
Conditional Cash Transfers (CCT): Are They a Viable Approach to Improve Child Health in Poor Countries? 04/16/2008

Oscar F. Picazo, Sr. Health Economist
World Bank, Pretoria Country Office
Countdown Meeting on MDG4 and MDG5
Cape Town International Convention Center
April 17, 2008

Policy options to reduce poverty and improve child health and nutrition

Do nothing - simply rely on economic growth to trickle down. Or:

- Expand and improve social services
 - Provide food subsidies (price controls)
 - Distribute food stamps or other vouchers
 - Workfare – welfare-to-work programs (Argentina, India)
 - Set up social solidarity fund (i.e., the “social fund” approach)
 - Provide targeted assistance to schools in poor regions (Indonesia)
 - Provide or expand public assistance, in kind or in cash (i.e., unconditional cash transfers)
 - Provide or expand conditional cash transfers
-

Why cash transfers?

- Urgent need for social protection for rapidly increasing number of orphans and vulnerable children, people living with HIV/AIDS, and other poor households
 - Cash is more flexible than commodity or in-kind support
 - Cash does not distort the supply system (e.g., local food production) and in fact contributes to the growth of local economy and markets
 - Cash transfer program can be more cost-effective than other existing supply- or service-oriented programs (esp. with IT)
 - Provision of health, nutrition, and other social services is not sufficient to improve health status, especially among children and youth
 - Conditional cash transfers have been demonstrated to improve children's health, nutrition, and education status through a "carrot-and-stick" approach
-

Types of cash transfers

- Unconditional cash transfers – transfers of money made by gov't or NGOs to vulnerable individuals or households w/o any condition
 - Conditional cash transfers – transfers of money made by gov't or NGOs to vulnerable individuals or households contingent upon their use of a defined set of social services
 - Cash transfer programs do not involve:
 - Microfinance loans
 - Health insurance benefits
 - Food and fertilizer subsidies
 - Food stamps and other vouchers which can be sold at a discount
-

Examples of unconditional cash transfer programs

- Child support grant
 - South Africa
 - Old age pensions or elderly grants
 - Botswana, Lesotho, Namibia, Swaziland, others
 - Social welfare or public assistance programs –
 - Public assistance programs of Botswana, Swaziland, South Africa
 - Zambia's Kalomo District pilot social cash transfer scheme
 - Mozambique's National Institute for Social Action's monthly cash transfer under Food Subsidy Program
-

Examples of conditional cash transfer (CCT) programs

- Latin America
 - Mexico's "Oportunidades" (formerly Progresa) Program
 - Brazil's "Bolsa Familia" and "bolsa Alimentacao" Programs
 - Chile's "Subsidio Unitario Familiar" Program
 - Jamaica's Program of Advancement Through Health and Education (PATH)
 - Asia
 - Mongolia's "Child Money" Program
 - Turkey's Social Risk Mitigation Program
 - In all, no fewer than 16 developing countries (13 in LAC) now have CCTs of significant national coverage
-

CCTs are part of a wider spectrum of policy instruments

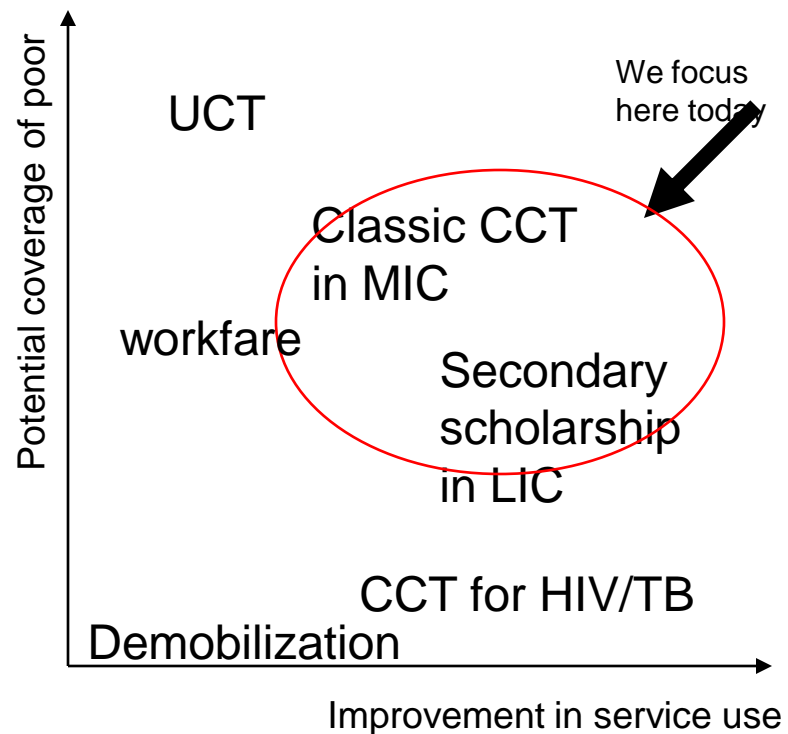
Defining characteristics:

- transfer cash*
- to poor households
- on condition that they do defined things

Twin goals:

- Immediate poverty relief through transfers
- Long run poverty reduction through improvements in poor children's human capital

* food may work too, though with much higher administrative costs



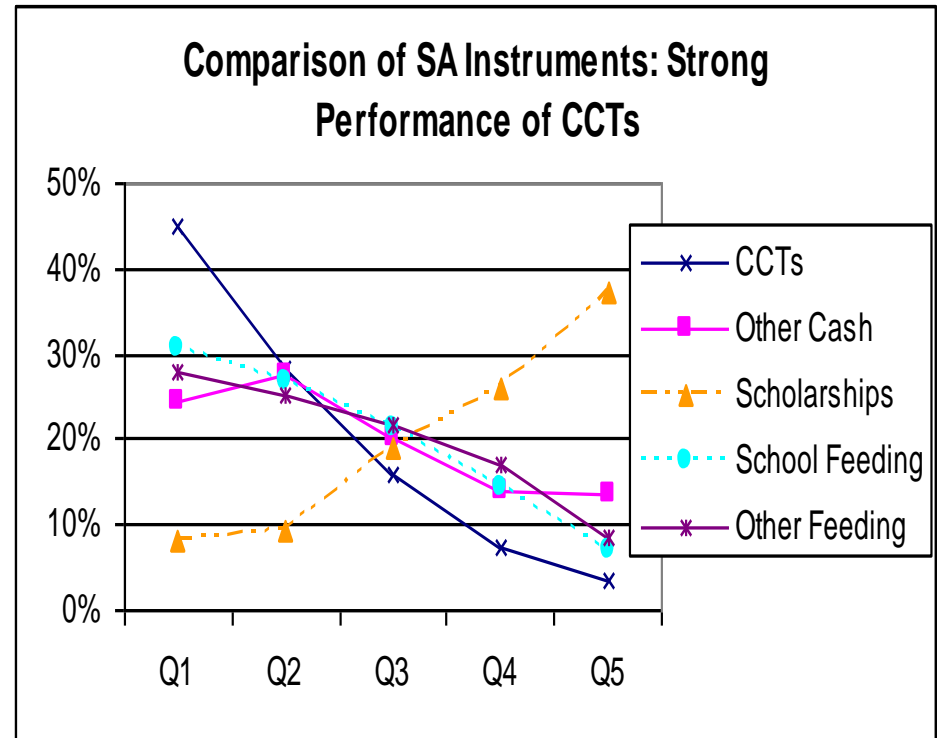
Benefits provided under Mexico's Oportunidades CCT program, ca. 2006

(Mexican \$11=US\$1)

Intervention	New or Original	Benefits Provided
Cash prize	New	\$300 savings acct for kids who graduate at 20
Education	Original	From \$115/pupil (at 3 rd grade) up to \$730/student (at 12 th grade) per month, plus learning materials
Food & nutrition	Original	\$170 per family per month
Elderly support	New	\$25/elderly person per month
Health	No cash provided	Provision of preventive health services; training of families on health practices
Nutrition	No cash provided	Nutritional supplements to children <5 years

Impact of CCTs on poverty reduction (MDG1) in middle-income countries

- **Very good benefit incidence**
- **Short term positive effects on poverty reduction in proportion to coverage and size of the transfer**
- **No evidence of reduction in work effort for adults, but strong evidence of reductions in child labor**
- **Evidence in Mexico that families invest about 25% of their transfer, with a return that raises their autonomous income by 24% over 6 years in the program**



Source: Lindert, Skoufias, and Shapiro, 2005

Impact of CCT on child health (MDG4) and education (MDG2) in Mexico

- Increase in the utilization of health services, decrease in sick days and incapacity, decrease in mortality rates, increase in child nutrition (weight, height, and Vit. A consumption), demonstrated improvement in children's motor skills.
 - Improvement in enrolment rates, decrease in dropout and failure rates, decrease in labor force participation of youth.
 - Decrease in alcohol consumption among the youth, and decrease in household violence.
 - Increased consumption of the family, increase in asset acquisition of the family, and increase in entrepreneurship activities.
-

Impact of CCT on child health (MDG4) and education (MDG2) in Turkey

- CCT was found to increase the full immunization rate for pre-school children by 14 percent.
 - For a subset of CCT beneficiary families who received regular payments, the CCT increased per capita caloric consumption by 23 percent relative to non-beneficiaries.
 - CCT increased enrolment of girls in secondary school by 11 percent and had a small but positive effect on attendance of girls in primary and secondary school.
 - Beneficiary boys in rural secondary schools had a 23 percent higher enrolment rate than non-beneficiaries.
 - The program also appears to have improved test scores. Grade 5 families who receive the benefit were 20 percent more likely to receive the top grade on exams than non-beneficiaries.
-

How do CCTs improve child health, nutrition, and education?

- CCTs provide better targeting of needy families.
 - CCTs impose health service utilization as a condition for continued receipt of cash by the family.
 - CCTs require close monitoring and evaluation of health and other outcomes as an integral part of the transfer program.
-

Targeting under Mexico's Oportunidades CCT

- Geographic focusing of urban and rural localities deemed low-income or having poor health and education indicators. This initial step uses a variety of data including 2000 Population Census, the Marginalization Index, and GIS data on access to health and education services.
 - Collection of socioeconomic indicators for all families in and around the selected poor localities. (First scoring instrument).
 - Identification of “susceptible families” using broad Mexican income-based “poverty line”.
 - Application of scoring system using consumption-based discriminant analysis. “Susceptible families” are scored individually. (Second scoring instrument).
 - Conduct of Oportunidades’ own census of these families to check the validity of ex-ante score. (Third scoring instrument using proxy means-test).
 - Identification of poor families to be invited to participate in the Oportunidades program.
-

Conditions for the family's continuing receipt of cash transfers under Mexico's Oportunidades CCT

Benefits	Conditions
Basic education	Pupil absence not to exceed 3 per month
Secondary education	Student absence not to exceed 28 hours (about 4 days) per month
Cash prize for graduating students	Completion of high school by age 22
Food aid	At least 1 family member needs to attend a health awareness session each month
Elderly support	Twice a year attendance at health facility by the elderly person (IEC or health service)

Program monitoring of Mexico's Oportunidades CCT

- 4 mandatory instruments are applied every 6 months: Beneficiaries, Schools, Health Clinics, High School Students.
 - Themes of M&E system: families' receipt of assistance, continuity of benefits, health and education indicators (dropouts, transfers), transparency and honesty in use of benefits, capacity building among community registration staff
 - Compliance rates of families: 99% for health, 98% for basic education, 95% for high school education.
-

Key issues in introducing or scaling up CCTs in poor countries

- Underdeveloped health services – Will CCTs trigger a positive supply response?
 - Human rights issues in conditionalizing receipt of cash - What matters?: the cash, the condition, or both?
 - Ethics and politics of targeting the most vulnerable children or households under severe resource constraints - How best should this be done?
 - Management capacity – Who is to do this? How?
 - Affordability and sustainability – Can poor countries move beyond pilots, given massive poverty?
-

Want to know more about cash transfers?

- sarpn.org
 - savethechildren.org
 - undp-povertycentre.org
 - unicef.org
 - Wahenga alerts
 - worldbank.org
-