

**Do Conditional Cash Transfers (CCT) Really
Improve Education and Health
and Fight Poverty?
The Evidence**

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- CASH TRANSFER PROGRAMS
WORLDWIDE ESTIMATE IN 2011

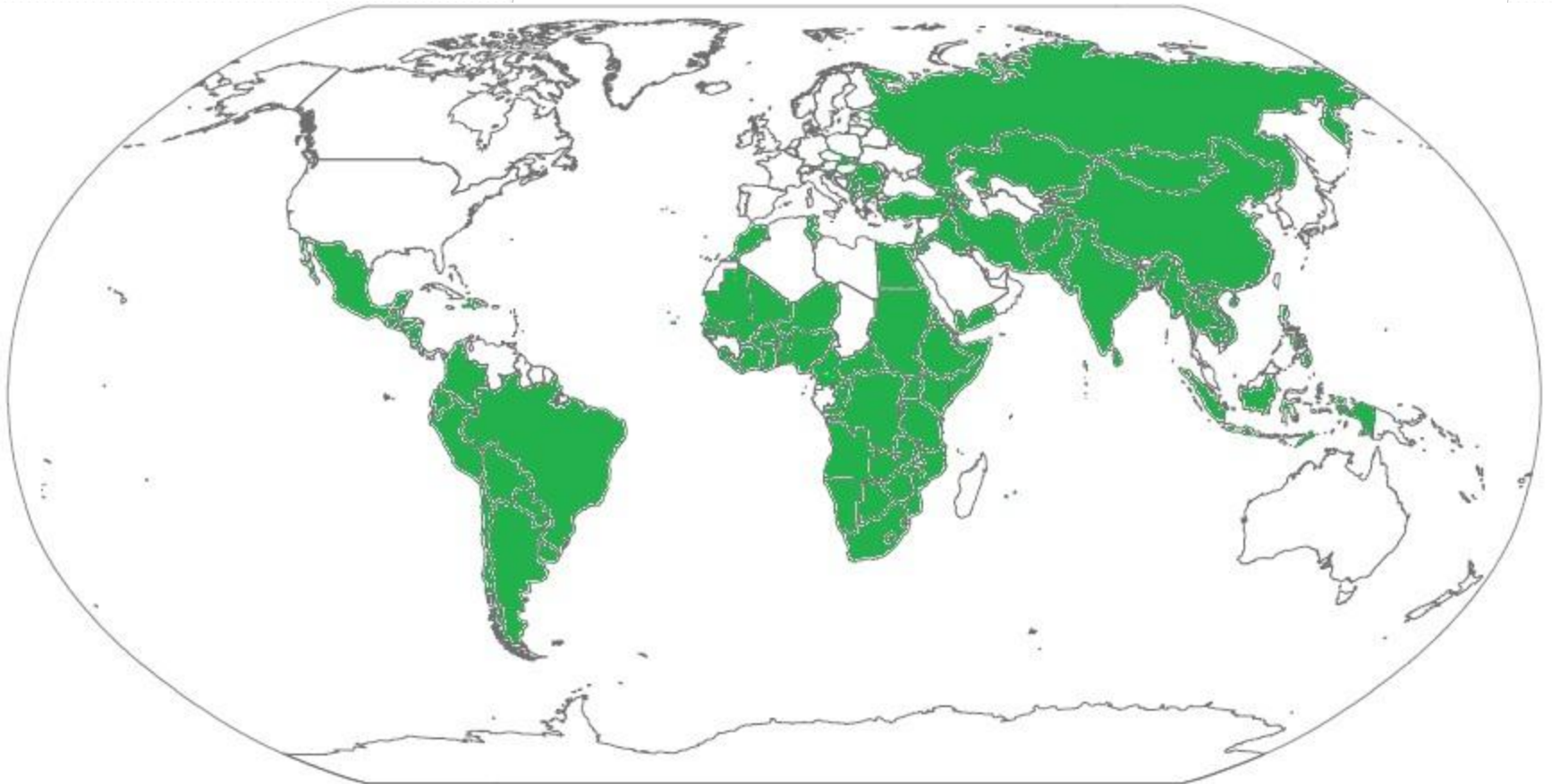
\$32-Billion IN OVER 52

MIDDLE AND LOW INCOME

COUNTRIES

Low and middle income countries with CTs (2012)

CTs reached more than 110 million households around the world in 2010*



*

*Hanlon, Barrientos, and Hulme. 2010. Just Give Money to the Poor:

Cash transfer programs (CTs)

- Cash grants provided to selected beneficiaries to satisfy minimum consumption needs
 - Conditional or unconditional (CCTs/UCTs)
 - Source of funding: State or non-state
 - Target beneficiaries in chronic, transient poverty, or vulnerable groups
 - Emergency or development purposes

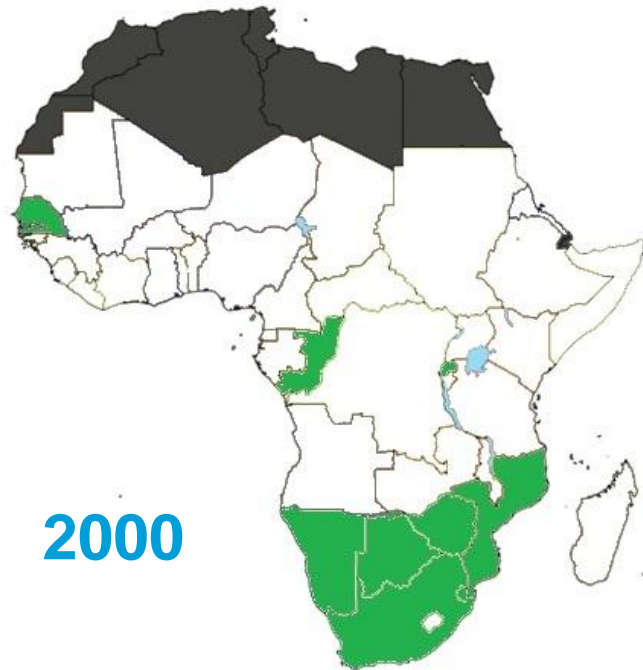
African experience with CTs increased rapidly

2000

**9 countries,
25 programs***

2012

**41 countries,
245 programs**



2010

**35 countries,
120 programs**

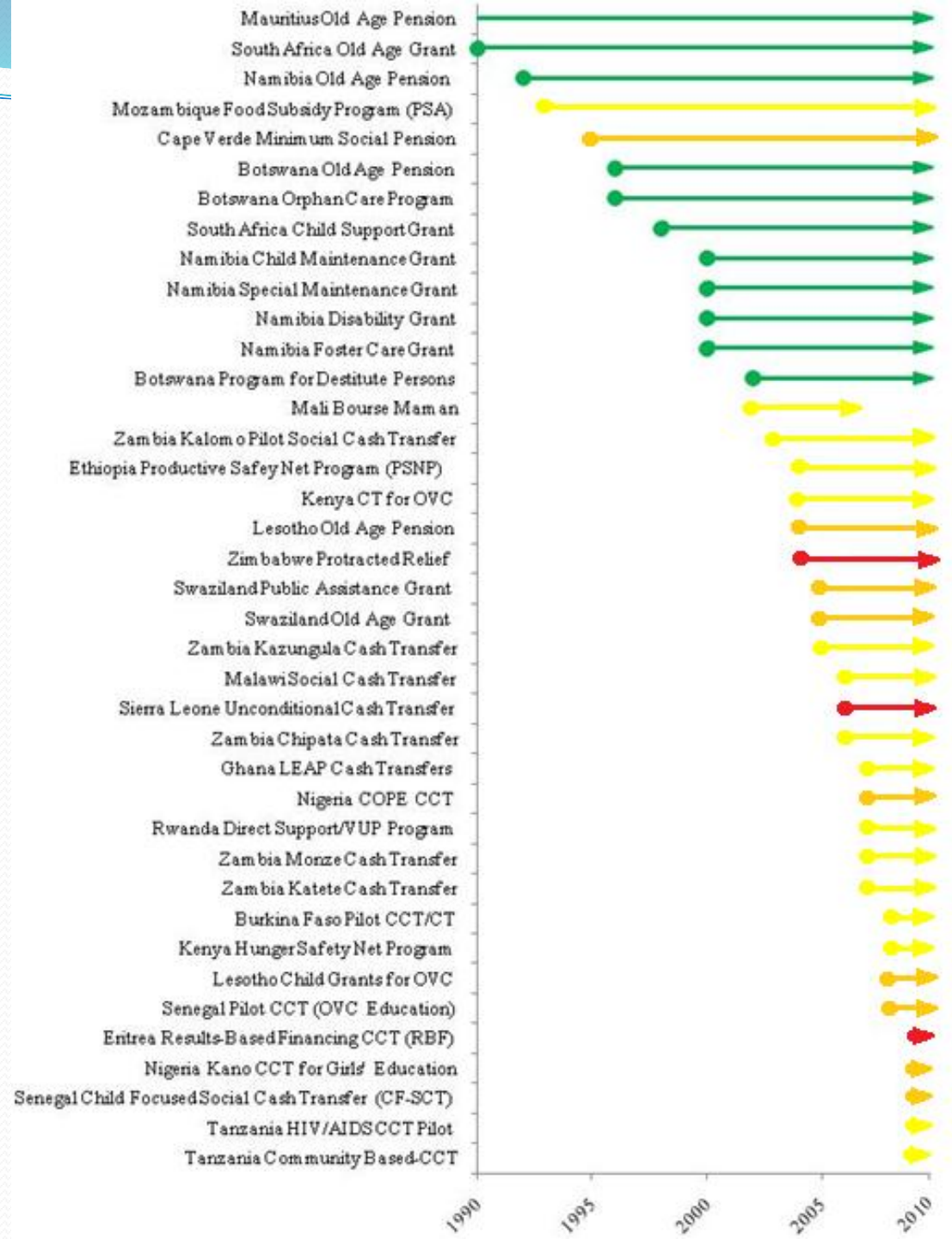


* Counts CTs with clear start dates only; green countries have had or currently have

Catalysts for the growing use of CTs in Sub-Saharan Africa

- Concerns over persistent poverty, low human capital, food insecurity
- Limitations of food aid recognized
- Global economic crises
(food, fuel, financial, flood, disasters)
- Continued food price increases and volatility
- HIV/AIDS crisis and increase in orphans and vulnerable children (OVC)
- Conflicts
- Deterioration of traditional safety nets

Start dates and durations of SSA's CTs: Earliest programs were in wealthiest countries



Income Classification

Upper-Middle Income

Lower-Middle Income

Low-Income

Fragile

Mexico's Progresa-Oportunidades "has gone to scale !"

<u>Year</u>	<u>Beneficiaries</u> (families)	<u>Budget</u> (US dollars)
1997	300,000	
1998	1,500,000	
1999	2,306,600	
2000	2,476,000	
2001	3,116,000	
2002	4,240,000	
2003	4,300,000	
2004	5,000,000	
2010	6,500,000	5.4 US \$ billion

Source: SEDESOL, Mexico 2005

Mexico-Oportunidades Provides:

- Monthly Cash Payments to Women in Eligible Families
- IF Member of Families Use Education and Health Services

Mexico-Oportunidades

Education Benefit:

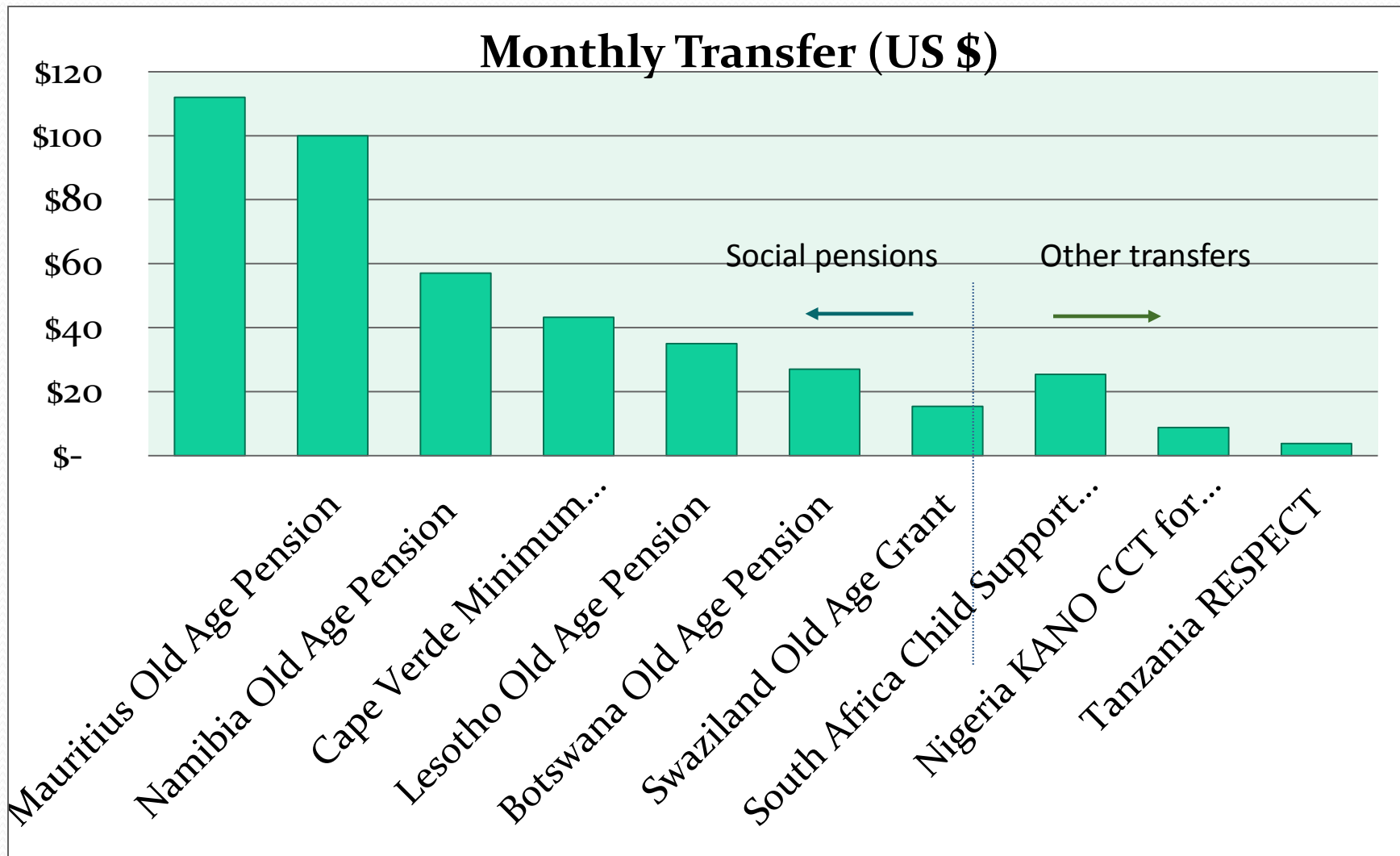
- \$26 per Month for Each Child in Grades 3 – 9
- ***IF*** Child attends 85% or More of Classes

Mexico-Oportunidades

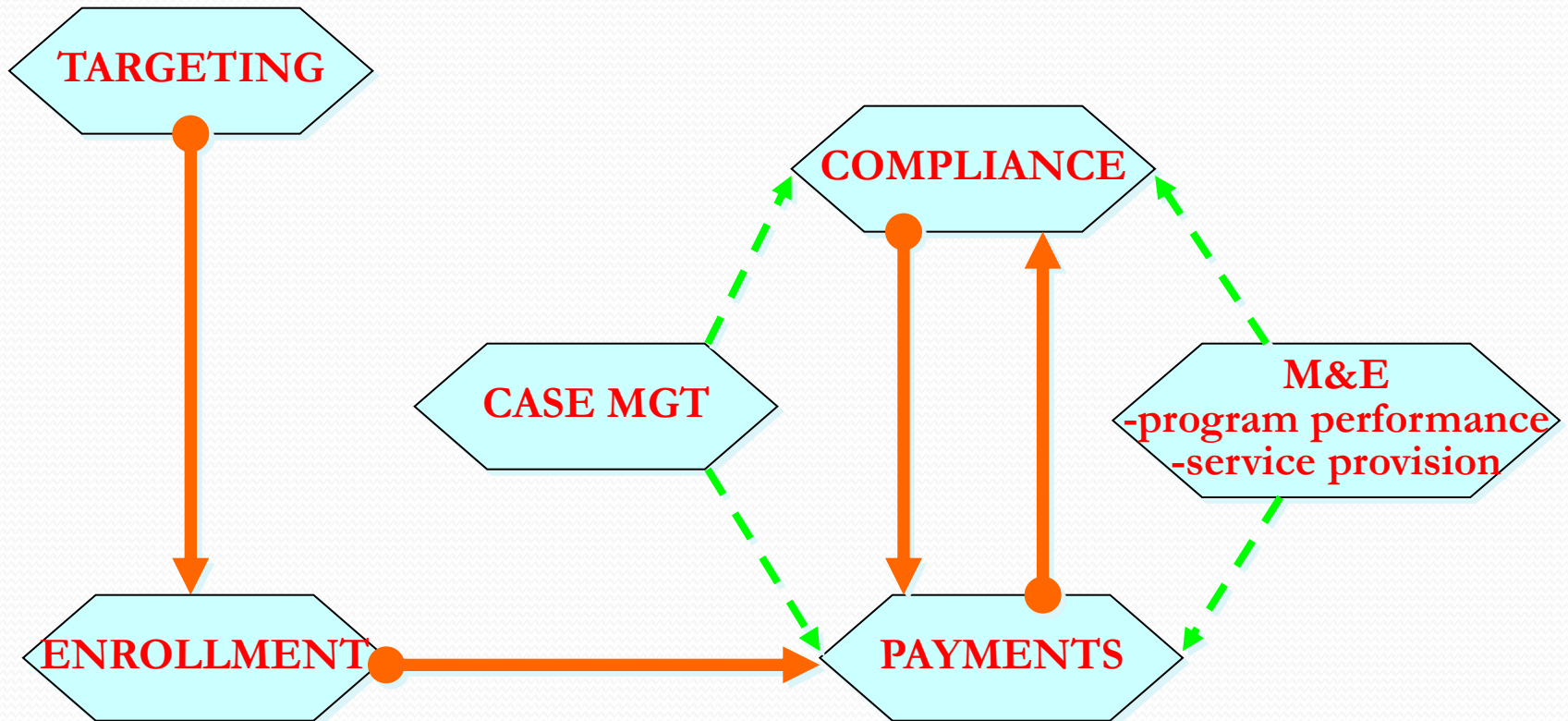
Health/Nutrition Benefit:

- \$15 Monthly Transfer per Family
- ***IF*** Each Child Receives 2-4 Checkups annually, Adults Receive One Annual Checkup, Pregnant Women Receive Seven Pre- and Post-natal Checkups

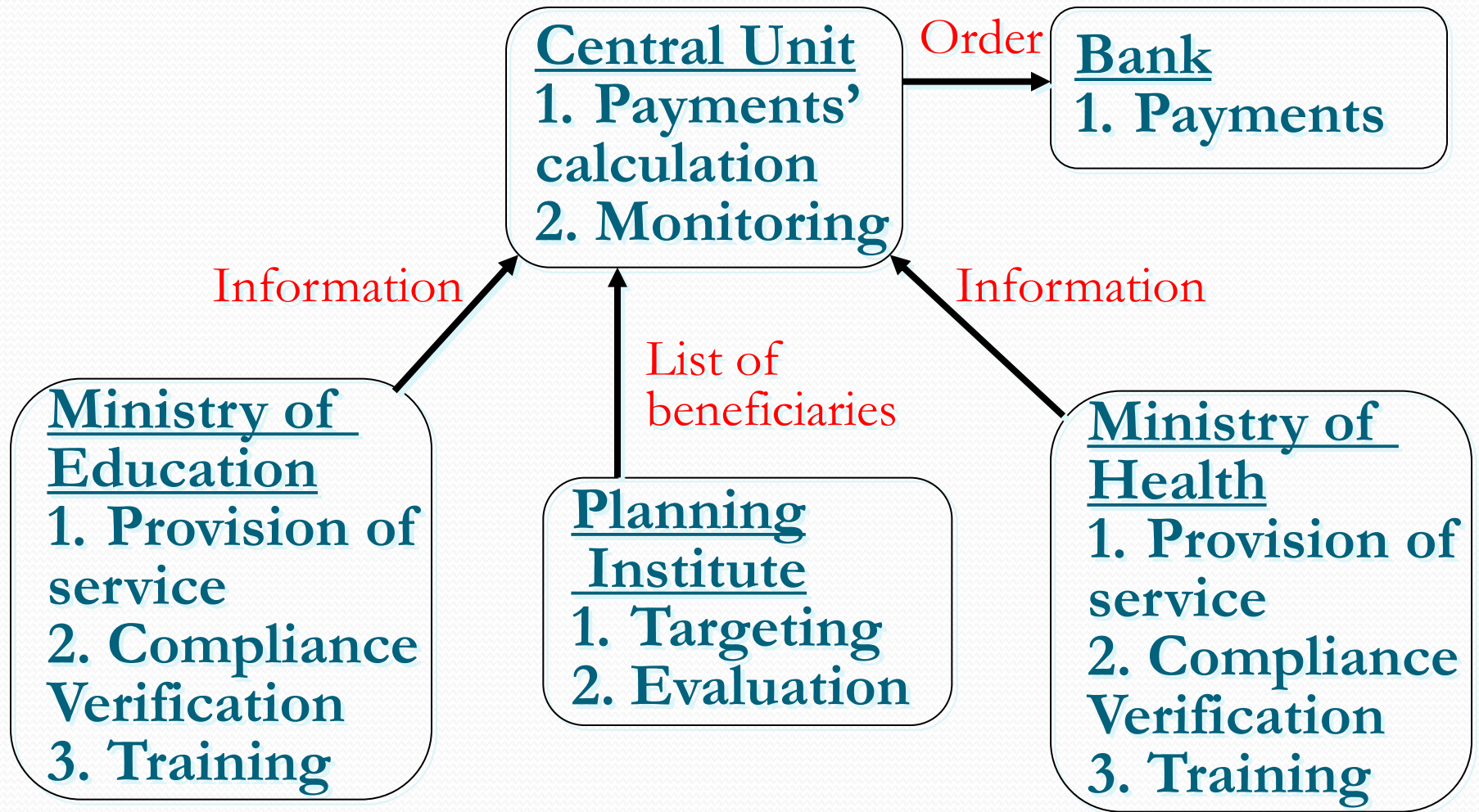
AFRICA: Amount of cash transfer per month varies by program



PROJECT CYCLE



Design for Dominican Republic Program



PROXY MEANS TEST

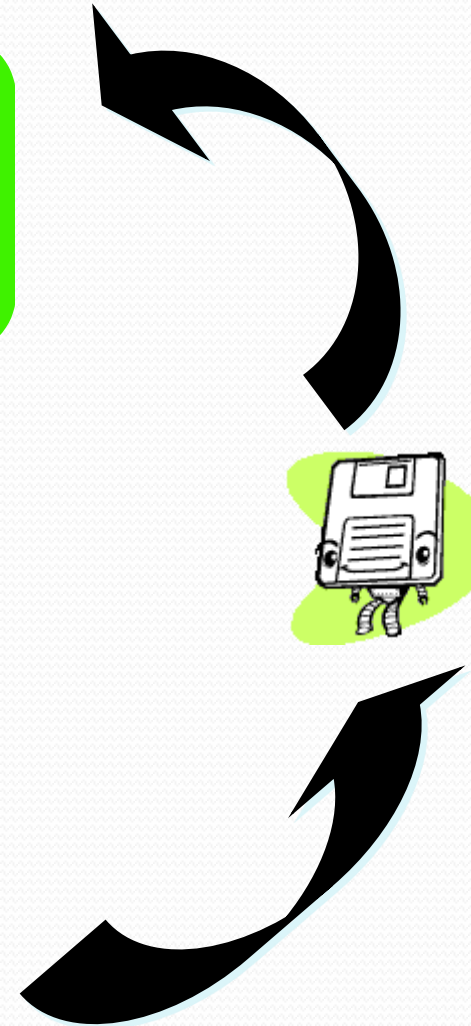
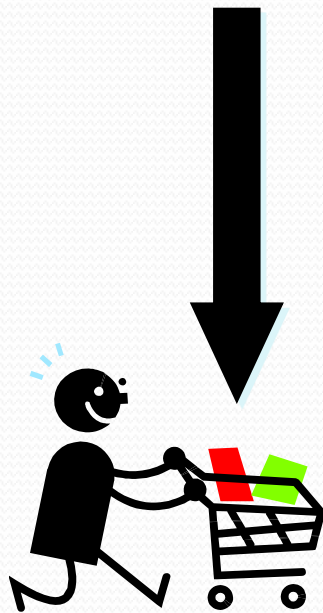
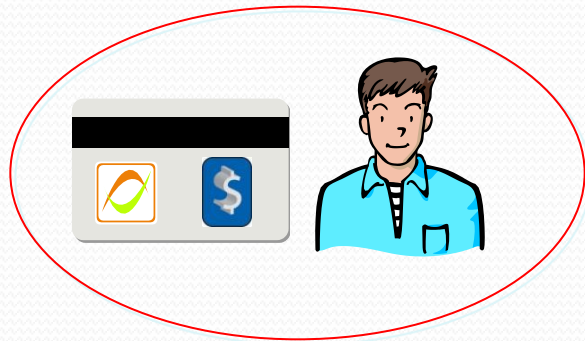
- Concept of proxy means test:
 - Proxy variables (assets, education, HH size, dwelling physical characteristics, etc) **CAN INFER the average consumption level of households**
 - Consumption-expenditure survey is needed to develop the formula !!

$$\bullet y_j = B_0 + \sum(B_i * X_i) + \varepsilon_i \quad \varepsilon \approx N(0, \sigma^2)$$

where:

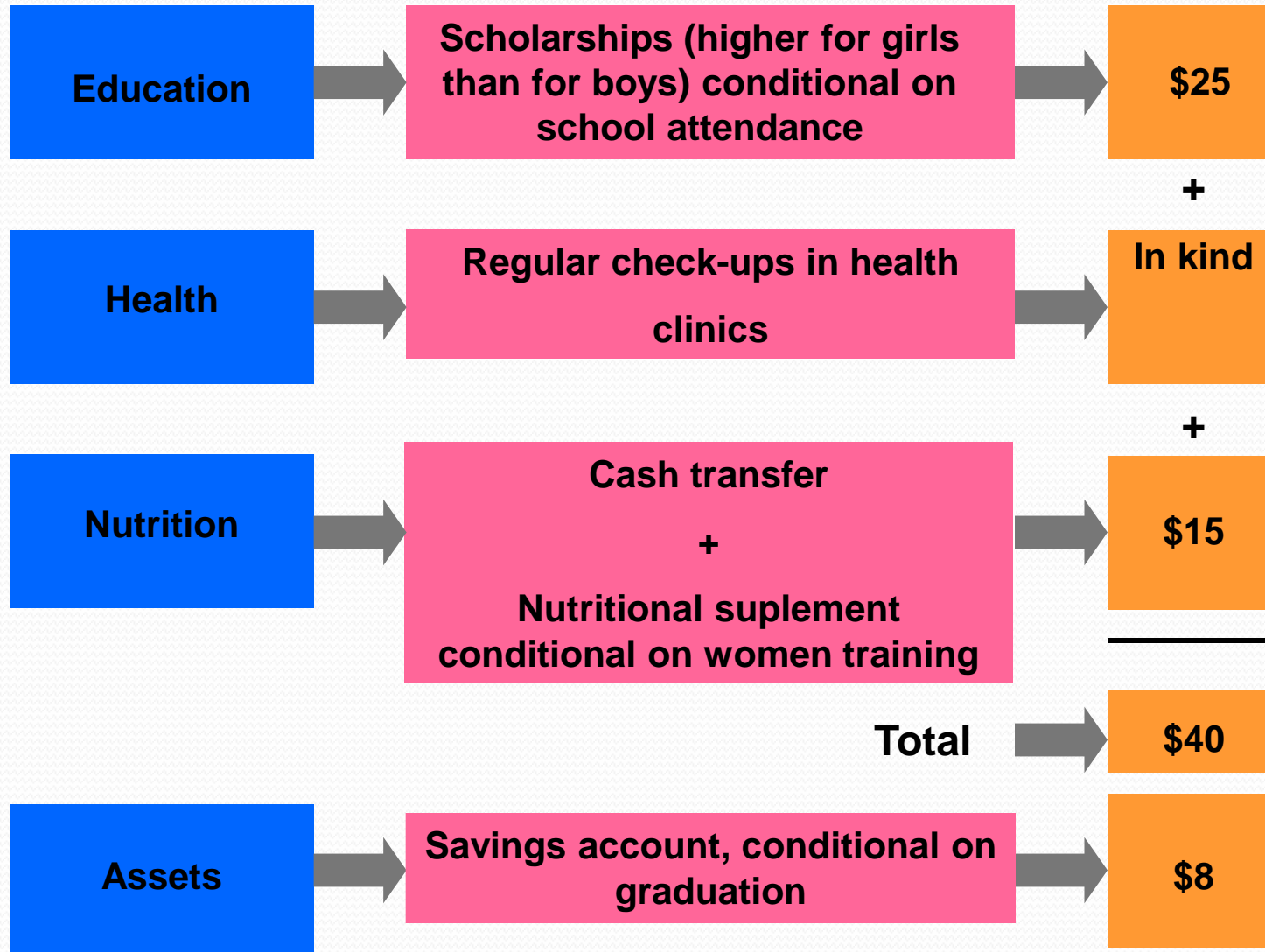
- y_j is the log annual per capita household consumption
- X_i is the set of variables describing household, demographic and asset characteristics
- B_0 is the constant of the regression
- B_i are parameters to be estimated
- ε_i is the random error term assumed to be normally distributed with mean of zero and constant variance

Dominican Republic pilot example: use of emerging technology



Four components: Mexico Oportunidades

Average monthly cash transfer to the mother in the family



Mexico-Oportunidades Targeting Households Eligible to Receive Benefits through a Three-Step Process:

- ***Step One: Geographic Targeting - Identification of poor villages***
- ***Step Two: Proxy Means Testing - Identification of poor households in the poor villages, on the basis of Survey Information about factors related to income***
- ***Step Three: Local Validation***
Local meetings to incorporate eligible families, and resolve disputed cases

Mexico-Oportunidades Targeting Households

Identification of families

Survey
1 hr

Analysis
of the socioeconomic
information of the
household

Identification
Of the eligible families

Each Social Promoter makes an average of 10 surveys per day, to ensure their quality



With the support of:

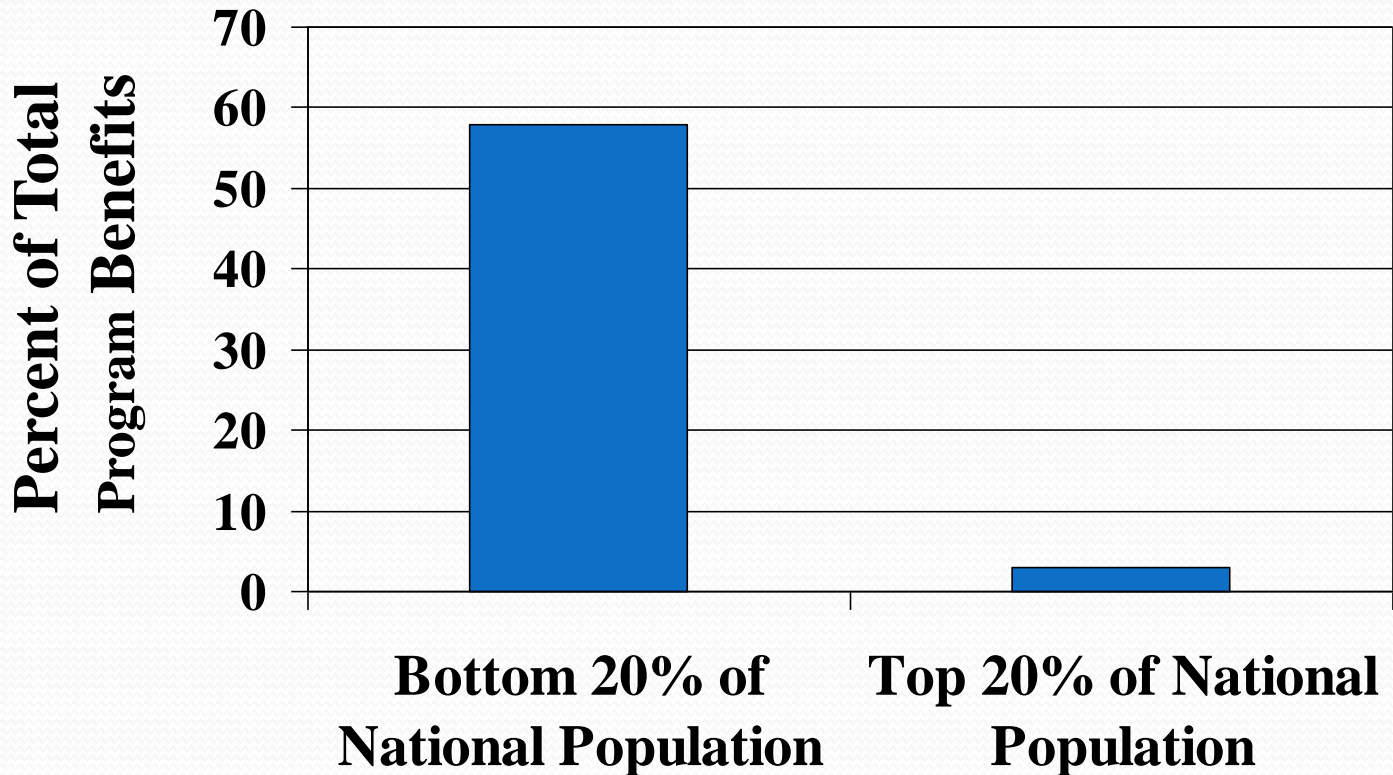
Cuestionario Único
de Información Socioeconómica
(CUIS) H1

Mobile Device (DM) H2

Social Promoter (PS)

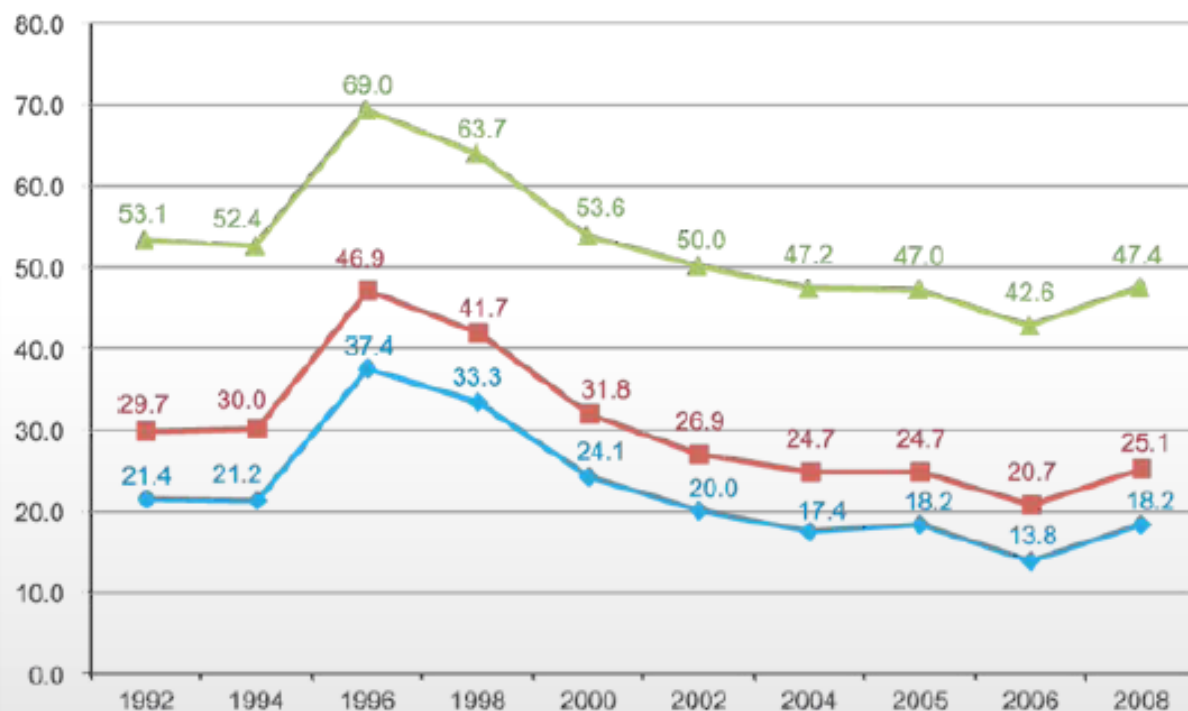
Mexico PROGRESA Poverty Targeting Accomplishments

Reaching Bottom 20% of National Population



Evolution of Poverty in Mexico 1992-2008

Percentage of population in poverty in Mexico



Patrimonial



Insufficient income to buy a basic food basket, to make the necessary expenditure in health and education, as well as, in housing, clothing and transportation.

Capacities



Insufficient income to buy a basic food basket and to make the necessary expenditure in health and education.

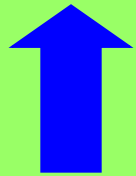
Food (Extreme poverty)



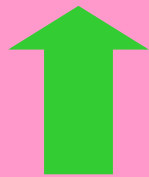
Insufficient income to buy a basic food basket (daily consumption of 2,200 kilocal per person)

Education Impact !

Increase in secondary school enrollment



25% general enrollment



33% female students



16% male students

Successful, why?

Better sectoral coordination and convergence of services to families

■ Before

- Independent actions by each ministry

■ Now

- Coordination of :
 - ✓ Education
 - ✓ Health
 - ✓ Nutrition

Successful, why? Shared responsibility between government and family

■ Before

- Short term support through assistance and welfare

■ Now

- Shared responsibility between govt and family:
- A) change in family behavior to trigger long-term effects
- B) Self-targeting of the poor

Success factors, as viewed by Mexicans

- 1) Rigorous evaluation
- 2) Addressed both short term household needs, and long-term human capital development goals
- 3) Consolidating disperse budgets
- 4) International support
- 5) Central coordination across sectors
- 6) Building on success
- 7) Political support (Even with the change in political party, and President from Zedillo to Fox, to Calderon and to the present regime of Pena Nieto)

Plus----*efficiency in delivery to target groups!*

PETS—public expenditure tracking surveys in Uganda, in 1994 showed that:

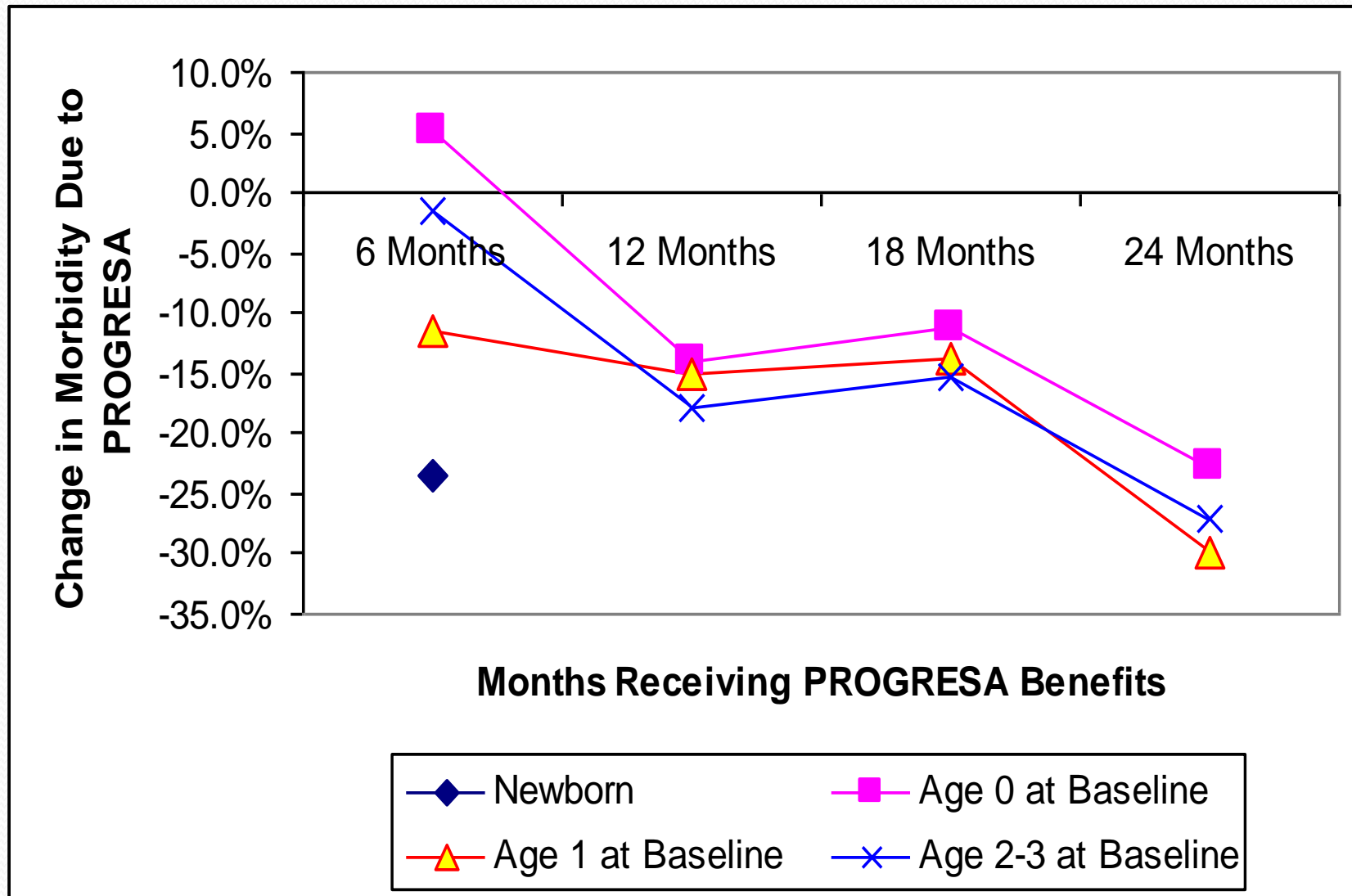
“For every \$1 education non-salary budget at Treasury Level----Only 16 cents reached the schools!! “

In Mexico Progresas and Colombia Familias en Accion (2004) , for every \$1 budget at Treasury Level---about 90 cents received by deserving families !!

Only 10 cents per \$1 is cost of administration!

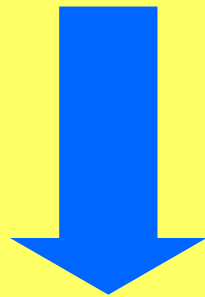
In 2011 the cost down to 3 cents/\$1 !!

Impact on Reduced Illness is Cumulative



Health impact

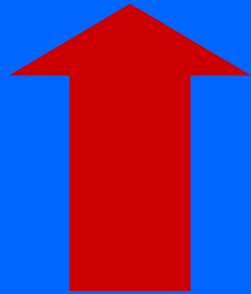
**Morbidity (sickness) under 2
years of age**



**12% reduction in child
morbidity (sickness)**

Nutrition impact

Malnutrition under age 3



**16% increase in
height and weight**

Positive impacts in Africa

- Malawi's Social Cash Transfer pilot (after six months of transfers)*
 - Improved children's and adults' health
 - Increased self-reported school attendance and capacity to study
 - Improved beneficiaries' food consumption and diversity over that of the comparison group
- South Africa Child Support Grant
 - Increased height-for-age in children who received grant until they were 3 years old**
 - Increased school attendance and decreased hunger in children***

* Miller, Candace, Maxton Tsoka, and Mchinji Evaluation Team. 2007. "Evaluation of the Mchinji Cash Transfer: Report II – Targeting and Impact." Center for International Health and Development, Boston University, Boston, and Centre for Social Research, University of Malawi, Zomba.

** Aguero, Jorge, Michael Carter, and Ingrid Woolard. 2007. "The Impact of Unconditional Cash Transfers on Nutrition: The South African Child Support Grant." Working Paper 39, International Poverty Centre, Brasilia.

*** Williams, Martin J. 2007. "The Social and Economic Impacts of South Africa's Child Support Grant." Working Paper 39, Economic Policy

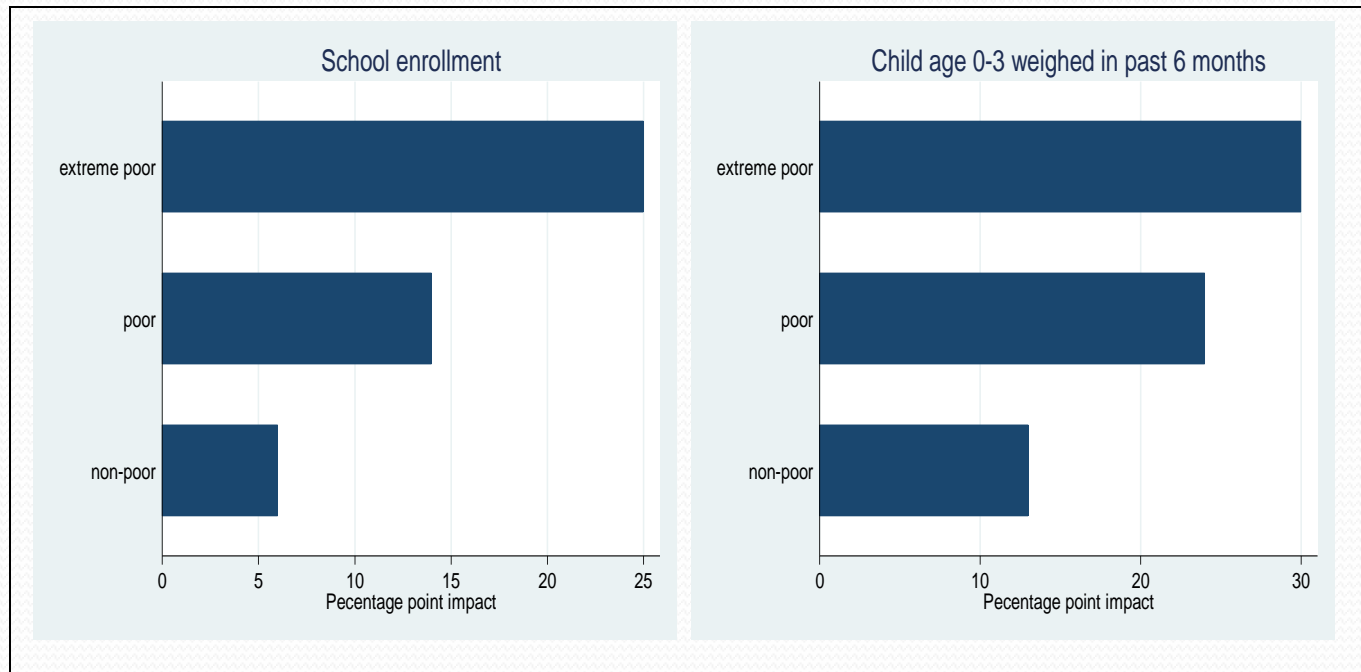
Positive impact in MALAWI from a randomized experiment pilot on girls education

- Malawi's Zomba CT: Experimental CCT/UCT evaluating the usefulness of conditions in SSA
 - In CCT arm, transfers given to adolescent females conditional on school enrollment
 - CCT has been more effective than UCT in improving schooling outcomes, including enrollment, attendance, and test scores

*Baird et al. 2011

Nicaragua: CCT impacts on education and health outcomes

- CCT have reduced the disparities in access between better-off and poorer households



CCT impacts on child nutrition in 6 countries!

CCT impacts on child nutritional status (height-for-age z-scores)				
	Age range	Baseline level	Impact (% points)	Size of transfer
Colombia	<24 months	n.a.	0.16**	17%
	24-48 months		0.01	
Brazil**	<24 months	-0.90	-0.11	9%
	24-48 months		-0.19	
Ecuador	<24 months	-1.07	-0.03	10%
	24-48 months	-1.12	-0.06	
Mexico	12-36 months	n.a.	0.96 cm**	20%
Nicaragua	<60 months	-1.79	0.17**	27%
Nicaragua	<24 months	-0.76	-0.14	15%
	24-48 months	-1.41	-0.12	
Honduras	<72 months	-2.05	-0.02	9%

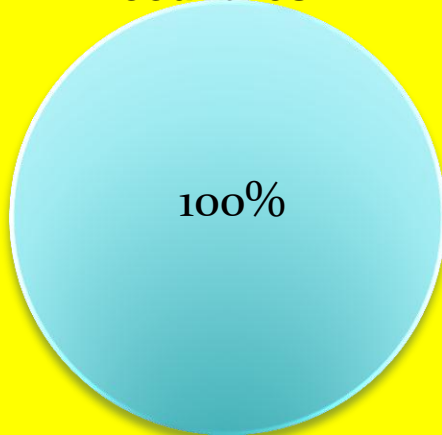
CCT impacts on education (school enrollment) in 7 countries

CCT impacts on enrollment				
	Age range	Baseline enrollment	Impact (% points)	Size of transfer
Colombia	8-13	91.7%	2.1**	17%
	14-17	63.2%	5.6***	
Chile	6-15	60.7%	7.5***	3-7%
Ecuador	6-17	75.2%	10.3***	10%
Mexico	Grade 0-5	94.0%	1.9	20%
	Grade 6	45.0%	8.7***	
	Grade 7-9	42.5%	0.6	
Nicaragua	7-13	72.0%	12.8***	30%
Cambodia (G)	Grade 7-9	65.0%	31.3***	2%
Pakistan (G)	10-14	29.0%	11.1***	3%

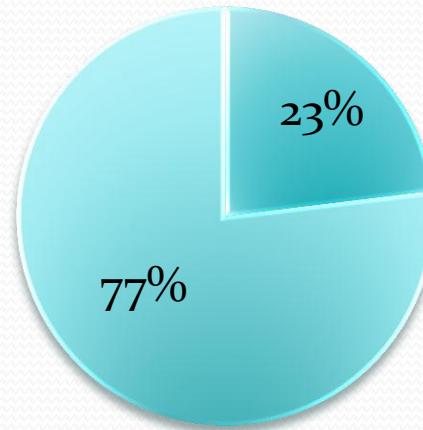
Institutional location of cash transfers:

Wealthier countries are more likely to have government-based cash transfers


Upper-middle income countries



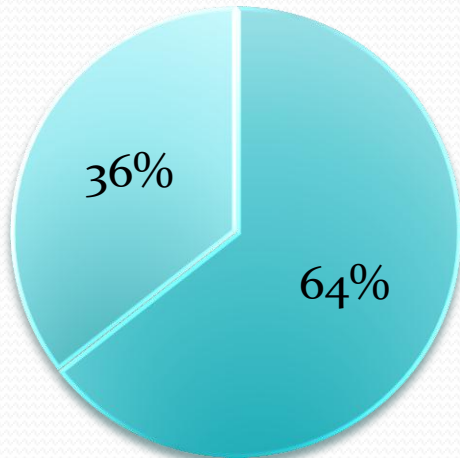
Lower-middle income countries, excludes fragile



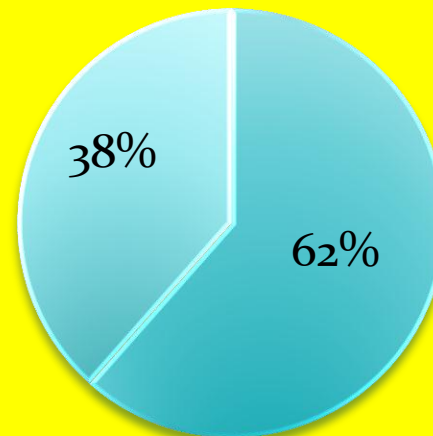
Legend

-  Government-based CTs
-  CTs based outside government

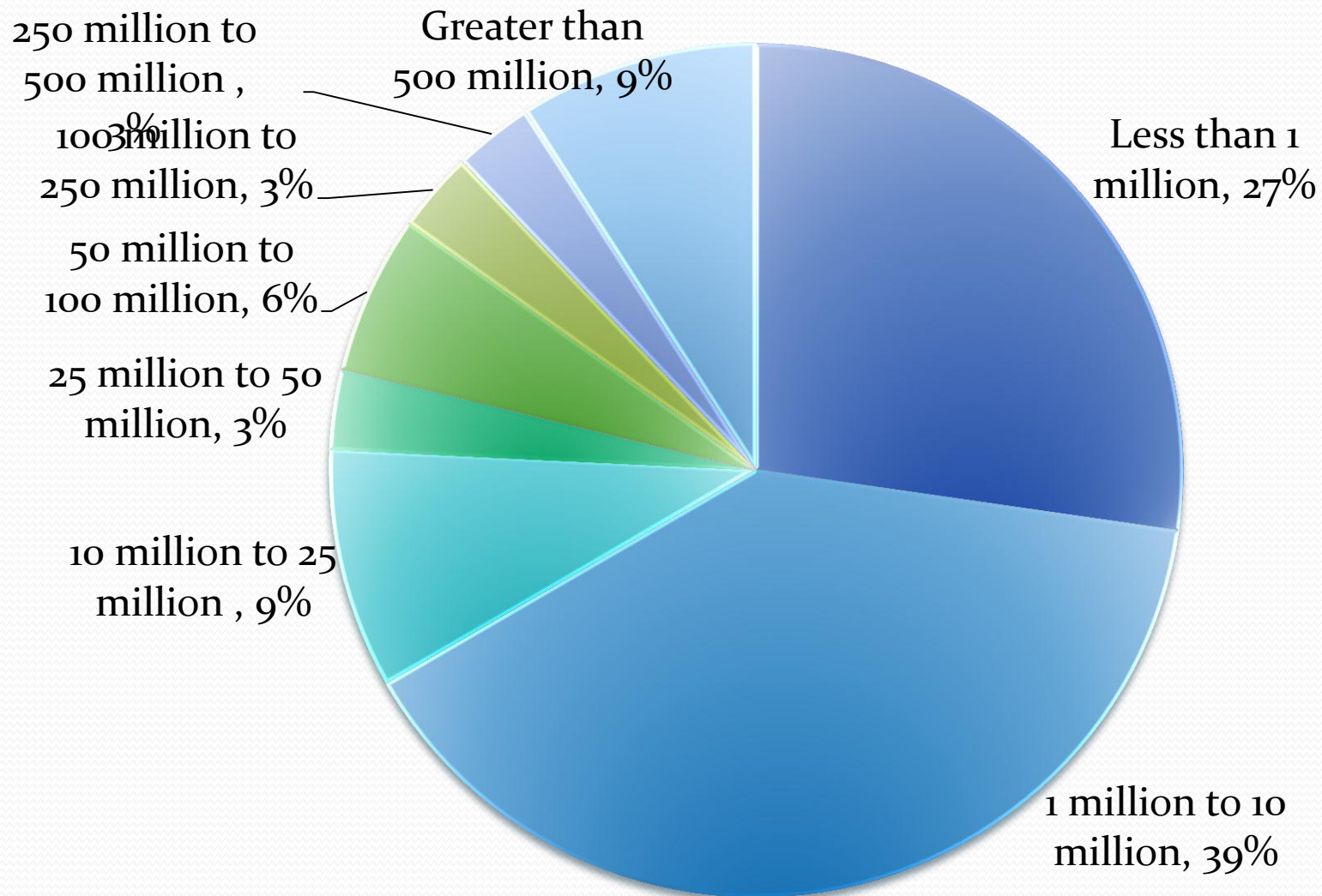
Low-income countries, excludes fragile



Fragile countries



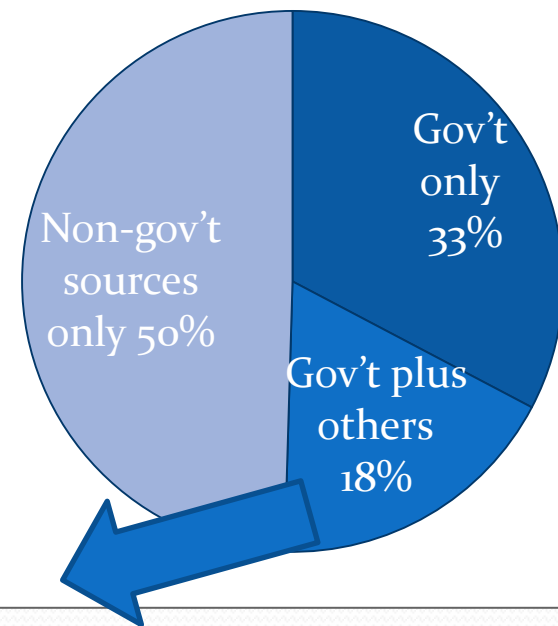
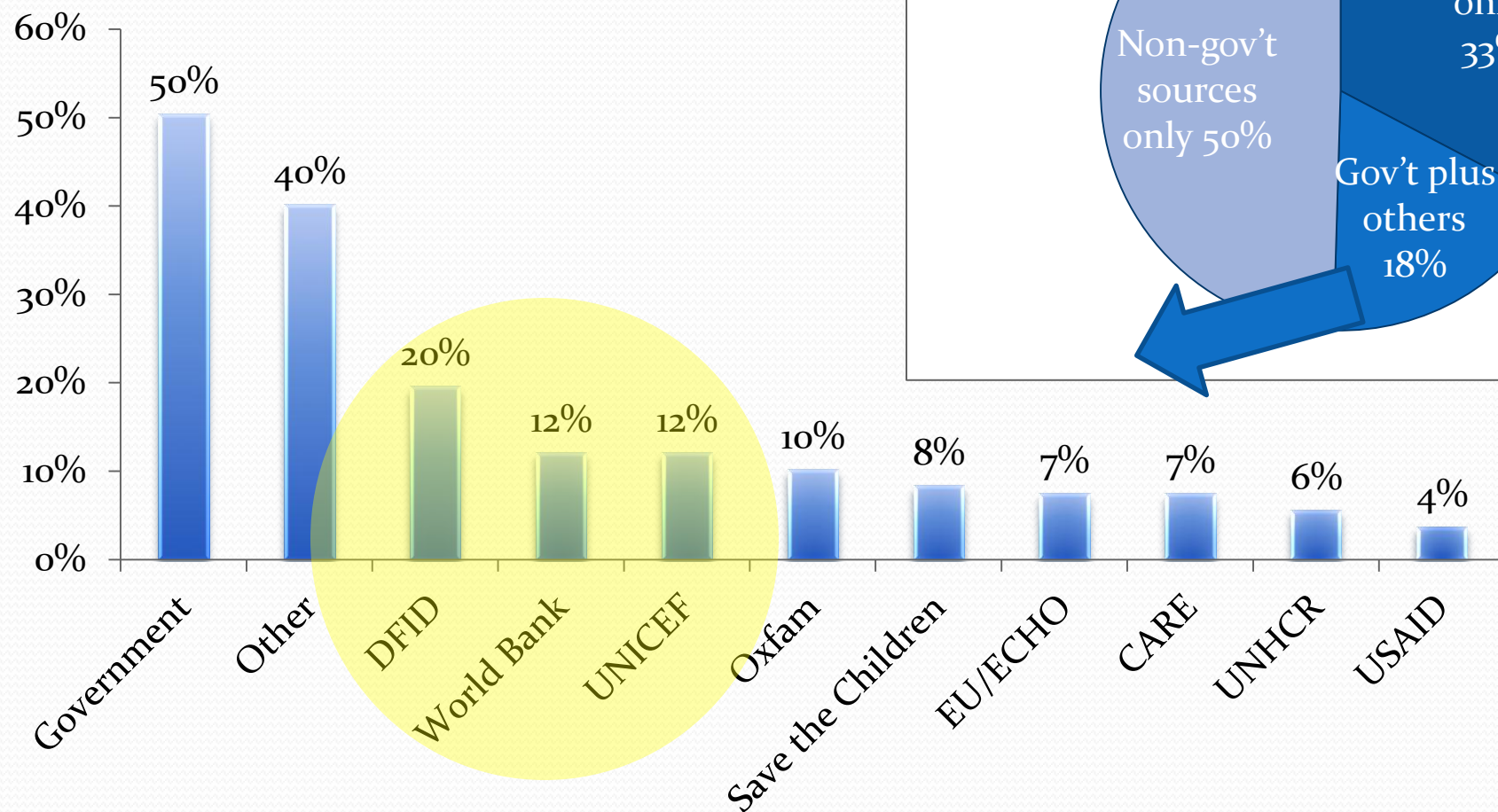
Africa's cash transfer programs: Most cost under US\$ 10 million annually



Costs of CTs in Sub-Saharan Africa vary significantly by country

- ILO cost simulations for a sample of SSA countries for 2010*
 - Universal basic child benefit: 1.5 - 3.1% of GDP
 - Universal elderly pension: 0.6 - 1.1% of GDP

DFID, the World Bank, and UNICEF are most common funders of cash transfers, outside of government



African countries have the potential to provide greater fiscal support for CTs over the medium to long-term

- Positive macro trends: SSA countries averaged over 5% annual growth (2000-2008), twice as fast as growth of 1980s and 1990s*
- Stable macroeconomic policies
- Increased revenue collection
- Increased foreign investment
- Potential natural resource revenues, if managed correctly

Synthesis: Africa's unique approach to CTs

- Objectives reflect region's unique challenges
- Extensive community involvement in many areas:
 - ❑ Targeting
 - ❑ Collecting data
 - ❑ Verifying information
 - ❑ Distributing cash
 - ❑ Monitoring beneficiaries' use of cash
(even in unconditional transfers)
 - ❑ Addressing grievances
- Relatively less focus on transferring benefits exclusively to females

Synthesis: Africa's unique approach to CTs

- ❑ Multiple payment methods often used
- ❑ Leapfrog technology used
 - ❑ Biometric identification can overcome difficulties in identifying beneficiaries without appropriate documentation
 - ❑ Point-of-sale devices or mobile phones are used to transfer cash to nomadic or hard-to-reach beneficiaries
 - ❑ Mobile phones may be used for social marketing, communication, monitoring, or even data collection

The question.....

- The question is not whether cash transfers *can* be used in addressing poverty and improving education and health
- The question is *how* they should be used?

Moving forward...

- Unleash the power of \$32-billion in current cash transfers programs by appropriate design to achieve greater positive impact on health, education and reducing poverty.

finally...

Arigato!