

Interesting and innovative design is the hallmark of CCTs - and Latin American countries are using creative and diverse CCT designs to achieve success.

DESIGNING AN EFFECTIVE CCT

SUMMARY

Latin American countries have used specific CCT design elements – like amount of cash transfer or particular conditionalities like attending school or health check-ups – to foster investment in children’s development to reduce future poverty. But CCTs’ effectiveness depends on the quality of the programme’s design, and in particular, the synergy between the chosen design and the desired objective. This brief analyses the most important CCT design elements from the Latin American experience - the target population, incentives and conditionalities, and entry and exit rules - to help other countries as they make design decisions to adapt CCTs to their own contexts.

DESIGNING EFFECTIVE SOCIAL POLICIES: A CONTINUOUS CHALLENGE

Latin American, Asian and African countries face continuous challenges in designing policies and programmes to effectively confront social problems. CCTs in particular are complicated initiatives to design.

Traditionally, social policy design has relied on theory and expert judgement; however there is an increasing demand from both donors and policymakers for evidence-based policies. Fortunately, relatively abundant evidence exists regarding CCT performance and results from Latin America, evidence that can be useful to inform effective design decisions in other contexts.

KEY ELEMENTS OF CCT DESIGN

Defining the Objective

Clearly defining the programme’s objective is the first step in the design of any CCT. Once the objective is defined, all of the design decisions taken must be orientated towards achieving this objective.

CCTs in Latin America have had, broadly speaking, the same objective: to reduce poverty in the future by promoting investment in human development in the

KEY LESSONS LEARNED

Be specific about the problem to be solved and design the CCT accordingly. All design decisions must come back to the objective.

Good information is key, both about the local context, and about families’ constraints in investing in human capital. From there, creative use of design elements will help a CCT best reflect a country’s specific experience and ultimately make it more successful.





present. In terms of ‘human development’, Latin American countries have typically focused on health and education, and within these areas, on specific sub-goals like increasing school attendance and learning, improving nutrition, and reducing disease incidence.

The CCT instrument - a cash transfer conditioned on certain behaviour - can, however, be used for other objectives, from reducing teenage pregnancy to preventing deforestation or reducing climate change risks. Though CCTs focused on these goals are recent and not widespread, experimentation has been undertaken with encouraging results. For example, programmes in Costa Rica and Mexico offer payments for environmental services (PES),¹ while in Sub-Saharan Africa, CCTs are being used to prevent sexually transmitted infections and HIV/AIDS.² Some of these alternative goals demand a much more complex programme, requiring a more challenging behavioural change from the participant.

Defining the Target Population

CCTs must define the eligibility criteria that will determine which households will be targeted to receive the cash transfer. Since most CCTs in Latin America aim to reduce future poverty through human capital accumulation, they generally target poor households with low human capital levels.

From there, they set more specific eligibility criteria to focus on particular characteristics of families and children.

As Table 1 shows, these more specific eligibility criteria vary across countries. Brazil and Mexico target all households under a given poverty line. Chile and Ecuador also target families under a given poverty limit, but only those that have children of a given age or with family members who are pregnant, disabled or elderly.

Although more specific targeting like that of Chile or Ecuador may make CCTs more effective, it may be politically difficult to implement. The political economy of targeting is complex, since by definition, targeting leaves out a portion of the population. Overly restrictive beneficiary targeting may be difficult to explain to political organisations and to potential beneficiaries, who may not understand or agree with the eligibility criteria.

Latin American countries have used several strategies to manage politicised targeting. First, establishing objective and clear eligibility criteria, such as in Brazil and Mexico, allows beneficiaries to easily check if they are eligible and removes scope for discretion by public officials. Second, community validation processes may also be helpful. In Peru, CCT officials present a list of beneficiaries to the local community, which gathers in a popular assembly to review the list and propose changes to it.

Table 1: Eligibility Criteria in Latin American CCTs

COUNTRY	PROGRAMME NAME	ELIGIBILITY CRITERIA
Bolivia	Juancito Pinto	Public school children up to grade 6
Brazil	Bolsa Familia (Family Allowance)	Poor and extremely poor families. Poor: Monthly per capita income from R\$60 (US\$39) to R\$120 (US\$77). Extremely poor: Monthly per capita income up to R\$60 (US\$39).
Chile	Chile Solidario (Chile Solidary)	Extremely poor households (defined via proxy mean test) are evaluated by social workers to determine if they need the programme.
	Subsidio Unitario Familiar (Family Subsidy)	Poor households (in the bottom 40% of the income distribution) with pregnant women, school-age children or disabled members.
Colombia	Familias en Acción (Families on Action)	Extremely poor families (families with the lowest score in living standards according to the county’s social beneficiary identification system) with children under 18.
Ecuador	Bono de Desarrollo Humano (Bonus for Human Development)	Households with children aged 0–16 in the poorest 2 quintiles, and poor households with elderly or disabled members.
Mexico	Oportunidades (Opportunities)	Extremely poor households (defined via proxy mean test).
Paraguay	Tekoporã	Extremely poor families (defined via a life quality index) with children aged 0–14 and pregnant women, rural areas only.
Peru	Juntos (Together)	Poor households (defined via proxy mean test) with children less than 14 years old.

Own Elaboration.

Data Source: Fiszbein, A., Schady, N. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank, Washington D.C.

¹ For more information, see the Food and Agriculture Organisation (FAO) [website about Payments for Environmental Services \(PES\)](#).

² Medji, C., de Walque, D. 2008. *Potential Applications of Conditional Cash Transfers for Prevention of Sexually Transmitted Infections and HIV in Sub-Saharan Africa*. Policy Research Working Paper 4673. World Bank, Washington, DC.

Conditionalities and Cash Benefit Design

Conditionalities, such as attending school or health checkups, as well as the cash amount for the incentive, must also be designed carefully. To select the right conditionalities for a CCT it is important to first analyse the relationship between the use of the service and the desired outcome. Consider the example of a CCT programme whose objective is to improve children's nutritional status. Is motivating

mothers to take their children to health check-ups the best way to induce better nutrition outcomes? Or would it be better to condition the cash transfer on attendance at nutritional training? There is also the possibility of conditioning the transfer on the desired outcome itself, such as improved height-weight ratios, but only when that outcome is under the beneficiary's control.

Table 2: Conditionalities Used in Latin American CCTs

COUNTRY	PROGRAMME NAME	ELIGIBILITY CRITERIA
Bolivia	Juancito Pinto	Children of school age: Attend class at least 75% of the school year.
Brazil	Bolsa Familia (Family Allowance)	Children from 0-6: Scheduled vaccines and regular health and growth check-ups. Pregnant and lactating women: Prenatal and postnatal check-ups. Participation in health seminars. Children of school age: Children's attendance at 85% of classes; Parents' attendance at parent-teacher meetings.
Chile	Chile Solidario (Chile Solidary)	Compliance with a contract committing participation in activities identified together with a social assistant, in areas such as health, education, employment and family life.
Colombia	Familias en Acción (Families on Action)	Children 0-1: Health check-ups every 2 months. Children age 2: Health check-ups 3 times per year. Children 3-7: Health check-ups 2 times per year. Children of school age: At least 80% attendance in a 2 month cycle.
Ecuador	Bono de Desarrollo Humano (Bonus for Human Development)	Children from 0-5: Bimonthly visits to health posts for growth and development check-ups and immunisation. Children 6-15: School enrolment with 90% attendance.
Mexico	Oportunidades (Opportunities)	Children of school age: School enrolment; at least 80% attendance each month and 93% attendance annually; Completion of middle school; Completion of grade 12 before 22 years of age. Family members over 15: Attendance at nutritional lectures. All household members: Compliance with required medical check-ups.
Paraguay	Tekoporã	Children 0-14: Follow vaccination calendar and health check-ups. Children of School Age: Matriculation and attendance.
Peru	Juntos (Together)	Children under 5 and pregnant women: Regular health visits. Children 6-14: school enrollment and 85% of attendance.

Own Elaboration.

Source: Fiszbein, A., Schady, N. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank, Washington, DC.

The amount of money used as an incentive must also be carefully selected, taking into account the conditionality established and, most importantly, the economic and social reality of the beneficiary communities. In particular, cash transfers need to cover a family's opportunity cost of, for example, sending their children to school; this means not just the actual cost like school fees, but also costs like lost wages for a child who would be working if he or she were not in school. Initial economic analysis, such as through household surveys,

is typically used to calculate opportunity costs. Continuous evaluation during implementation also provides useful lessons about needed adjustments in the incentive formulation. Pilot programmes may also be useful. For example, the programmes *Red de Protección Social* (Social Protection Network) in Nicaragua and *Subsidio Condicionado a la Asistencia Escolar* (Subsidy Conditioned to School Assistance) in Colombia have started as pilots with small groups of beneficiaries in order to better understand the constraints they face and design the incentive structure accordingly.

² The [ELLA Brief: Learning from CCT Evaluations](#) provides additional analyses of CCT evaluations.



The Value of a Differentiated Benefit Structure:

OPORTUNIDADES – Mexico

CCT programmes in the region usually provide different payments to families based on the number of children. But they otherwise avoid differentiation because simple benefit structures help keep administrative systems streamlined and make it easy for beneficiaries to understand the programme.

Although simple beneficiary structures do work, the programme’s impact can be considerably boosted by using more differentiated benefits, such as the strategy used in Mexico.

Families get extra cash for each child between third and twelfth grade that attends at least 85% of their classes and passes each grade by the second try. It does so to compensate for the higher opportunity cost for older students, for example, since older children can earn higher wages than younger children. The higher benefit also allows the family to cover the higher explicit costs of secondary school, such as greater transportation costs because schools are more distant or text books that may be more expensive.

Families also receive 13% more for keeping a girl in school than a boy, because social norms make it more difficult for girls to attend, and the opportunity cost of sending them might be higher than for boys given girls’ role in helping with childcare and domestic activities.

Exit Strategies

An exit strategy refers simply to how beneficiaries ‘graduate’ from the CCT programme. Having an exit strategy is crucial to assure that limited resources reach those who are most in need, while avoiding programme dependency. Clearly defined exit rules help to avoid confusion and to minimise the potential for abuse among beneficiaries that may want to continue receiving transfers even after they no longer meet the eligibility criteria.

Most Latin American programmes still have problems defining this strategy because, unlike other design aspects, there is no consensus about the right time for a beneficiary to leave the programme without compromising the CCT’s objectives nor creating political backlash.

Again, the exit strategy must respond to the CCT’s established long-term objective. For example, for a CCT seeking enhanced educational capabilities, transfers should continue until the children finish a given year in school. If, on the other hand, the programme prioritises the social assistance component of the CCT, they may retain a poor family in the programme even when children are no longer of school age.

Latin American countries use three main exit strategies. The first option is graduating beneficiaries once they escape poverty, which is the strategy most in use. The second is graduating beneficiaries once they no longer meet the programme’s conditions, such as age or school grade. For example, beneficiaries in Peru, Colombia and Brazil stop receiving transfers once the children of the household reach an age in which they have probably finished school.

The third is ending transfers once the beneficiary exceeds a given time limit, such as in Chile and Nicaragua.

All of these options, however, could have negative effects on a programme’s objectives. For example, children from families who stopped receiving transfers after a given time may not complete their education because they no longer have incentives to do so, since the time limit is not linked with their finishing school. Removing a beneficiary because he is no longer poor is also complicated because a beneficiary’s poverty status may change quickly.

Countries use different strategies to avoid these negative effects. For example, some countries reduce benefits over time for newly non-eligible households; others extend beneficiary monitoring even after transfers end to assure that families have not fallen back into poverty.

Table 3: Exit Rules in Latin American CCTs

COUNTRY	ELIGIBILITY CRITERIA
Bolivia	Eligibility evaluations every two years (based on poverty level) until children reach the age of 17.
Brazil	Family poverty evaluations every six years; benefits are reduced over time if the family becomes ineligible.
Chile	Benefits end after two years. Monitoring of beneficiary status ends after three years.
Colombia	Beneficiaries stay in the programme until children reach 18. Eligibility evaluations every four years.
Nicaragua	Beneficiaries stop receiving cash transfers after three years.
El Salvador	Families leave the programme after three years.
Peru	Beneficiaries stay in the programme until children reach 18. Beneficiaries monitored after exiting the programme.

Own Elaboration.
Sources: Fiszbein, A., Schady, N. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank, Washington, DC.; Johannsen, J. 2009. *Conditional Cash Transfers in Latin America: Problems and Opportunities*. Inter-American Development Bank, Washington, DC.

CONTEXTUAL FACTORS

ENABLING SUCCESSFUL CCT DESIGN



What kinds of enabling or contextual factors have influenced the quality of CCT design in Latin America?

The first is the degree of technical qualifications of the design team. Experience in programme design, complemented by an understanding of local variables, is invaluable. Importantly, the technical team must be free of political pressures so that design decisions rest on programme effectiveness, not political interest.

Good information is important so design can be adapted to local needs. Specific studies were implemented to answer key questions, such as the size of the transfer needed to offset opportunity costs, or which human development behaviours should conditionalities motivate. Also, information related to the characteristics and needs of the poor are necessary through the whole design process.

Analysing the quality and quantity of services available is determinant for defining design variables. Complementary public investment may be needed to ensure that there is an adequate supply of the services the programme incentivises beneficiaries to use.

Latin American CCTs benefited from strong monitoring and evaluation systems, implemented from the beginning of the programme. Ongoing assessments have allowed governments to fine-tune their design as the CCT unfolds. Quantitative impact evaluation results from one country were also used to shape CCT design in others.

Similarly, the regional push for CCTs meant not only that experiences were shared, but that technical assistance was made available to improve countries' CCT design efforts.

LESSONS LEARNED

1 Latin America's design experience shows that no one formula works everywhere, as countries have creatively shaped CCT design to meet their own objectives and the specificities of their context. The most successful programmes are the ones that take into account the countries own context to design a programme that respond to the population's needs and constraints and the country's institutional capacity.

2 What should remain clear on the mind of the design team throughout

this process is that CCT programmes are useful tools that solve specific problems. The whole programme design must be focused on solving the selected problem in the most efficient way.

3 Latin American countries show that it is possible to increase the complexity of the design of targeting or conditionalities to more precisely reach specific populations and address the particular constraints they face. However, countries face

a trade-off, as complex designs are more difficult and costly to implement.

4 Exit strategies help ensure that limited resources reach those who are most in need, but countries should consider the potential negative impacts on families when benefits are cut off. The Latin American experience shows some diverse strategies that can be used to mitigate these negative effects.

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