



**COMPARATIVE CASE STUDIES:
REVIEW OF IDB INSTITUTIONAL
SUPPORT TO CONDITIONAL CASH
TRANSFERS**

Executive Summary

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COMPARATIVE CASE STUDIES: REVIEW OF IDB INSTITUTIONAL SUPPORT TO CONDITIONAL CASH TRANSFERS

objective

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

This evaluation analyzes the effectiveness of support provided by the IDB to develop and implement CCT programs in selected lower-middle-income countries.

It identifies the specific support provided by the IDB for the institutional functioning of CCTs in selected cases and provides specific lessons drawn from these cases.

methodology

This evaluation used a "component-based" methodology –that is, a methodology that compares the characteristics of specific components of a program or policy against a selected standard to determine its effectiveness. The component-based methodology is appropriate for this evaluation since it enables the identification of a standard set of the most salient elements – processes, actions, or policies –required for the proper institutional functioning of the CCT programs.

The following standard components provide a framework to understand how current and previous versions of the CCT programs function, and facilitate an assessment of IDB support:

1. **assessment of poverty conditions;**
2. **targeting, selection, and registry of beneficiaries;**
3. **coordinating agency of the program;**
4. **definition of monetary benefits;**
5. **definition, monitoring, and enforcement of conditions;**
6. **recertification and graduation of beneficiaries;**
7. **payment method design and administration;**
8. **support of complementary services;**
9. **monitoring and evaluation; and**
10. **fiscal funding of the programs**

Three criteria were used to select cases for the evaluation:

1. **country classification as lower-middle-income as measured by gross national income per capita,**
2. **presence of an active CCT program with both education and health components, and**
3. **at least one IDB-sponsored loan related to the CCT program active between 2008 and 2014.**

Using these criteria, the following programs were selected: *Red Solidaria-Comunidades Solidarias* in El Salvador; *Mi Familia Progresá-Mi Bono Seguro* in Guatemala; and PRAF II, PRAF III, and *Bono 10.000* in Honduras.

analysis and results

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

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

The evaluation found that IDB technical support in the selected cases is positively associated with more effective CCT components, specifically in the areas of measuring poverty, the design of targeting and registry systems, and external evaluations. Evidence from this evaluation indicates that when the Bank has been involved in the design and implementation of these components, particularly through investment lending, their quality and effectiveness have been higher. IDB support in these components generally addresses elements that are required for their proper institutional functioning. Support in these areas included products that addressed specific one-time deficits in the components, indicating Bank responsiveness to country needs. In each case, clients identified Bank staff's experience and knowledge as a comparative advantage.

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

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

suggestions



1. If the Bank is asked to support a country's CCT program through lending or technical cooperation, ensure that there is a comprehensive diagnosis of institutional needs that will help identify and prioritize components that require immediate support.



2. Strengthen Bank support to institutional components requiring ongoing government capacity and coordination, such as the monitoring and enforcement of conditions and administration of payments.



3. Analyze the funding needs of CCT programs (as part of broader social protection spending) and take this into account when deciding on the sizing of new loans and the choice of lending instruments.



4. Systematize the lessons learned from previous operations, processes, and evaluations.



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