for each of the subsidies managed by ADESS. Figure 3.2 explains in greater detail the flow of money from the Ministry of Finance to

the bank accounts of each of the RAS-affiliated businesses (UNDP, 2012).

It is difficult to compare the costs of financial services for CCT programs, and there are no systematized data allowing for an accurate comparison. Not only do payment methods differ, but the service charges established in the agreements with payment institutions also have different criteria (table 3.3). Additionally, it is important to note that transfer costs can vary within the same program, depending on the payment instrument used and the type of payment point, and oftentimes, available data is limited to the average cost. As a rule, it is more costly to reach those beneficiaries in the most remote areas. For instance, in Mexico and Peru—where all the families have a bank account—the wide differences in service charges are determined by the kind of payment point used (e.g. ATM vs local office).

3.3 Financial inclusion

In recent years, several countries in the region have included the promotion of financial inclusion of low-income families among their goals. One of the first strategies to be adopted was that of Peru, where financial inclusion is defined as “access and use of quality financial services by all segments of the population” (Multisectoral Commission for Financial Inclusion, 2015, 13). The main financial services that these strategies seek to promote are savings and access to credit and insurance.

CCT programs—and, more specifically, their payment systems—have become one of the pillars of financial inclusion strategies. This is mainly due to three reasons. First, the population participating in CCT programs is usually the same target pop-

ulation of financial inclusion strategies: low-income families with limited access to financial services. Second, CCT programs need to regularly deliver transfers to families enrolled in the program, and a secure and efficient way to do this is through financial products, as discussed in the previous section. Third, there is complementarity (in terms of results) between the CCT programs' goals and financial inclusion. Thus, Paraguay, Colombia, Honduras and Peru have adopted national financial inclusion strategies that include CCTs as crucial tools to achieving their goals. These national strategies aim to coordinate efforts to promote demand for financial services by the population without access to the financial system, through programs such as CCT programs as well as the expansion of supply through incentives.

International evidence indicates that the use of formal savings mechanisms has positive effects on the economic welfare of low-income families. For example, access to savings devices has been shown to have a positive impact on household income, by allowing families to make productive investments (Brune et al., 2011). Furthermore, there is evidence that poor households with access to health savings accounts are better prepared to afford medical care in a health emergency (Dupas and Robinson, 2013). Evidence also indicates that improving access to secure savings mechanisms increases spending on education (Prina, 2015), and financial inclusion helps increase women's decision-making power with regard to household assets (Ashraf, Karlan and Yin, 2010). Specifically regarding CCTs, there is recent evidence that making payments through electronic benefits cards —regardless of whether they are linked to an account or not— has the effect of promoting savings and reducing spending on goods such as alcohol,

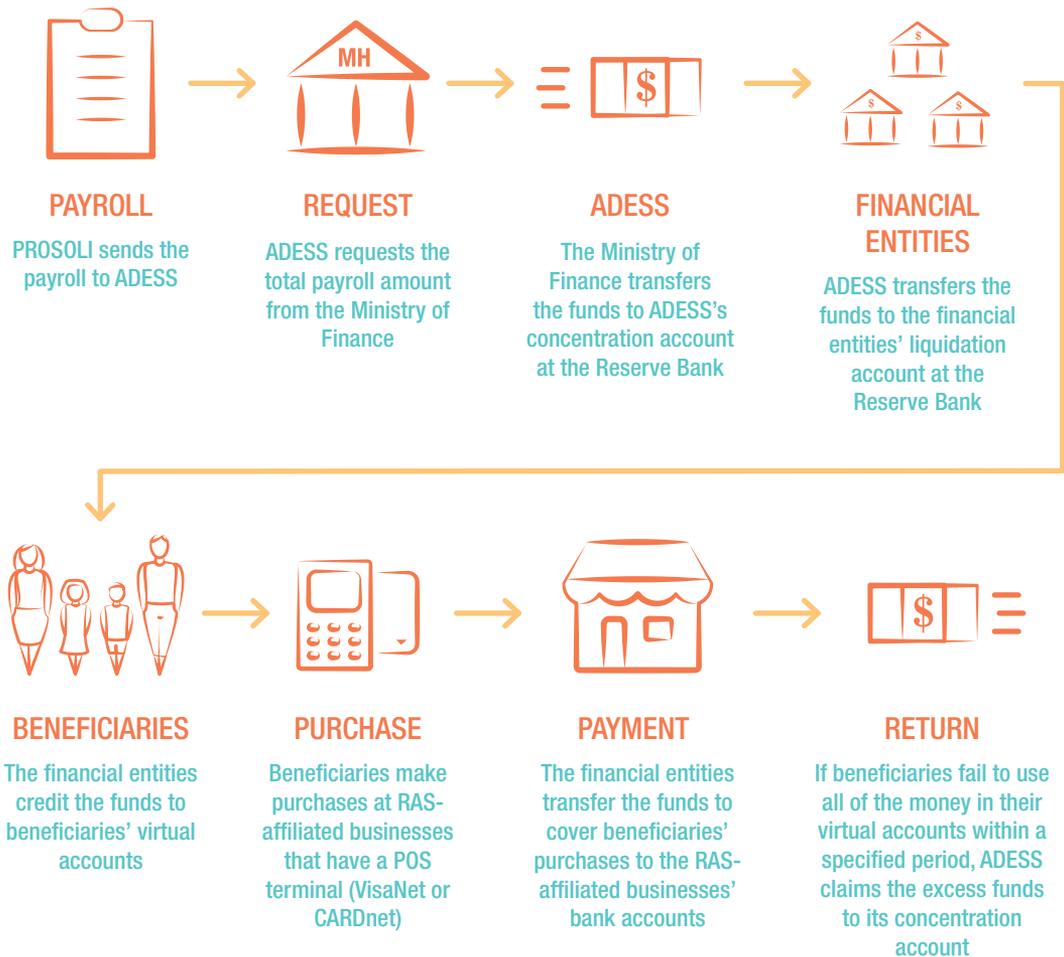
tobacco and sugar (Bachas et al., 2016). One study in Colombia showed increases in formal savings following the financial inclusion of *Más Familias en Acción* beneficiaries (Méndez Núñez, 2012).

In addition, it is worth noting that there is an important debate regarding the use of microcredits as a strategy to improve family income through entrepreneurship. There is evidence that microcredits do not improve families' ability to generate independent income through business interests (Banerjee et al., 2015), as the money is used to cover emergency expenses or to smooth consumption, instead of investing it in a productive business (see discussion in Rosenberg, 2010). Researchers have yet to determine whether the best instrument to deal with these emergencies is a loan or savings and insurance programs.

The method most commonly used to promote financial inclusion in synergy with CCT programs has been the introduction of simplified savings accounts (e.g., Colombia's CATS). There are fewer requirements to open these accounts, but they also have limits in terms of their functionality, such as with respect to the maximum account balance or the monthly amount of transactions. In Peru, mechanisms have been implemented to promote savings and the opening of accounts. A pilot in Cusco implemented a savings incentive scheme that consisted of a cash prize of 60 US dollars for all those beneficiaries who met savings goals previously agreed upon with *Juntos* (Trivelli, Montenegro and Gutiérrez, 2011). The pilot achieved a savings participation rate of between 89% and 95%.

On another note, some CCT programs have promoted beneficiary access to loans, despite evidence that microcredits do not improve families' ability to generate inde-

FIGURE 3.2 Flow of CCT funds in the Dominican Republic’s Social Subsidy Payment System



Source: Prepared by the authors with information from the United Nations Development Programme – UNDP (2012).

Note: Financial institutions must also issue bank accounts to all businesses that form part of the RAS. The cost of point-of-sale (POS) terminals is assumed by the businesses.

pendent income. One of them is the BDH, in which families can borrow against future transfers through the Human Development Credit. Families can receive an advance of up to 12 months of transfers at a 5% annual interest rate. These cases present an operational problem for the program, since families may lose their eligibility status before paying back the entire advance. Moreover, in cases where

the government backs the payments, there is also the risk that financial institutions will not analyze the feasibility of whether the projects to be financed with the loan will be able to repay it.

It is important to stress that financial education should be a fundamental part of the financial inclusion strategy; however, the implementation costs of a large-scale,

TABLE 3.3 Bank fees for providing transfer services

COUNTRY	FEES (US\$)
Brazil	0.88 per transaction with Social Card (on average) 0.60 per transaction with Caixa Fácil account (on average)
Colombia	2.20 per transaction (on average)
Costa Rica	0.3% of the amount transferred
Ecuador	0.35 per transaction
El Salvador	0.50 with money order and cash card 2.30 with cash-in-transit company
Honduras	2.8% of the amount transferred
Jamaica	0.46 per check delivered by the post office
Mexico	1.80 per payment to bank card (open use) 1.90 per payment to bank card, paying at temporary payment points 2.00 per payment to bank card, paying at permanent payment points 2.40 per payment to bank card, paying at Diconsa stores
Peru	0.20 per payment to savings account and payment at non-banking correspondent 0.60 per payment to savings account and payment at bank 1.60 per payment to savings account and payment by ship 2.50 per payment to savings account and payment at ATM 6.70 per payment to savings account and payment by cash-in-transit company
Dominican Republic	Between 2.30 and 3.50 annually per card issued, depending on the group bid upon

Source: Dominican Republic (UNDP, 2012); Brazil, Honduras, Jamaica, Mexico, El Salvador and Peru through direct consultations with CCT programs; Ecuador (Martínez et al., 2017); Colombia (Medellín and Sánchez, 2015); Costa Rica (IMAS, 2008).

Note: We used the exchange rate published in the International Monetary Fund's International Financial Statistics: In 2015, one US dollar was equivalent to the following: 3.33 Brazilian reals, 2,741.88 Colombian pesos, 534.57 Costa Rican colones, 22.02 Honduran lempiras, 116.90 Jamaican dollars, 15.85 Mexican pesos, 3.18 Peruvian soles, and 45.05 Dominican pesos.

traditional training program would be prohibitive for countries in the region. In light of this situation, countries have experimented with the implementation of innovative financial training methods, including cascade learning and tablet applications, which have lower costs. Outcomes indicate that these methods reduce costs and are effective at improving beneficiaries' financial knowledge (Pantelic, 2016; Tejerina, Ibararán and Juárez, 2016).

Promoting financial inclusion through CCT programs presents five challenges.

First, CCT programs' overriding goal is to promote investment in human capital, which is not always compatible with beneficiaries' access to banking services. For example, it is possible that the opening of a bank account has an additional cost compared to receiving payments without an account. If the cost difference between one service and another is high and there are also few places where beneficiaries can make bank withdrawals, then the program could be making poor use of limited resources by paying commissions so that beneficiaries can have bank accounts that cannot use.

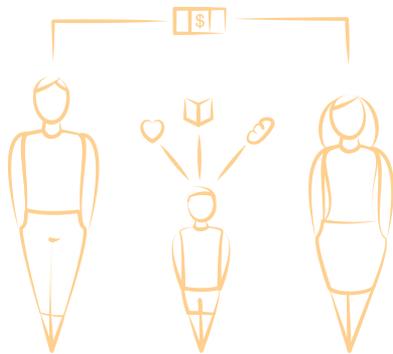
Second, promoting financial inclusion may increase CCT programs' operational requirements. For example, if the program's implementation team must simultaneously operate an incentives system to promote savings and/or implement a financial education system, it can become overwhelmed and not fulfill its primary function, which is to monitor compliance with health and education conditions and to make the corresponding payments.

Third, efforts to promote financial inclusion have also encountered some operational challenges caused by beneficiaries' lack of information and by staff who are poorly trained on ways to use bank accounts. This challenge coexists with a lack of clarity in the CCT programs' operational rules. For example, cases have been identified in which beneficiaries believe that they will be excluded from the program, or that the bank will keep their money, if they are shown to have savings. Similarly, program staff sometimes instruct beneficiaries to withdraw all the money from their accounts as soon as it is deposited so they do not lose it. There have even been cases in which beneficiaries are unaware that they have an open account at a financial institution where they can deposit their savings, or that they have life insurance for their family (Chiapa and Prina, 2014; Maldonado and Tejerina, 2010; Maldonado et al., 2011).

Fourth, there are operational barriers that limit financial inclusion on the supply side of financial services; for example, when ATMs do not allow the withdrawal of the exact amount in the account because the ATM does not have available the cash

denominations to do so. The aforementioned may give program administrators the impression that beneficiaries are purposefully leaving a balance in their accounts, when, in fact, it is an operational constraint of the program.

Fifth, there is the challenge of promoting private sector participation and increasing the availability of payment points in remote areas. In many cases, there is a limited supply of financial services, whether through ATMs, non-banking correspondents or bank branches. The strategy used by Colombia is interesting, because the task of promoting access to financial services was assigned to an institution separate from *Más Familias en Acción*. *Banca de las Oportunidades* was created in 2006 with the mandate to promote financial inclusion of poor households in Colombia. To achieve this, it has made agreements with public and private sector stakeholders. On the supply side of financial services, it implemented an incentive scheme that seems to have been successful in the short term. The scheme consisted of a tender for the opening of non-banking correspondents in municipalities without banking services. The winning bidder made a commitment to set up non-banking correspondents in those municipalities. To counter the risk that there would not be enough customers, the government pledged to guarantee a minimum number of transactions for a period of one to two years. The result was that after two years, the non-banking correspondents remained in most of the municipalities, and some areas even saw the opening of non-banking correspondents from other financial institutions (CGAP and Marulanda Consultores, 2013).



Chapter

4

Foundations of the Operational Cycle

Sandro Parodi and Madiery Vásquez



This chapter addresses five cross-cutting issues that have shown to be important in the implementation of CCT programs: (i) the territorial organization to carry out the operational processes of targeting, verification of conditionalities, and transfer payment (aspects analyzed in previous chapters); (ii) information systems used for program management; (iii) monitoring schemes to follow up implementation and results, including some considerations about audits; (iv) customer service; and (v) efforts to link beneficiaries with other social programs and services.

4.1 Territorial organization

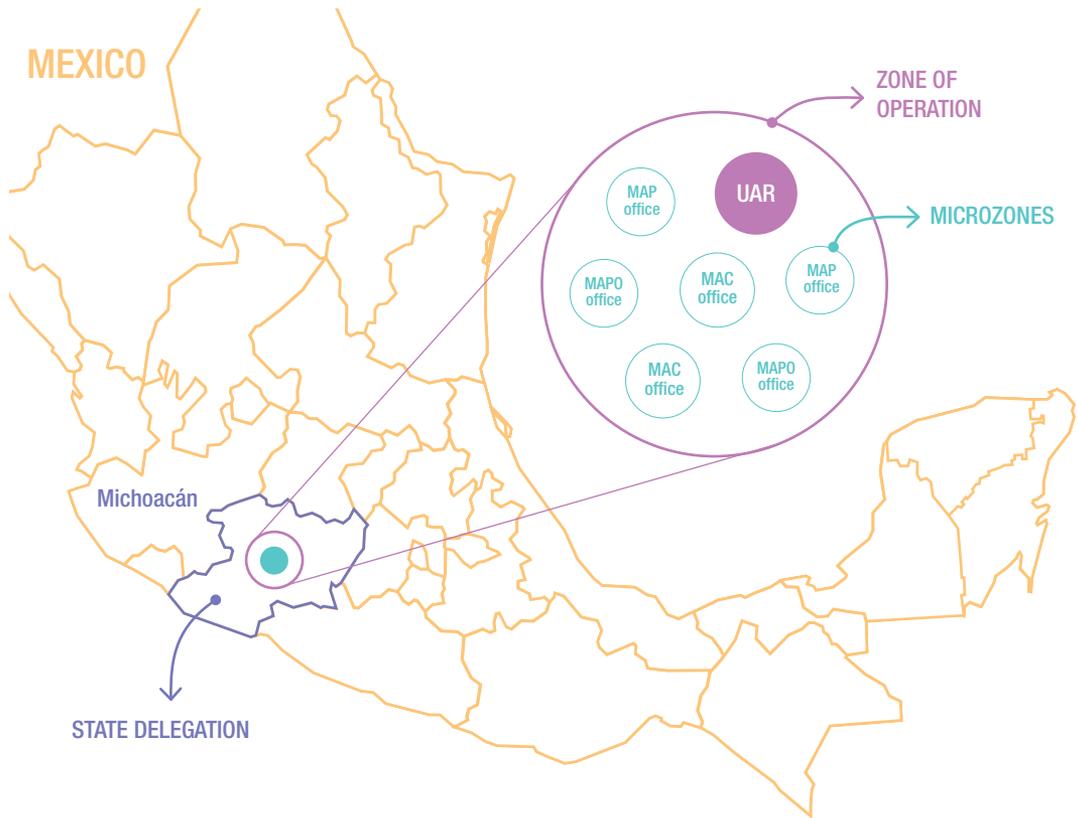
CCT programs are distinguished by the level of centralization with which they implement their operational processes. In general, the task of program design falls to the central level, including the definition of targeting criteria, the definition of conditionalities to be met by families, and the benefit structure. However, some CCT programs implement various operational

tasks involving, to different degrees, local or subnational governments, as is the case with management of the beneficiary registry, verification of conditions, and transfer payment. Here it is important to distinguish between the concepts of decentralization and deconcentration. The former refers to the delegation of program responsibilities to local or subnational governments, while the latter refers to the assignment of those same responsibilities to regional and local officials and offices, which form part of the program and are directly accountable to the institution that runs the CCT program.

In some countries, the program carries out all or most of its functions without relying on other levels of government. In others, the program, which is always based at the central level, delegates processes to local governments.²⁶ *Avancemos* and the BDH are examples of programs with a high level of centralization. At the other end of the spectrum, *Bolsa Familia* is a highly decentralized program. In Colombia, an intermediate level of decentralization is observed, whereas in Mexico, the program operates

26 This excludes other stakeholders, such as the health and education sectors and payment institutions.

FIGURE 4.1 Elements of *Prospera's* operating territory structure



Source: Dávila (2016).

Notes: MAC = Community Council Service Desk; MAP = Benefit Payment Service Desk; MAPO = Personalized Customer Service Desk; UAR = Regional Customer Service Units.

under a scheme of high deconcentration, although the program is centralized.

Avancemos is implemented by IMAS, with local operating processes handled by 10 regional IMAS offices called regional social development areas (ARDSs). Local governments are not involved. The ARDSs receive program applications, evaluate the socio-economic status of families, send out applications for new prepaid cards, and forward

the payroll to the BNCR (Hernández, 2016). A similar example of centralization is the case of Ecuador, where the MIES controls all aspects of the BDH's operations from district offices and zonal coordination units. The geographical organization of MIES offices differs from the country's political administrative boundaries, following instead the divisions drawn by the National Secretariat for Planning and Development²⁷ for the purpose of providing public services.

27 <http://www.planificacion.gob.ec/folleto-popular-que-son-las-zonas-districtos-y-circuitos/>.

The case of Mexico presents a high degree of deconcentration (see figure 4.1). *Prospera* has 32 state offices. Each contains between 8 and 12 zones of operation, with regional customer service units that are charged with the task of serving the target population. The zones of operation are, in turn, divided into microzones. At this level, the program does not have offices but rather representatives called customer care managers, who are the individuals who have direct contact with the beneficiaries. In the microzones, offices or other spaces are set up to hold bimonthly sessions for families (Dávila, 2016).

In Colombia, municipal governments actively participate in the operations of *Más Familias en Acción*. The municipalities are responsible for program operation in their territory through interagency participation and cooperation agreements with the Department for Social Prosperity (DPS). Among the operational tasks assumed by the municipality are participation in the beneficiary targeting process and the funding of a local program office, including the salaries of municipal liaisons. The latter are responsible for the verification of co-responsibilities when the sectors are unable to register them in the program's information system. The DPS has 35 regional offices, whose function is to support the municipalities in the implementation of the program's operational processes (Medellín and Sánchez, 2015).

Finally, a clear example of decentralization is *Bolsa Familia*. SENARC, which is part of the MDS and responsible for *Bolsa Familia*, makes agreements with state and municipal governments concerning the program operation.

SENARC determines the program's operational guidelines, including eligibility cri-

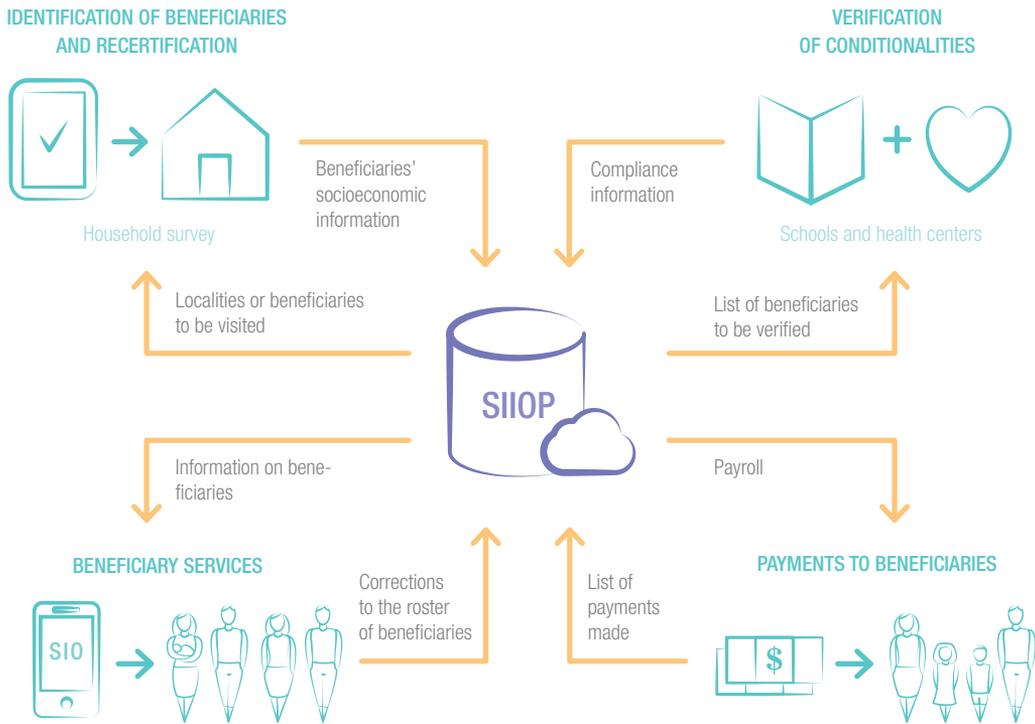
teria, benefit structure, suspension policy, and annual budget planning. Additionally, SENARC defines the conditionalities that families must fulfill and monitors their compliance, establishes a beneficiary quota per municipality, and is responsible for program evaluations. For their part, municipalities are responsible for managing the program locally; namely, conducting intersectoral coordination, monitoring and recording compliance with conditionalities, locating and registering families in the *Cadastró Único*, and conducting home visits and social welfare work with beneficiaries. To carry out these activities, the municipality must finance the hiring of a municipal manager. The role of state governments is to support municipalities in the implementation of the CCT program.

4.2 Information systems

The CCT program's implementation experience has shown the importance of information systems that allow for efficient management of the operating cycle. Without question, CCT programs demand the intensive use of information systems to identify potential beneficiaries, determine eligibility, register new beneficiaries in the program, verify compliance with conditionalities, deliver payments, and update the list of beneficiaries, in accordance with changes in household composition. For this reason, a key operational challenge has been the development of information systems that facilitate these tasks.

The CCT programs of Mexico, Costa Rica and Chile are examples of more developed information management systems. In that vein, Mexico's *Prospera* has two interconnected operational information systems that allow the program to manage all of the information necessary during the operating

FIGURE 4.2 *Prospera* Information Management Systems



Source: Dávila (2016).

Note: The figure is a simplification of the interaction between the SIIOP and operational processes. There are other information exchanges that are not represented.

cycle: the Institutional Information System for Program Operation (SIIOP) and the Operations Information System (SIO) (figure 4.2) (For more details, see Dávila, 2016). The SIIOP supports the identification, incorporation and recertification of beneficiaries, the assignment of benefits, and the management of payment delivery. Subsequently, the SIIOP generates information that is useful for planning, monitoring and decision-making by estimating indicators and preparing monitoring reports. SIIOP feeds data into the SIO, which is a reference tool for *Prospera* field staff. The SIO is built on a web platform, meaning that it can be accessed through mobile

devices. It provides the following information on beneficiary families: geographic location, sociodemographic characteristics, eligibility status, assigned health center, payment institution, benefit payment status for the last 2 two-month periods, and information on the most recent transaction conducted by the family.

The operational management of Costa Rica’s *Avancemos* is supported by the Social Action Information System (SIPAS). This system is not exclusive to *Avancemos*, as it is also used by the IMAS for other programs under its charge. SIPAS draws from two other systems: the Target Population

Information System and the Beneficiary Services System (SABEN). The Target Population Information System is dedicated exclusively to categorizing the population by different levels of poverty, thereby defining eligibility for various IMAS social benefits. SABEN manages beneficiaries' registration information and generates accounting, financial and budgetary transactions for the payment of benefits. SABEN also allows users to make web-based queries on families and to generate several of reports for program monitoring and follow-up²⁸ (Hernández, 2016).

In Colombia, Ecuador, Costa Rica and Brazil, information systems used for the application of targeting criteria are the responsibility of a government entity separate from the one that operates the CCT program. However, the results of this external targeting process feed the CCT program's information system and serve as the basis for the roster of beneficiaries. Moreover, these external information systems are typically used to determine eligibility for other social programs.

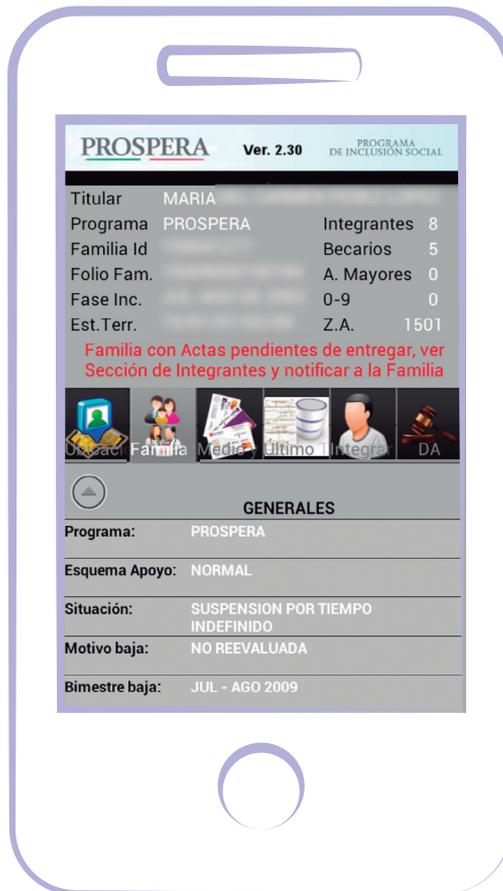
For example, SISBEN, the system that performs the targeting for *Más Familias en Acción*, is under the responsibility of the National Planning Department. Once SISBEN generates a socioeconomic score for each family interviewed, it shares a list of potential beneficiaries with *Más Familias en Acción* based on the program's cut-point score. These data are entered into the *Más Familias en Acción* Information System (SIFA). The list is then purged, in accordance with established protocols, to identify duplicate or inconsistent records (Medellín and Sánchez, 2015). After the data are purged, the resulting information

is used to update the status of the beneficiary as active or inactive. More importantly, this information becomes the basic input used to carry out the operating cycle, from the registration of new beneficiaries to the preparation of the payroll.

Recently, Colombia recognized that there was no feedback from the programs that perform targeting using the SISBEN score to the SISBEN database itself, which meant that it was not possible to identify which programs were assigned to each family. This is a common challenge, since the use of a single targeting system does not guarantee the existence of a unified beneficiary registry. For that reason, in the case of Colombia, an interoperability scheme has been proposed, which would allow SISBEN to receive information from the programs in order to have a complete, updated registry of the social benefits received by each family.

CCT programs have selected different technological solutions for information management. *Prospera* uses Oracle for database management, with Visual FoxPro as the programming language (Dávila, 2016). Up until 2014, the IEF used Oracle as an information repository and web development platform for both the *Eje* platform—to assess families' capacities and needs—as well as the family support platform (Vargas, Cueva and Medellín, 2017). PROSOLI uses a MySQL database with *.NET Framework* as the development platform. In general, the criteria for selecting technological alternatives relate to (i) the ability to handle a high volume of information and to manage various databases, (ii) processing speed, (iii) ease of use, and (iv) security. A good practice that has been identified is to use

28 See, for example, IMAS (2014), whose main source of information was SABEN.

FIGURE 4.3 Screenshot of the mobile version of *Prospera's* SIO

Source: Provided by the National Coordination Office of *Prospera*.

open-source platforms to develop information systems. They are more flexible and allow program staff to adapt them as needed. In contrast, proprietary platforms entail high licensing and training costs, and they are usually less flexible.²⁹

One technological option that is a good practice and that has become more pop-

ular is the use of mobile devices to collect data and check beneficiaries' information. Mobile devices have a couple of advantages: they generate substantial savings in terms of time and costs, and they yield higher-quality information, since they avoid data entry errors by interviewers. Leisher (2014) estimates that administering an interview with a tablet is 74% less expensive

²⁹ See, for example, the case of Chile, whose CCT program is migrating from a proprietary to an open-source platform in order to integrate its information systems (Vargas, Cueva and Medellín, 2017).

FIGURE 4.4 Attendance Record in Chile's SIGE

Ministerio de Educación
Sistema Información General de Estudiantes (SIGE)

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Días Trabajados en el Mes: 20

Simbología

(X /) Ausente (✓ /) Presente (X) Dia no trabajado (●) no matriculado, retirado o inicio de clases (●) Alumno sin asistencia

Los alumnos que esten destacados con color rojo no serán informados para pago ya que se encuentran en colisión con otro establecimiento.

Alumnos	S	D	L	M	J	V	S	D	L	M	M	J	V	S	D	L	M	M	J	V	S	D	L	M	M	J	V	S	D	A
1 Santiago González Rojas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
2 Ana Sofía Muñoz Soto	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	4
3 Francisca López Sepúlveda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	S	D	L	M	J	V	S	D	L	M	M	J	V	S	D	L	M	M	J	V	S	D	L	M	M	J	V	S	D	

Registrar Asistencia

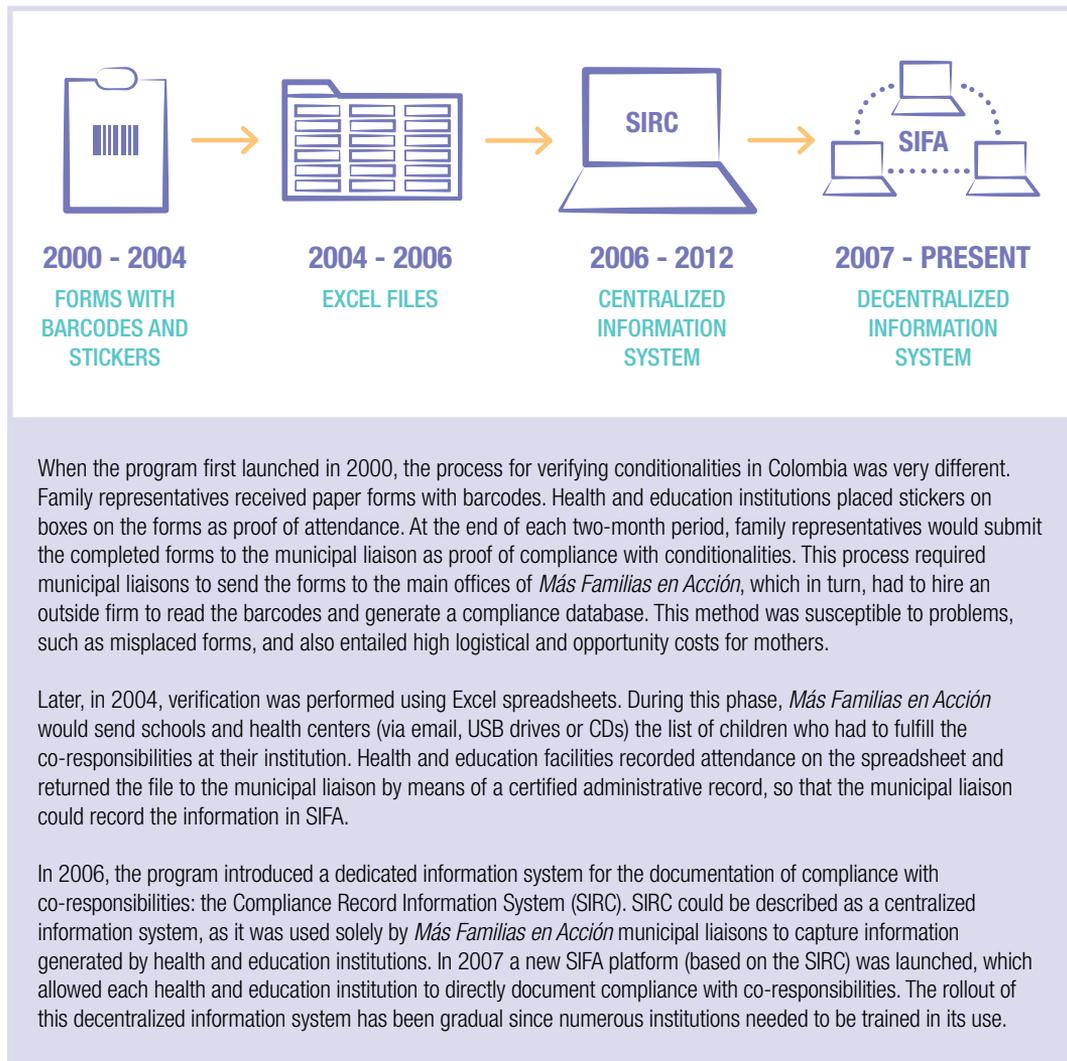
Source: Ministry of Education (2013).

than a paper-and-pencil interview. Ecuador is one of the countries that has used mobile devices during the targeting process. In Mexico, *Prospera's* customer care managers who work in the field can consult the SIO through a mobile device (figure 4.3).

As detailed in chapter three, the generation of information to verify compliance with conditionalities generally falls to the education and health sectors. The involvement of CCT programs in this process—and in particular, that of their management information systems—depends on how well-developed the sectoral information systems happen to be. In Chile, the Ministry of Education has an online platform called the General Student Information System (SIGE), in which school administrators record student enrollment and attendance (figure 4.4). This information is transmitted electronically each month to the SIEF to document program beneficiaries' compli-

ance with the educational co-responsibility (Vargas, Cueva and Medellín, 2017).

In cases such as that of Colombia, the program's information system provides a direct platform for the documentation of compliance with co-responsibilities. With regard to education data, each school's administrators have a username that allows them to log on to SIFA, on a bimonthly basis, to report the attendance of students in the program. In the case of health data, the directors of healthcare provider institutions, both public and private, have access to SIFA to record compliance with visits and the date they occurred (Medellín and Sánchez, 2015). This process is complemented by support from liaisons in cases for which there is no information reported for a particular beneficiary or the school principal or director of the healthcare provider institution does not have access to the system. Box 4.1 describes the evolution of the data

BOX 4.1 Evolution of the data capture process for *Más Familias en Acción* conditionalities

Source: Medellín and Sánchez (2015).

capture process for *Más Familias en Acción* co-responsibilities.

As recently mentioned above, CCT programs generate the payroll but are not directly responsible for executing it. The common practice is to establish agreements with financial institutions, either public or private, to pay transfers. Once the payment

process is completed, the financial institutions send a report with information on the execution of payments. Subsequently, the CCT program reconciles the payments made in its information system. One exception is the case of *Bolsa Familia*, for which just one institution, the Caixa Econômica Federal, manages the *Cadastro Único*, generates payroll, and make payments.

4.3 Monitoring and audit schemes

CCT program management information systems have allowed for the development of monitoring processes, which are considered a good practice in the field of public policy, and have contributed to the perception that CCT programs are results-oriented (Grosh et al., 2008). Monitoring is a systematic review of the program quality that helps to ensure that it is functioning as designed and to identify areas for improvement.

All CCT programs have developed, to a greater or lesser extent, capacities to monitor program implementation. Programs generally have a unit responsible for monitoring operational processes—particularly once families have been registered—covering the verification of conditionalities and transfer payment. This allows programs to issue periodic reports with information on the number of active beneficiaries and benefit amounts.

Occasionally, given the importance and visibility of CCT programs, an external agency monitors the program through a scheme linked to goals set out in a national plan. In Colombia³⁰ and Mexico, for example, indicators aligned with each country's respective national development plan are monitored. Brazil's CCT program forms part of the Brazil without Poverty Plan. In that context, program monitoring provides information about its particular contribution to the advancement of this plan.

CCT program monitoring tracks inputs, activities, and outputs, and less frequently,

outcomes and impacts. In terms of inputs, programs typically monitor the physical, human and financial resources used in the operating cycle. With regard to activities, programs track enrollment, updates to the roster of beneficiaries, and meetings with beneficiary families, among others. Output indicators typically include the number of active beneficiary households or those receiving benefits.

Outcome indicators focus on compliance with co-responsibilities. For health outcomes, programs measure preventive health visits and prenatal and postpartum checkups, in addition to childhood vaccination coverage. Some medium and long-term indicators included are the prevalence of anemia and malnutrition. For education outcomes, enrollment and school attendance data are collected. As an example, table 4.1 presents the matrix of indicators for *Más Familias en Acción*. The program monitors a total of 41 indicators. It is worth emphasizing that the information collected by programs allows for the generation of indicators disaggregated by gender, population group, and area of residence, among other subgroups.

Monitoring schemes use administrative records contained in the CCT programs' management information systems as a data source. In some cases, these data are supplemented by surveys that measure, for example, the level of beneficiary satisfaction. In Colombia, beneficiaries and other stakeholders involved with the program are surveyed, including the staff at schools and health centers and local government officials and liaisons (Medellín and

30 The indicators generated by the *Más Familias en Acción* monitoring system populate the Government Goal Tracking System (SISMEG). In particular, coverage of the eligible population according to SISBEN, victims of displacement, and the indigenous population is reported (Medellín and Sánchez, 2015).

Sánchez, 2015). In Mexico, the *Puntos Centinela* strategy has been implemented, which involves the administration of surveys measuring the perceptions of beneficiaries, program staff, healthcare providers, and educators regarding the quality of *Prospera* services.³¹

Some monitoring indicators serve solely to support program operations; therefore, their access is restricted to managers. *Prospera*'s Operational Monitoring Model falls along these lines. A username and password are required to access it. There are also indicators and monitoring systems aimed at transparency and public accountability. One good example is the web portal of the Information System for the Interconnected Registry of Social Programs (Ecuador). There users can access Social Registry and BDH coverage data, broken down by province, canton, municipality, gender, ethnicity, type of benefit (BDH, disability benefit or social pension), and area of residence (urban or rural). In this same portal, program managers can access more detailed information with a username and password (see figure 4.5).

Similar to the case of Ecuador, the Secretariat of Evaluation and Information Management (SAGI) in Brazil has three publicly-accessible tools that allow users to view program information spanning all levels of the program. The first is the social data web portal, which offers access to social, demographic and economic information. The second is the Monitoring Dashboard for Social Conditions and Programs, which presents indicators on

the benefits and services provided, characteristics of the beneficiary population, and the activities, outputs, and outcomes achieved by MDS programs. The third is the Monitoring Dashboard for the Brazil Without Poverty Plan, which is intended solely for that strategy.

The information generated by monitoring processes is then consolidated into reports. In some cases, these reports are specific to the CCT program, as is the case with *Prospera*'s operational monitoring reports or the IEF's social program monitoring reports.³² In other cases, they include information from a set of social programs. Costa Rica's IMAS, for example, generates quarterly monitoring reports for all of its social programs, one of which is *Avancemos*. These reports provide data on coverage, verification of co-responsibilities, and payments, among others. Similarly, Ecuador's Deputy Ministry for Non-Contributory Insurance and Social Mobility generates reports every four months on the programs it oversees, including the BDH.

In Colombia, territorial monitoring records play an important role providing a snapshot of the main indicators of operational processes for *Más Familias en Acción* (see figure 4.6). They are generated at the national, regional and municipal level every two months for each payment period. This tool is mainly useful for identifying territories (regions or municipalities) where it is necessary to implement performance-improvement measures. To that end, the performance of each territory is classified as above average, average,

31 More information is available at <http://www.puntoscentinela.mx>.

32 Available at http://www.programassociales.cl/pdf/2015/PRG2015_3_56212.pdf.

TABLE 4.1 Main indicators of the *Más Familias en Acción* monitoring system

IMPACT
Chronic malnutrition
Global malnutrition
School attendance
School dropout
Child labor
OUTCOME
Number of registered families
% of registered families in comparison to potential enrollees
% of records by status (eligible, suspended, excluded)
% of children with updated school information
% of children with verified education conditionalities
% of families with health benefits
% of families that collect a benefit
% of benefits collected
% of each type of family information update
% of recent changes processed by region, compared to the national total
% of each type of claim
% of financial costs corresponding to incentives
% of financial costs associated with program operations
PRODUCT
Number of families receiving transfers per period (annual average)
Number of children receiving transfers per period (annual average)
Number of children receiving education transfers per period (annual average)
Number of children receiving health transfers per period (annual average)
Number of families receiving incentives in the last two months
Number of children receiving incentives in the last two months
Number of children ages 0–5 receiving incentives in the last two months
% of families receiving incentives via cash deposit or money order with respect to total
Amount paid during the period
ACTIVITY
% of forums held compared to the total number scheduled
% of signed agreements with municipalities with respect to the total number of municipalities
% of monitoring committees formed with respect to the number of municipalities with agreements
% of registered families vs. potential families
% of families registered with a financial institution
% of municipal assemblies held
% of well-being workshops conducted
% of delivery of unexpired incentives
Number of priority strategies launched

INPUT
Resources requested for activities
Resources requested for health
Resources requested for Red Unidos beneficiaries
Resources allocated to the program
Resources required for the purchasing plan

Source: DPS (2013).

low, or very low.³³ Those territories classified as low are given a yellow alert status, while those classified as very low have a red alert status. This classification system allows the program to identify priority areas and to define actions and strategies to address operational weaknesses. This type of monitoring strategy is particularly relevant in countries where local governments are partially or completely responsible for program operation.

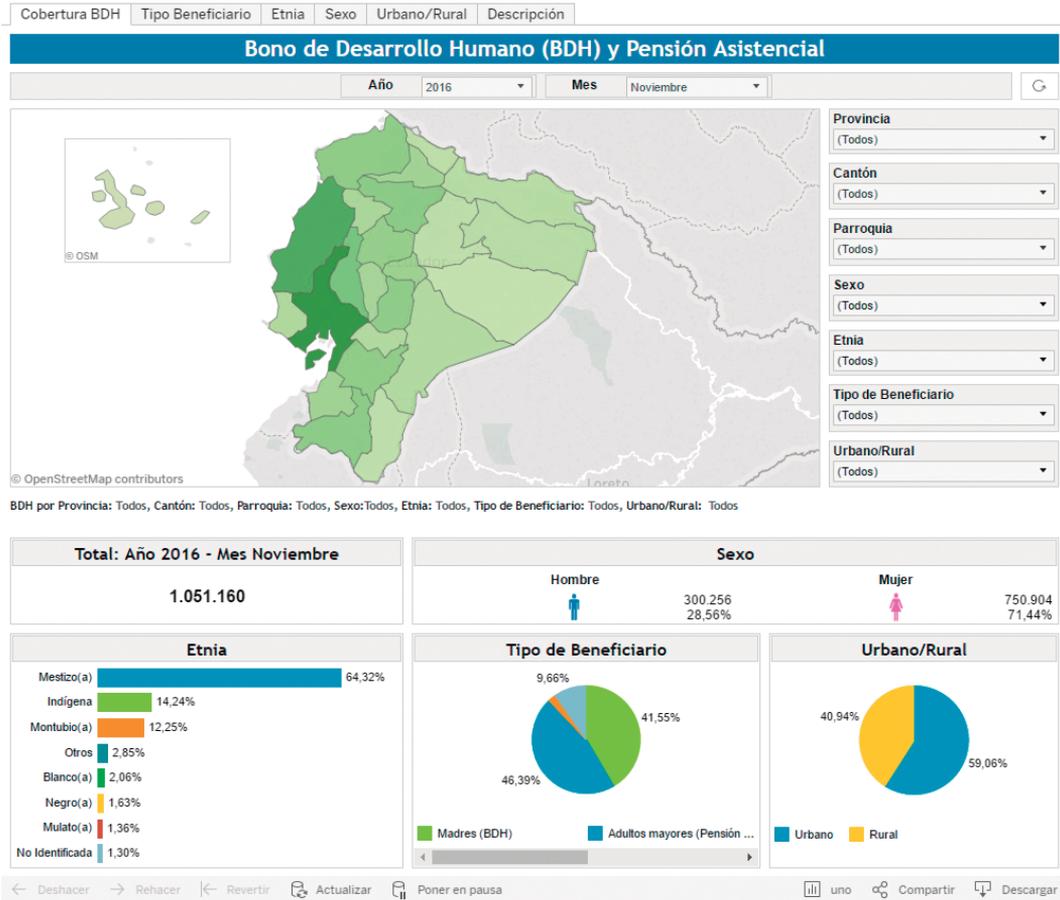
In order to promote transparency and accountability and to improve their functioning, CCT programs complement their monitoring strategies with financial and operational audits. While monitoring seeks to analyze the program's functioning to track activities, outputs and outcomes, audits verify that the program's processes are being implemented according to current protocols and regulations, and that resources are being used appropriately. Financial audits aim to review budget execution and to confirm that resources reach their intended beneficiaries, whereas operational audits look to verify compliance with certain program processes. The results of an operational audit may, for example, corroborate the program's capacity to verify compliance with co-responsibilities or beneficiary eligibility.

In Mexico, the ongoing verification of socioeconomic conditions seeks to identify beneficiary households that are no longer eligible. This process is usually initiated on the basis of external claims and is undertaken by staff at a state delegation of *Prospera*. The designated team conducts home visits to collect socioeconomic information—the same process as for recertification—and based on estimated income, a determination is made as to whether the household remains in or exits the program (Dávila, 2016). In Brazil, a similar process is triggered in response to allegations of irregularities. Among the penalties for those found to have fraudulently obtained benefits is the restitution of payments. If a public official is found to be involved, the penalty may exceed twice the amount fraudulently collected (Hellmann, 2015b).

In some cases, a specialized internal audit unit is responsible for auditing specific areas (e.g., a municipal office) or processes (e.g., payments). Jamaica's PATH has one such unit, which conducts periodic audits to ensure that the program operates in accordance with the Jamaican Financial Administration and Audit Act. In these exercises, the distribution of checks, uncashed checks, appeals, complaints, and the monitoring

33 Regional records consolidate the results from municipal records.

FIGURE 4.5 BDH coverage and welfare pensions in Ecuador



Source: Interconnected Registry of Social Programs, http://www.rips.gob.ec/Rips/pages/consulta_territorial/bdh/coberturaBdh.jsf; consulted on December 27, 2016.

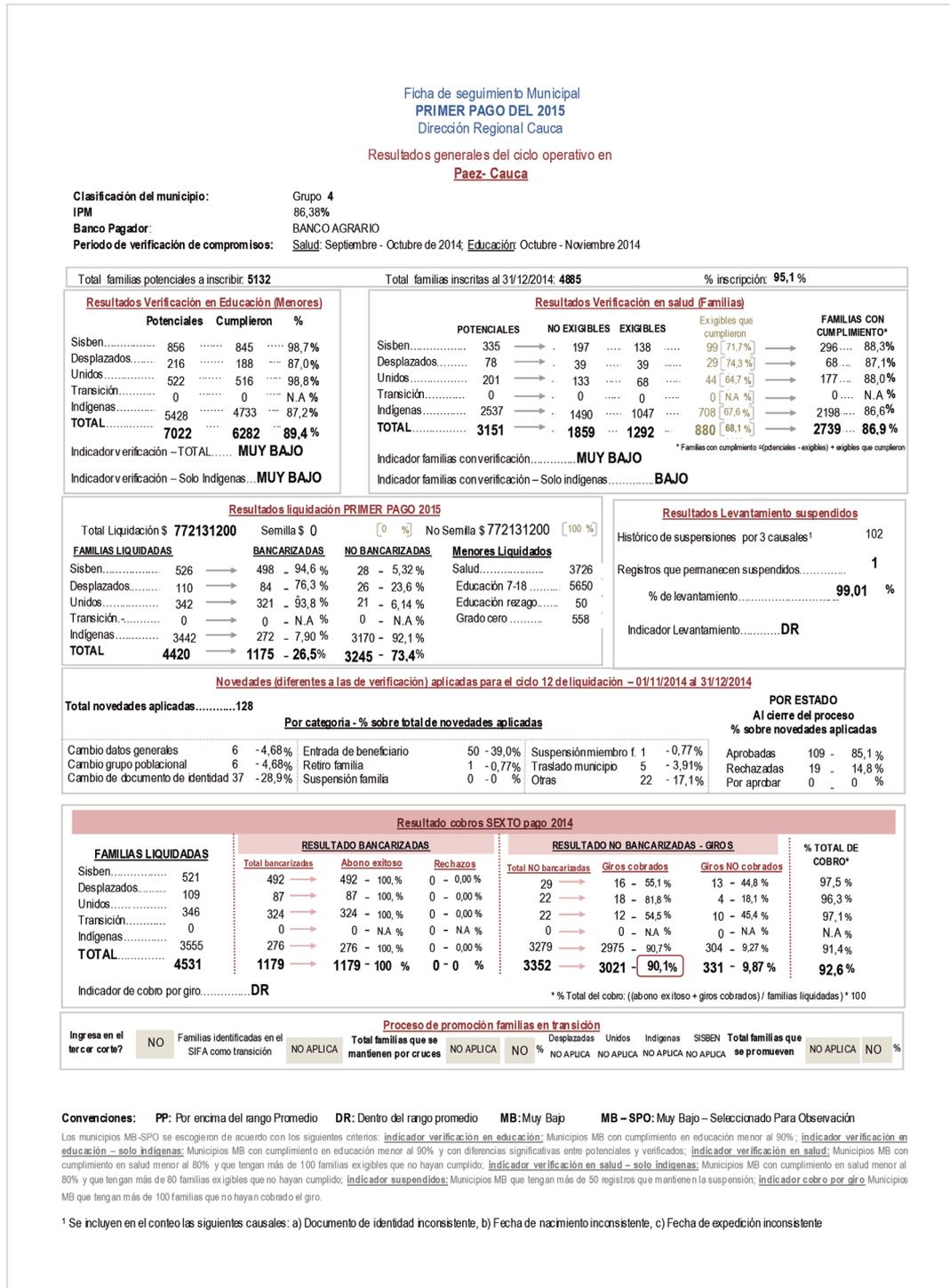
of compliance with co-responsibilities are verified (Bryan and De la O, 2016).

In other cases, audits are conducted by higher government bodies. For example, the Brazilian Office of the Comptroller General makes random visits to municipalities to analyze program procedures and effectiveness. The results are consolidated into publicly-accessible reports. In addition, the Brazilian Court of Auditors, an inde-

pendent organism of the executive branch, audits the *Cadastro Único* by cross-checking it with other databases and conducting interviews as required (Hellmann, 2015b).

In Chile, the Comptroller General's Office audits the Ministry of Social Development, which, in turn, audits information from social protection records to ensure that the IEF's public resources are well-targeted. The Ministry of Social Development queries

FIGURE 4.6 Municipal monitoring record for Paez-Cauca, Colombia



Source: Provided by the DPS.

beneficiary information in administrative records available in the Social Information Registry.³⁴ It also conducts random visits to a representative sample of beneficiary households to corroborate record data (Vargas, Cueva and Medellín, 2017).

Without a doubt, the use of information generated through monitoring and auditing processes for the continuous improvement of programs and accountability is a good practice. This has contributed to the identification of operational aspects with potential for improvement and greater transparency in the use of public resources, as well as the optimization of CCT program design.

4.4 Customer service

CCT programs have developed various customer service channels. Beneficiaries can access these services in order to make inquiries, complaints, suggestions, and claims or to report changes in household composition (e.g., births or deaths). In several countries, changes in household composition are known as family information updates. In addition to face-to-face communication at program offices or payment events, the most common communication channels—present in virtually all of the region's CCT programs—are the telephone, web forms, and email. Non-face-to-face communication, including phone calls and text messages, is usually free to the public because the cost is borne by the program.

One strategy that has become increasingly common is the establishment of customer service call centers. In the case of Brazil,

the MDS's customer service call center has 261 operators and receives an average of 16,400 calls and 200 emails per day. Of these, 95% are related to *Bolsa Família* or the *Cadastro Único*. Operators have 448 scripted answers to the most frequently asked questions, and their sole responsibility is to answer questions and provide information (Hellmann, 2015b). Since 2012, the IMAS in Costa Rica provides similar services through a private company hired specifically to handle customer service (Hernández, 2016).

Most programs have a specific information system used to monitor customer service. The main advantage of these systems is that they allow for the more rapid and efficient classification, channeling and management of administrative procedures by the relevant department. In Mexico, for example, *Prospera* has the System for the Filing, Review and Follow-up of Customer Claims (SEDECI), a website for the filing of complaints, claims and requests. Users must enter their personal data and describe their problem or request. The system records information on the communication channel, the date of receipt, the customer's personal information, and a description of the problem or request. SEDECI automatically generates a unique case number in order to provide follow-up (Dávila, 2016). In Ecuador, the beneficiary's national ID number is used to check the status of the case in the complaints and suggestions module of the Social Registry Information System (Martinez et al., 2017).

Customer service centers are usually required to respond to complaints or requests within a specific timeframe. The

34 The registry consolidates multiple records from public agencies, such as the Civil Registry and the Internal Revenue Service.

response times in Chile are as follows: inquiries and claims, 10 working days; suggestions and positive feedback, 15 working days; and access to public information, 20 working days (Vargas, Cueva and Medellín, 2017). In some countries, alerts are generated for those cases that have not been addressed within the corresponding time-frame. In Mexico, for example, cases are classified as delayed when the established response time has been exceeded (Dávila, 2016). This alerts programs so they can take appropriate measures to address the customer's issue.

4.5 Linkage with other social programs and services

The fact that CCT programs have achieved widespread coverage and possess a detailed registry containing the socioeconomic characteristics and needs of families uniquely positions these programs to serve as a bridge to other programs and public services. The linking initiatives undertaken by CCT programs can be grouped into three dimensions: (i) links to other transfer programs, (ii) links to training and income generation programs, and (iii) links to family support services. The following subsections present a characterization of these dimensions.

4.5.1 Linkage with other transfer programs

In some countries, an effort is made to link CCT program beneficiaries to other types of cash transfers, with the aim of closing the extreme poverty gap, mitigating catastrophic events, and compensating for the elimination of general subsidies or increased food costs.

First, CCT program beneficiaries receive priority access to complementary cash transfer programs. In Brazil, the *Bolsa Verde* program provides a quarterly cash transfer to extremely poor families that live in nature reserves and national forests and that develop activities for the sustainable use of natural resources. Payment is made through the *Bolsa Família* card, and *Bolsa Família* beneficiaries are given priority for the benefit.

Second, in the event of a catastrophic occurrence, CCT program beneficiaries are eligible to participate in risk management and mitigation programs because of their poverty status. In the face of natural disasters (e.g., floods) or crop loss due to pests, CCT beneficiary families may be forced to sell productive assets, to choose a way of life that reduces their income, and, in dire situations, to cut back on food or schooling for their children, which carries irreversible long-term consequences (Grosh et al., 2008). In Mexico, BANSEFI offers *Prospera* beneficiary families the BANSEFI+ package, which includes, among other services, life insurance for household members and money to cover funeral expenses.

Third, as an example, Dominican CCT program beneficiaries are eligible to benefit from policies and initiatives that compensate for the elimination of general subsidies. PROSOLI beneficiaries are automatically eligible for two subsidies because of their poverty status. *Bono Gas Hogar* is a monthly transfer of 228 Dominican pesos (US\$5.10) aimed at reducing the cost of cooking fuel. *Bono Luz* is a monthly transfer of between 4.44 and 444 Dominican pesos (US\$0.10 and US\$10), which covers the cost of the average electricity consumption of a poor family. Both benefits are transferred to the PROSOLI card; however, these funds can only be used at designated

businesses—liquefied petroleum gas suppliers for *Bono Gas Hogar* and electricity distribution companies for *Bono Luz* (see box 4.2).

Without a doubt, using the CCT programs' built-in targeting to assign consumption subsidies is progress over the highly-regressive general subsidies that were the most frequently used redistributive mechanism prior to the implementation of CCT programs. Nevertheless, it should be noted that the inclusion of additional subsidies equates to an increase in the unconditional component of CCT programs. In this sense, there is a risk that these supplements will become a permanent component of the program, especially since experience has shown that as time passes, they become difficult to remove. For example, in the case of supports introduced to offset increased food prices in Mexico, subsidies have remained even though prices have been regularized (Araujo and Suárez Buitrón, 2013).

4.5.2 Linkage with income generation programs

The need to provide support to beneficiary families so that they can increase their capacity to generate income in the short term has recently been debated. On the one hand, this reflects governments' concern about families' continued participation in the program—and the cost implications—for an extended period of time. On the other hand, it demonstrates a willingness to complement benefits that increase consumption, with interventions aimed at income generation. Finally, it shows that there is interest in promoting a successful school-to-work transition among youth who have received educational support through CCT programs.

It is important to point out that income generation strategies for adults from beneficiary households are at odds with CCT programs' original goal; which is to help break the intergenerational transmission of poverty through human capital development in the children of beneficiary households, not through the increased income-generation capacity of the parents. The programs' rationale is to provide children with more education than their parents, which would result in higher incomes when children join the labor market. By contrast, income-generation strategies usually have the short-term objective of more quickly reducing households' dependence on CCT programs. This is cause for concern because the literature has not identified examples of successful, scalable income-generating programs. Moreover, if such programs did exist, then CCT programs would not. An increase in household income translates to greater demand for health and education services; therefore, there would be no need for CCT programs.

In a recent study on the subject, Medellín et al. (2015) note that many countries seek to establish a connection between CCT programs and various interventions aimed at promoting self-employment and wage employment; however, these interventions are not designed for the populations that participate in CCT programs, meaning that only a small segment of beneficiaries participate. More importantly, there is no evidence that these interventions have an impact in general or on CCT beneficiaries: "There is no systematic evidence about which income-generating interventions work or how they affect CCT beneficiaries. The existing literature shows only that there are limited impacts on labor market outcomes [...] Similarly, it is not clear which interventions (or combinations) are better to support beneficiaries in different

BOX 4.2 *Bono Gas Hogar* in the Dominican Republic

Background. Law 112-00, passed in 2000, established a direct subsidy on liquefied petroleum gas for domestic use; however, in practice, it resulted in the creation of a general subsidy, since it was difficult to differentiate prices depending on the type of consumer. Beginning in June 2005, a fixed subsidy of 17.35 Dominican pesos (US\$0.40) per gallon was granted for consumption under 100 pounds. Consumers bore the difference in price between the government subsidy and the market price. When oil prices rose in 2008, the government was forced to dismantle this initiative due to fiscal constraints. To reduce the impact on the poorest families, a subsidy targeted to gas consumption was created. The *Bono Gas Hogar* subsidy was implemented quickly and efficiently thanks to the existing CCT program platform. The implementation process is described below.

Eligibility. SIUBEN is an institution that is responsible for determining the eligibility of households through the Quality of Life Index (QLI). The QLI is constructed on the basis of households' socioeconomic characteristics and assets. This index takes values from 0 to 100, where 0 is the lowest level, and it segments the population into four groups. The two groups with the lowest indices correspond to the extreme poor and moderate poor (QLI I and QLI II, respectively). The target population of *Bono Gas Hogar* corresponds to the three groups with the lowest indices.

Registration. CCT program beneficiaries automatically became recipients of the *Bono Gas Hogar* subsidy. The CCT program announced the subsidy, and 202 customer service centers were established throughout the country. Those families that expressed interest but were not registered in SIUBEN were administered the socioeconomic classification form within a maximum period of six months, in order to determine their QLI. After the registration and validation process, each household was issued a benefits card, a process for which some 637 distribution points were established.

Coverage. At the beginning of the program, the list of those eligible for *Bono Gas Hogar* consisted of 806,830 homes, of which 665,118 belonged to the category of extreme or moderate poor. The registration process resulted in the issuance of 416,747 new benefits cards. In September 2008, the first month of implementation, transfers were disbursed to 710,350 households, equivalent to 88% of registered eligible households. Since then, the number of *Bono Gas Hogar* beneficiary households has grown steadily, reaching an average of 891,027 in 2015.

Beneficiaries. The Social Policy Coordination Cabinet, together with the Ministry of Finance and the Ministry of Industry and Commerce, determined the benefit level. The value of the subsidy was determined on the basis of the average monthly consumption documented in SIUBEN (six gallons) at then-current prices. As a result, the monthly amount established was 228 Dominican pesos (US\$5.10). Although the initial idea was to update the benefit to rise and fall with oil prices, it has never been revised.

Payment. The subsidy is transferred to beneficiaries through the CCT program payment card. This card is backed by Visa International and issued by different financial institutions selected through public tender. The payment system for the government's social transfers is managed by ADESS. Its functions include the following: (i) requesting the issuance of new cards; (ii) training beneficiaries in their use; (iii) establishing contracts with financial institutions; and (iv) selecting, establishing agreements with, and providing oversight of RAS-affiliated businesses. The *Bono Gas Hogar* subsidy is transferred to a subaccount of the card and can only be used at RAS-affiliated LPG distributors. Each month, the CCT program generates a list of payments, which is transferred to the financial institutions. Beneficiaries must pay the difference between the subsidy and their actual consumption.

Source: Gámez (2009).

local economic contexts (e.g., rural versus urban)” (Medellín et al., 2015, 11).

With that said, CCT programs have linked beneficiaries to other programs that focus on education and job training using priority or guaranteed access. In general, training initiatives seek to help families accumulate human capital through basic, technical and university training programs. Some of these programs are open to all members of participating families, while others focus on the youth school-to-work transition. Since the linkage with youth-focused initiatives is most closely aligned with CCT program goals, the following paragraphs focus on highlighting these types of experiences.

Brazil’s *Projovem Adolescente* program sets aside two-thirds of its quota for *Bolsa Família* beneficiaries between the ages of 15 and 17. It is focused on strengthening family and community training, retaining students in the education system, and encouraging students who dropped out to return to school.

Job training is the most common of the training options. It forms part of active labor market policies and focuses on improving the employability of participants.³⁵ In Colombia, *Más Familias en Acción* is linked to *Jóvenes en Acción*, which grants a cash transfer³⁶ and preferential access to technical or technological training provided by the National Learning Service (SENA) or tertiary educational institutions.

Almost half of SENA slots are reserved for *Jóvenes en Acción* beneficiaries, many of whom come from *Más Familias en Acción*. In this sense, by seeking to improve the employability of youth who benefited from CCT programs, *Jóvenes en Acción* is aligned with the original goals of improving the income-generation capacity of children of beneficiary households. As of 2015, *Jóvenes en Acción* had benefited a total of 242,000 young people. The average age of beneficiaries is 20 years old, and 55.1% are women (DPS, 2015).

In Brazil, *Bolsa Família* beneficiaries have the chance to enter the National Program for Access to Technical Education and Employment (PRONATEC), which provides vocational and technical training to facilitate their entry to the labor market. The program offers more than 600 basic and advanced training courses with a minimum of 160 hours of instruction in areas such as construction, hospitality and electrical work, among others.³⁷ The courses are funded by the Ministry of Education, and students receive school supplies, uniforms, lunch and free transportation. All individuals over the age of 15 who are registered (or in the process of being registered) in the *Cadastro Único* are eligible for the program, with priority given to *Bolsa Família* beneficiaries. Municipalities can join the program at any time, at no cost and without the need for an agreement. Those interested must visit the closest Social Assistance Referral Center (CRAS) or the secretariats of social welfare and labor

35 See Ibararán and Rosas Shady (2009) and González-Velosa, Ripani and Rosas Shady (2012).

36 Depending on the training program selected, beneficiaries receive between six and 30 payments every two months.

37 For a list of courses available as of May 2016, see http://portal.mec.gov.br/index.php?option=com_docman&view=download&alias=41251-portaria-012-2016-pdf&category_slug=maio-2016-pdf&Itemid=30192.

in the municipality where they reside to request the service. One of PRONATEC's training modalities is *Mulheres Mil*, which seeks to promote the access of vulnerable or socially at-risk women to urban productive inclusion initiatives.

Some CCT programs have made efforts to support their beneficiaries in a bid to access higher education opportunities. Typical actions include the establishment of agreements with educational institutions to obtain scholarships, academic support in preparation for the selection process, and even the provision of cash transfers to cover a portion of the associated costs. In Ecuador, BDH beneficiaries who obtain a slot to study at a university are eligible for the Eloy Alfaro National Scholarship, an economic incentive that covers part of the costs of a university education (Martínez et al. 2017). Costa Rica's IMAS has established agreements with universities, such as the *Universidad Estatal a Distancia*, to provide *Avancemos* beneficiaries with scholarships for professional studies. Scholarship recipients are exempt from paying for tuition, books and materials for their selected course of study. In Brazil, there is a national vocational training program specifically aimed at preparing individuals for jobs in the oil and natural gas sector. This initiative is known as the National Oil and Natural Gas Industry Mobilization Program. *Bolsa Família* beneficiaries receive academic support classes in preparation for the selection process. In addition, beneficiaries are exempted from paying the registration fee for the selection process (Hellmann, 2015b).

In any case, a linkage's outcomes depend not on the CCT program, but rather on the relevance and quality of the programs to which the CCT program is linked, and—in the case of training and job placement

programs—on labor market conditions. Lastly, while the linkage of youth to relevant programs is a laudable initiative, it is important to stress that it is not part of the CCT programs' core objectives.

4.5.3 Linkage with family support services

It is clear that poverty and vulnerability are complex phenomena with multiple determinants. In fact, CCT programs' theory of change assumed from the outset that transfers alone would not find a solution to the causes of poverty. As Levy (2007) notes, in addition to providing monetary resources, transfers must encourage behaviors that favor the accumulation of human capital: not just compliance with co-responsibilities but changes in hygiene practices, health and nutrition, among others. For this reason, CCT programs have tended to complement their services with social and family support for beneficiaries.

Social and family support basically consists of close, personalized monitoring of the family by a social worker. Chile's *Eje*, Colombia's *Red Unidos*, and more recently, Costa Rica's strategy *Puente al Desarrollo* stand out from among other support programs. These interventions all conduct an initial family needs assessment and create a support plan based on the supply of available programs and services. As with the linkage to income-generation programs, the effectiveness of these modalities depends on the relevance and effectiveness of the social programs to which families are linked. Moreover, international experience suggests that the development of support protocols is important to ensuring quality standards, as well as the need for adequate, qualified human resources to work with families (Ibarrarán et al., 2016).

All IEF beneficiaries participate in *Eje* support services. The first step of the *Eje* program is to complete an assessment that aims to identify household members' resources and capabilities. A family case manager conducts a face-to-face assessment with the family representative, using a survey that includes 57 variables, covering, among other things, mental health and attitude towards work. Once the assessment is completed, the family case manager develops an intervention plan. Interventions have a maximum duration of 24 months and consist of two lines of support: psychosocial and social-occupational. Psychosocial support focuses on the supply of services related to basic needs, including health, education, housing, documentation, income generation and family dynamics. For its part, social and occupational support addresses the linkage to labor and productive inclusion programs. Although the *Eje* program has territorial managers who organize the existing supply and prioritize the entry of beneficiaries, access to program is not guaranteed to IEF beneficiaries (Vargas, Cueva and Medellín, 2017).

In addition to assessment and linkage, *Red Unidos* co-managers monitor up to 45 achievements in nine dimensions of welfare (personal identification, income and employment, education, health, housing, nutrition, family dynamics, banking and

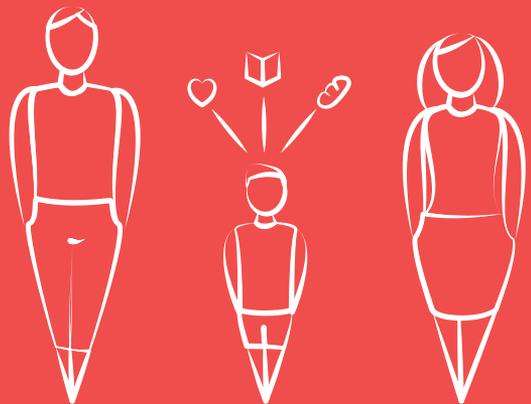
savings, and legal support). Approximately one-fifth of *Más Familias en Acción* beneficiary families belong to *Red Unidos*. Each network co-manager is responsible, on average, for the support of 135 families (Medellín and Sánchez, 2015).

For the most vulnerable populations, family support programs are, in principle, a natural complement to CCT programs. Unfortunately, in several countries in the region, social and family support is automatically provided to all CCT beneficiaries, which has resulted in a superficial level of monitoring. It is worth highlighting that social and family support is an intensive intervention provided by qualified professionals, and one that not all CCT program beneficiary families require. For example, based on the European experience, only one in 10 poor families requires support (Pérez Eransus, 2015).

With regard to outcomes, some of the support programs that provide additional professional assistance to the most excluded families have shown results in terms of bringing the supply of social programs closer (Carneiro, Galasso and Ginja, 2015; Galasso, 2011 for Chile; and DNP, 2014 for Colombia). The ongoing challenge is to achieve sustainable improvements in income generation, a topic already mentioned in the previous chapter.

Conclusions

Pablo Ibararán, Ferdinando Regalia and Marco Stampini



Conditional cash transfer (CCT) programs were a radical innovation in social protection in Latin America and the Caribbean, and their continued existence and strengthening 20 years on is a reflection of their effectiveness. In comparison to pre-existing programs, CCT programs invest significant resources in targeting and monitoring systems that aim to ensure transparency and the efficient use of resources invested in the region's poorest populations. For one thing, this guarantees the objective selection of beneficiaries; for another, it ensures that payment of the transfer is subject to compliance with conditionalities tied to human capital accumulation. In this way, an implicit contract is established between the government and the population, in which the former commits to redistributing resources to those most in need, while those who receive those resources commit to complying with measures that promote human capital accumulation.

As documented throughout this book, the implementation of CCT programs is no easy task. On the one hand, to ensure cost transparency and shield programs from criticism that they serve as a political tool, CCT programs have made significant

operational progress. On the other hand, important challenges persist, which justify an ongoing process of reform. We will discuss these achievements and challenges in the next two sections.

Achievements

All CCT programs in Latin America and the Caribbean are targeted at population groups with lower levels of welfare. They select their beneficiaries using a combination of means testing, geographic, categorical, and community-based targeting methods. With respect to pre-existing social protection programs, the combination of these targeting methods has substantially reduced the leakage of benefits to the non-poor. In particular, the combination of geographic targeting to select high-poverty areas together with means testing through welfare estimates stands out as a good practice for the allocation of poverty alleviation programs.

In parallel, several countries have created unified registries of beneficiaries. These contain basic information on the composition and living conditions of families, as

well as their score in the targeting system and information about their participation in social programs offered by the government. These registries constitute a good practice because they promote transparency in the allocation of programs and allow for the analysis of overlap between them. Even if the single registries operate outside of the CCT programs and serve a broader set of programs, in most countries their development came about as a consequence of CCT program expansion and the need to rationalize the supply of social protection programs around them.

CCT programs link the payment of transfers to compliance with health and education conditionalities, which have documented impacts in terms of increased demand for these services. Good practices with regard to conditionalities include (i) choosing co-responsibilities that are under the households' control and that do not depend on others—for example, the supply of services; (ii) aligning conditionalities with public policy priorities, such as increasing the number of prenatal check-ups; and (iii) selecting objective and easily verifiable compliance indicators. The conditionality of transfers helps to make explicit the right of the poor to access basic health and education services. In parallel, it allows for the continuous generation of information on the use of these services, revealing supply gaps.

Alignment with public policy objectives explains why the focus of the conditionalities varies across countries and over time. Thus, in contexts in which maternal and child health challenges still predominate and educational coverage presents significant gaps, conditionalities continue to include prenatal care, compliance with health and nutrition protocols for preschoolers, and school attendance for

children and adolescents. In other contexts, in which compliance with basic health and education indicators is almost universal, programs have begun experimenting with different conditionalities that seek to encourage control of health risk factors, school achievement and formal employment. Some programs have included conditionalities related to preventive healthcare for adults (e.g., screening and treatment of hypertension). Unfortunately, there is still not enough robust evidence to prove the success of these new conditionalities; therefore, CCT programs should continue to maintain the good practice of running pilot projects, accompanied by rigorous impact evaluations that document the results, before proceeding with the widespread use of these innovations.

The best practice for verifying compliance with conditionalities consists of the use of the health and education sectors' own information systems as a source of data. This reduces transaction costs and strengthens sectoral information systems. If this is not possible, it is good practice for compliance to be documented directly in the CCT program information system, as close as possible to the point where the conditionality was fulfilled; namely, the school or health center.

The delivery of cash transfers —as compared to the in-kind transfers that were common before CCT programs— reduces the program's administrative costs and recognizes the important principle that all individuals, regardless of their socioeconomic status, can make efficient use of the resources at their disposal. Since their inception, CCT programs have made substantial improvements to the payment process, thereby reducing beneficiary households' opportunity cost to collect benefits and the administrative costs of

payments. For those living in scattered areas, the physical delivery of cash is still required. In these cases, significant progress has been made to ensure transparency—for example, through fingerprint identification of beneficiaries. For families living in less remote areas, the use of electronic payment methods (e.g., magnetic stripe cards) has proven to be a good practice for the delivery of transfers.

Significant efforts have been made to expand the capillarity of the payment-point network by supplementing bank branches with shops and other commercial facilities. In parallel, beneficiaries' bank cards, which initially only permitted cash withdrawals, have evolved through the addition of other banking services (e.g., checking and savings accounts). The evolution of CCT programs' payment systems has created significant opportunities for financial inclusion for the poorest segments of the population, leading some countries to explore the possibility of promoting financial inclusion as an additional mechanism of social inclusion.

CCT programs are characterized by their development of robust information systems that respond to the needs of the operating cycle. Although the particular form they have taken varies, the use of open-source platforms for the development of systems has been shown to be a good practice. The greater flexibility of this type of platform allows program technicians to adapt the systems to the programs' changing requirements. The information generated through monitoring and auditing practices has been essential to the continuous improvement of programs and accountability. Besides contributing to the identification of operational aspects with potential for improvement and to greater transparency in the use of public

resources, it is an important input for the optimization of CCT program design.

Challenges

Despite the progress made across operational processes, tackling the challenges that remain requires continuous program reform. Together with good practices, documenting these challenges has been a fundamental objective of this book. In many cases, the challenges result from a lack of strengthening of core operational processes or a transition to new objectives before achieving the original ones.

The main challenges to targeting are undercoverage of the chronically poor and the need for more dynamic management of the rosters of beneficiaries. CCT programs were originally conceived as a means of relieving chronic poverty, which, in most cases, coincides with extreme poverty. Almost all countries developed means tests based on household socioeconomic and demographic characteristics associated with chronic poverty. To address this type of long-term poverty, it is necessary to implement long-term programs that support consumption and encourage human capital accumulation through demand for health and education services. In these cases, the recertification of eligibility is a secondary problem, at least in the short term.

Many CCT programs expanded their coverage to broader population groups—characterized by less deep, more dynamic levels of poverty—before achieving satisfactory coverage of the chronically poor. This is the result of a political decision and not necessarily a technical shortcoming of the targeting methods. In several countries, this expansion resulted in the coexistence

of rosters of beneficiaries with numbers that far exceed the number of extreme poor with significant levels of undercoverage.

This creates two needs for reform. First, programs need to focus their efforts on including the chronically poor who do not yet receive transfers. The inclusion of this population presents enormous challenges because those excluded are isolated from social protection programs and, at the same time, they suffer from the greatest lack of quantity and quality in terms of the supply of health and education services. Second, when there is significant coverage of the moderately poor, it is necessary to ensure dynamic management of the beneficiary registry, including frequent audits and recertification of eligibility status. Countries in the region have been too timid in the recertification of beneficiaries, delaying its implementation and, in many cases, failing to exclude those who have lost their eligibility. Several recent experiences show that it is possible to massively recertify without negative consequences for programs and governments. What matters is that recertification is perceived as a necessary process to ensure that the program continues to reach those most in need.

Verification of compliance with conditionalities represents another major challenge to the day-to-day operations of CCT programs. All programs emphasize the importance of compliance. Participating families take on a commitment when registering for the program. As far as consequences for noncompliance, the vast majority of programs have regulations detailing a gradual process that consists of a warning, reduction and/or suspension of payments, cancellation, and finally, exit from the program. Nevertheless, there is tremendous variation in the application of program rules.

Without question, those programs that are still not in a position to guarantee the verification of compliance or to apply the resulting suspension of the transfer payment face a major challenge. In fact, most programs lack the operational capacity to respond to a noncompliance situation with social support mechanisms, which seek to understand the reason for noncompliance and to reverse the situation.

Even though CCT programs' responsibility for conditionalities ends at the door of the school or the health clinic, the ability to increase child beneficiaries' level of human capital mostly depends on the quality of education and health services. Beneficiaries will only be able to successfully participate in the labor market and generate enough income to live sustainably outside the grasp of poverty if they manage to accumulate health and knowledge capital. It is for this reason that the fundamental challenge remains—for governments more so than for CCT programs—to achieve effective coordination that has consequences on the coverage and quality of the services, programs and territorial actions of the ministries of health and education.

A major difficulty for the payment process is the expansion of electronic payment methods in rural and remote areas, where a significant proportion of beneficiaries reside. The main limitation comes from the lack of payment points. The challenge here is to promote the participation of private stakeholders through competitive, innovative schemes that provide incentives to expand the supply and improve the quality of payment services to beneficiaries. Coordinating CCT programs with national financial inclusion strategies or other strategies in the financial sector may allow for the implementation of regulatory and incentive policies to facilitate private sector

participation and expansion of the network of payment points. One possibility that has gone largely unexplored in the region is the use of cell phones to transfer payments. As the use of these devices becomes more widespread, it is important to consider them as a payment method, which can be tied (or not) to a bank account.

In addition to improving payment schemes, there is the challenge of coordinating the financial inclusion agenda with CCT program goals. While there are complementarities between the goals of financial inclusion and human capital accumulation, there is also the risk that one goal may be achieved at the expense of the other. Therefore, there must be institutional clarity on roles, responsibilities and mechanisms for promoting the financial inclusion of CCT beneficiaries. It is necessary for program officials at all levels to be knowledgeable about the rules regarding the use of financial products and to properly communicate them to the target population, thereby avoiding failure due to a lack of familiarity or confusion on the part of users. An emblematic example is dispelling the belief that households will be excluded from the program if they are shown to have savings. Since financial inclusion depends on more than just promoting demand, it is recommended that an institution other than the program be given responsibility for promoting financial inclusion and the capacity to collaborate with social programs, as well as with regulatory agencies and the private sector.

Aside from improved clarity regarding institutional roles, there is still a lack of insight as far as how to get poor households to use savings mechanisms properly. While access to these mechanisms has expanded within the scope of CCT programs, the same cannot necessarily be said

of their use. This problem is evident when beneficiaries withdraw all of the money they receive from the program in a single transaction. Another example is when beneficiaries fail to make use of the options they have for payment point withdrawals; for example, the option to withdraw cash at a store or ATM. Achieving the active use of accounts — whether as a mechanism to manage liquidity or accumulate assets— is the outstanding challenge of financial inclusion through CCT programs.

It must be recognized that the linkage of beneficiaries with other social and productive initiatives creates a challenge for the operation of CCT programs. Some of these initiatives are aligned with CCT programs' original goal, as they focus on the accumulation of human capital in the children of beneficiary households. This group includes programs aimed at facilitating the school-to-work transition, in order for young people who have attained more education to successfully enter the labor market. Other programs, such as those that focus on adults' income-generation capacity, go beyond the original goal of CCT programs. There is a risk that the emphasis on linkage with these initiatives will reduce the resources and attention devoted to strengthening CCTs' fundamental operating cycles. Metaphorically, it is like building an addition on a house without first making sure that there is a solid foundation supporting the main structure.

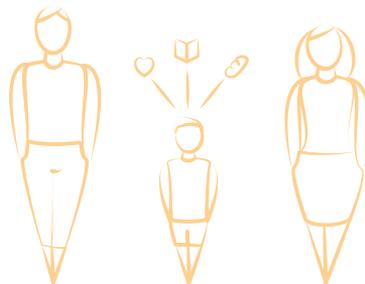
Lastly, there is a debate over the possibility of introducing a graduated benefit structure, with a larger benefit for the poorest households and a smaller one for those with welfare levels closer to the eligibility threshold. This type of reform would respond to the need to reduce any negative impact on the labor supply of current and potential beneficiaries. The challenge is

operational, because a benefit structure that varies with beneficiaries' level of welfare requires greater implementation capacity. Evidence has still not been generated for the results of applying this type of benefit structure.

After almost 20 years of implementation, major operational challenges remain, not to mention the difficult task of adapting CCT programs so that they maintain and increase their relevance, responsiveness and impact in a changing context. In this book, we identified the most relevant operational aspects of these programs, and we described how significant past challenges were addressed, as well the current issues facing programs. The effort and commitment to the implementation of CCT programs have been uncompromising and

must be maintained to improve their functioning and outcomes. The Inter-American Development Bank has been privileged to work with its partners in the region on this journey, and we are convinced that there is still much progress to be made and much to accomplish in the promotion of social inclusion and development of human capital among the poor. To this end, as shown in these pages, continuous, thoughtful work is required. The systematization of good practices, discussion of both old and new challenges, as well as the discussion of alternative reforms contained in this book, are important elements to further improve program outcomes.

We hope this book becomes a reference guide for the documentation of good practices and serves to stimulate future reforms.



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Twenty years have passed since conditional cash transfer programs were first implemented in Latin America and the Caribbean. This book takes the opportunity to critically review the design options and operational solutions employed by the countries in the region, with the goal of systematizing this accumulated operational knowledge and identifying both good practices and remaining challenges. It addresses the major processes of the operational cycle: beneficiary identification and management of the rosters of beneficiaries, verification of conditionalities, and payment of transfers. In addition, it discusses cross-cutting issues, such as territorial organization, management information systems, and the linkage of beneficiaries to other social programs. This book is a useful and practical tool for those seeking to understand how transfer programs work and how they can be improved by building on the experiences of other countries.

“This was a much-needed book. It describes the operational processes necessary to implement transfer programs with health and education co-responsibilities. It brings together the practical experiences of several Latin American countries, thus allowing for the presentation of operational options applied in different contexts, and it provides the criteria to evaluate them. It will be useful for those set to launch a new program or to review and improve a current one.”

Rogelio Gómez Hermosillo

Coordinator for *Acción Ciudadana Frente a la Pobreza* and former coordinator for the *Prospera* program

“How Conditional Cash Transfers Work: Good Practices after 20 Years of Implementation is a fundamental reflection on 20 years of experience with conditional cash transfer programs in Latin America and the Caribbean. Best practices and useful knowledge regarding the different dimensions of these programs were rigorously collected, organized and analyzed, making this book invaluable to everyone interested in how these programs transformed social protection in our region and in many other countries around the world.”

Luis Henrique da Silva de Paiva

Public policy and public administration specialist at the Ministry of Planning, Development and Management of Brazil and former secretary of the *Bolsa Família* program

