Obstacles to Uptake: The Case of Ecuador’s Conditional Cash Transfer Program, the *Bono de Desarrollo Humano*

by

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<tr>
<td>ARCES</td>
<td>Agencias de Registro Civil en Establecimientos de Salud</td>
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<td>BDH</td>
<td>Bono de Desarrollo Humano</td>
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<td>BE</td>
<td>Beca Escolar</td>
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<td>BS</td>
<td>Bono Solidario</td>
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<td>CAS</td>
<td>Chile Social Assistance Committee</td>
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<td>CASEN</td>
<td>Chile National Socioeconomic Characterization survey</td>
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<td>CCT</td>
<td>Conditional cash transfer program</td>
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<td>ECLAC</td>
<td>Economic Commission on Latin America and the Caribbean</td>
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<td>EVS</td>
<td>Germany Income and Expenditure Survey</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>IFPRI</td>
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<td>INEC</td>
<td>Instituto Nacional de Estadística y Censos</td>
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<td>INNFA</td>
<td>Instituto Nacional de la Niñez y la Familia</td>
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<tr>
<td>MAIS</td>
<td>Modelo de Atención Integral de Salud</td>
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<tr>
<td>MBS</td>
<td>Ministerio de Bienestar Social</td>
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<td>MCDS</td>
<td>Ministerio Coordinador de Desarrollo Social</td>
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<td>MIES</td>
<td>Ministerio de Inclusión Económica y Social</td>
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<tr>
<td>PNBV</td>
<td>Plan Nacional para el Buen Vivir 2009-2013</td>
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<tr>
<td>SELBEN</td>
<td>Sistema de Identificación y Selección de Beneficiarios</td>
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<td>SENPLADES</td>
<td>Secretaría Nacional de Planificación y Desarrollo</td>
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<td>UNICEF</td>
<td>United Nations International Children’s Emergency Fund</td>
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Introduction

Latin America since the end of the 1990s has experienced a considerable reduction in poverty and corresponding improvements in human development. The incidence of poverty in the region, measured as the percentage of the population living on less than US $4.00 per day, fell from 40.8 percent in 1998 to 25.8 percent in 2011. The rates of infant mortality, maternal mortality, and chronic malnutrition also declined, and school enrollment rates increased. Contributing to the substantial improvement in such indicators of well being has been the proliferation of pro-poor social assistance policies, particularly conditional cash transfer (CCT) programs. CCTs operate by transferring money to households (usually those below a poverty line, except in Bolivia, where the transfers are universal) conditional on compliance with certain behaviors, such as sending children to school and to medical check-ups. CCT programs are designed to encourage human capital investment and to increase the capabilities of the poor. Their aim is not only to reduce poverty in the short run, but also to end the intergenerational transmission of poverty in the long run. In 2010, 18 countries in Latin America and the Caribbean had CCT programs, benefitting 113 million people across the region—one in every five inhabitants.

CCTs are widely hailed as effective, low-cost social protection schemes, and are lauded for their contribution to the recent reduction of poverty and the improvement of human development in the region. Impact evaluations suggest that

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1 Socio-Economic Database for Latin America and the Caribbean [SEDLAC] (CEDLAS and the World Bank) 2014: poverty headcount ratio weighted by country population.
2 Levy and Schady 2013: 194-195.
3 Cecchini and Madariaga 2011: 7.
4 ECLAC 2011: 139-140.
they have had largely positive effects on enrollment in education and health services, poverty reduction, decline of child labor, and sense of citizenship. Critics question the programs’ long-term capacity to reduce the intergenerational transmission of poverty, however. Notably, some studies have suggested that the programs have failed to produce positive final outcomes in educational and health attainment, such as improved cognitive development, educational achievement, or child nutrition status. Crucial to this concern has been the question of “whether or not targeted groups are, in fact, reached by cash transfer programs.”

This question is central to evaluations of Latin American CCT programs’ success. The literature has focused narrowly, however, on the accuracy (or deficiency) of programs’ targeting mechanism or mechanisms in addressing this question. Fiszbein and Schady (2009) note that both the quality of the data and statistical methods, and the means by which the targeting survey is implemented, determine the accuracy of targeting mechanisms, which in turn determines the extent of a program's coverage of the poor. The majority of CCT programs in Latin America determine participant eligibility through geographic targeting (a “poverty map”) and/or through proxy means testing (an evaluation of observable household characteristics that are correlated with welfare levels). Studies show that these targeting mechanisms typically fail to identify all potentially eligible beneficiaries, resulting in errors of exclusion or under-coverage. These failures have received attention from scholars and policymakers alike, prompting reforms and improvements

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5 Fiszbein and Schady 2009.
6 Fiszbein and Schady 2009: xii.
8 Fiszbein and Schady 2009: 70.
10 Fiszbein and Schady 2009.
across the last decade of their operation that have led to fewer errors of exclusion; indeed, “CCTs have moved forward the state of the art and standard for targeted programs generally.”  

Yet program assessments have over-focused on targeting mechanisms—and on proxy means testing in particular—in assessing CCT programs’ ability to reach the poor. The incidence of ‘under-participation’ (whether those whom the targeting mechanisms identify actually choose to enroll in, or take up, the program) and of ‘under-documentation’ (a lack of access by the poor to the official documents—birth certificates and identity cards—required to participate in the program) also affects the overall coverage of the poor population. The causes and consequences of under-participation in particular call for new research. I argue that in order for Latin American CCT programs to improve rates of overall coverage—and accordingly, their effectiveness in producing final outcomes in human development—program administrators and national governments must collaborate to eliminate not just targeting errors, but also the multiple obstacles that prevent the poor from participating in such programs.

Ecuador’s CCT program, the Bono de Desarrollo Humano (BDH), will serve in this thesis as a case study of three categories of challenges that CCT programs typically face in reaching the poor: coverage by targeting mechanisms, participation by the “covered” poor, and documentation of the poor. These challenges help to explain why so many Ecuadorians whose incomes are sufficiently low to qualify for the BDH nevertheless are not part of the program.

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In the summer of 2013, I undertook interviews with potential and current beneficiaries of the BDH in four towns, two in the Sierra region and two in the Amazon. The location of each town is indicated in Figure 1.1. In the Sierra, I conducted interviews in San Clemente, a Kichwa indigenous community located in the rural parroquia, or parish (the smallest administrative unit) of La Esperanza, in the department (the next administrative unit) of Ibarra, in the province (the largest administrative unit) of Imbabura; and in the neighborhood Guamaní Narváez, located in the urban parroquia Guaytacama, in the Latacunga department of the Cotopaxi province. In the Amazon, I conducted interviews in Tsunkintsa, an Achuar indigenous community in the rural parroquia Huasaga, in the Taisha department of the Morona Santiago province; and in a neighborhood of Sápara indigenous people outside of the city of Puyo, located in the urban parroquia of Puyo, in the Pastaza department of the Pastaza province.

These interviews with potential and actual beneficiaries, as well as interviews conducted in the capital Quito with program administrators and academic experts, suggest that people whose incomes make them candidates for the program face a complex array of problems: some are missed by the national census, resulting in an incomplete poverty map for program targeting; others are missed by the proxy means test; others lack the requisite identity documents and face obstacles to acquiring them; others cannot afford the transaction costs of program uptake (for instance, in the Amazon, plane fare to a payment point); others have conscious reservations about program participation (not wanting to be classified as “poor”); and still others lack access to the education and health services that the BDH requires beneficiaries to
utilize. Each of these factors, not just the first two (related to inadequate targeting, on which the literature has focused), has reduced the capacity of the BDH to achieve its poverty reduction and human development goals.

The first chapter of the thesis reviews the human development outcomes of Latin American CCTs since their emergence in the 1990s, with a particular focus on Ecuador’s BDH, Mexico’s Oportunidades (formerly Progresa), Brazil’s Bolsa Familia, and Chile Solidario. CCTs have been widely commended for their positive effects in promoting school enrollment and health check-ups and in reducing child labor and income poverty. Despite these successes, more research is needed on the levels and causes of under-coverage, under-participation, and under-documentation, and more attention needs to be paid to the consequences of these challenges for the programs’ capacities to achieve their long-term aims of reducing the inter-generational transmission of poverty and of increasing the capabilities of the poor.

The second chapter provides an overview of the BDH’s origins, operation, and recent reforms. The BDH is a large-scale CCT program, with 44.3 percent of the total national population participating in 2012. The background provided in this chapter will contextualize the challenges that the BDH currently faces. In particular, the descriptions of the program’s eligibility requirements, targeting mechanisms, conditionalities, and payment mechanisms are critical to the subsequent analysis.

The third, fourth, and fifth chapters argue that the BDH has attained neither full coverage of, nor full participation from, the poor population. The analysis presented in these chapters of the causes, characteristics, and consequences of under-coverage, under-participation, and under-documentation includes three original

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12 ECLAC 2011: 141, Table III.1.
contributions. First, analyses of under-coverage by targeting mechanisms have been excessively preoccupied with proxy means tests, and insufficiently concerned with the role of survey error by the national census. Data from the national census are crucial to creating a “poverty map” for geographic targeting purposes. Survey errors by the national census lead to the creation of a poverty map that does not accurately represent the poor. When used to target the BDH, the incomplete poverty map leads in turn to under-coverage of the poor. A second major contribution of the thesis is to conceptualize a threshold model of participation behavior for the poor, building on the work of Mark Granovetter (1978). The research reported in the fourth chapter finds that the threshold above which the costs of participation exceed the expected benefits differs according to age, ethnicity, and geographic location. The third original contribution of the thesis is its focus on under-documentation as a problem that lowers uptake. This concern has been raised in reference to Brazil’s Bolsa Familia, but not in reference to other CCT programs in Latin America.

A concluding chapter extrapolates the findings about the causes of under-coverage, under-participation, and under-documentation to the cases of Mexico, Brazil, and Chile. These challenges affect the ability of those programs as well to reach the poor. If subsequent evaluations are undertaken to assess the incidence and address the causes of these three challenges, Latin American governments will have the opportunity to perpetuate the progress already made by CCT programs the region toward poverty alleviation and human development.

13 Hunter and Sugiyama 2011.
Chapter I: Conditional Cash Transfers in Latin America: Contributions and Challenges

Conditional cash transfer (CCT) programs took hold in Latin America beginning in the 1990s, and have since expanded in number and in size. By 2010 CCT programs operated in 18 Latin American countries and reached 20 percent of the region’s population.\(^{14}\) Since their inception, scholars have undertaken impact evaluations to assess the programs’ effectiveness in achieving their aims (poverty reduction and human development) and in reaching the region’s poor population. Relative to other social assistance programs introduced in the 1990s—social emergency or investment funds, microfinance programs—CCTs have been found to have “reached the poor more successfully.”\(^{15}\) It is precisely because of these programs’ relative success that it is relevant and worthwhile to examine the challenges highlighted in this thesis. If these challenges can be remediated, CCT programs will have even more significant and positive effects in the region.

This chapter provides an overview of the principal findings of impact evaluations of Latin American CCTs, as well as of the main criticisms of the programs. It then discusses the three main challenges that CCTs face in reaching the poor—coverage, participation, and documentation—that are the focus of this thesis. Ecuador’s Bono de Desarrollo Humano is compared throughout the chapter to Mexico’s Oportunidades, Brazil’s Bolsa Família, and Chile Solidario. These programs were selected as comparative cases for a number of reasons. When the

\(^{14}\) ECLAC 2011: 139-140.
\(^{15}\) McGuire 2012: 206.
BDH was created out of two existing programs, the Bono Solidario (BS) and the Beca Escolar (BE), in 2003, policymakers initially looked to emulate core design aspects of Mexico’s Oportunidades, but did not succeed in crafting comparable monitoring or enforcement mechanisms for program conditions like school enrollment or health care visits.\textsuperscript{16} Brazil’s Bolsa Família is one of the most well-known and widely renowned CCTs alongside Oportunidades, and it is also facing the same challenges, in particular that of under-documentation of the poor, that the BDH faces. Chile Solidario—which Barrientos (2013) considers to be an “integrated poverty reduction program” because it involves a broad range of interventions with poor households that go beyond the scope of traditional CCTs\textsuperscript{17}—is selected because it targets only the extreme poor, and could thus serve as a model for reforms to Ecuador's BDH that the Ministerio de Inclusión Económica y Social (MIES) is currently undertaking.\textsuperscript{18}

1.1. Impact Evaluations

The first CCT program to be evaluated was Mexico’s Progresa (now Oportunidades) in the 1990s. Program administrators asked the International Food Policy Research Institute (IFPRI) to evaluate the program, which was created in 1997, a few years after its inception. The IFPRI found it to be operating efficiently and to have improved educational outcomes.\textsuperscript{19} Since this initial evaluation, academics and international financial organizations have undertaken multiple randomized control trial studies evaluating various impacts of Latin American CCT programs. Fiszbein

\textsuperscript{16} Schady and Araujo 2008: 44.
\textsuperscript{17} Barrientos 2013: 109.
\textsuperscript{18} Nehring 2012: 3.
\textsuperscript{19} Valencia Lomeli 2008: 477.
and Schady (2009) offer the most comprehensive analysis of randomized impact evaluations of CCTs in Latin America, affirming that the programs have improved school attendance, the utilization of preventative health services, and household consumption, and have caused a large decline in child labor. \(^{20}\) Recent empirical studies have also explored the effects of CCTs on feelings of citizenship among the poor, finding that program participation has had a positive impact on feelings of self-efficacy and sense of belonging. \(^{21}\)

Essential to evaluating the impact of CCT programs is an understanding of their conditions, and the mechanisms in place for monitoring and enforcing those conditions. Most Latin American CCTs include both education and health care conditions, with the aim of stimulating demand for services that are already provided by the state. Specific conditions—also labeled “co-responsibilities,” given that they specify the state's obligations as well as those of beneficiaries—vary among programs, but are generally aimed at building the human capital of impoverished mothers and children. Brazil’s Bolsa Família, for example, requires enrollment and monthly attendance rates of at least 85 percent of school days for all children between the ages of 6 and 15, and of all youth aged between 15 and 17. The program also requires mothers to utilize preventative maternal and infant healthcare services, including pre- and post-natal checkups, and to participate in health seminars. Children aged 0 to 6 are required to obtain immunizations and regular checkups, including for growth monitoring. \(^{22}\) In Chile Solidario, which is narrowly targeted to the extremely poor, each beneficiary family is assigned a social worker who provides psychological

\(^{21}\) Hunter and Sugiyama 2013: 2.
\(^{22}\) Fiszbein and Schady 2009: 242.
support and works with the family to develop an action plan for accessing the services it needs most. The transfer amount is lower in Chile Solidario than in most other CCT programs, but beneficiaries are also given preferential access to other state services.\textsuperscript{23} 

CCTs also vary according to their inclusion of the specific mechanisms for monitoring or enforcing conditions. Monitoring mechanisms are well established in Bolsa Família. Compliance with conditions is monitored at the municipal level, and attendance and health records are sent to the national Ministry of Social Development, which administers the program. The Ministry checks the records every two months for the attendance requirement, and twice a year for health care requirements.\textsuperscript{24} Program officials view noncompliance not as unwillingness to comply, but as evidence that a family is struggling to deal with some barrier that prevents its members from utilizing services. The first time a family fails to meet a condition, the Brazilian government sends a social worker to inquire as to whether the family may need additional support.\textsuperscript{25} This enforcement mechanism stands in sharp contrast to that of Oportunidades in Mexico, which punishes first time offenders by reducing the amount of the subsequent transfer. The Mexican program will also stop providing transfers to households that consistently fail to meet health conditions (education conditions are not subject to the same stringency).\textsuperscript{26} Ecuador’s BDH, by contrast, is distinctive for having no monitoring or enforcement mechanisms whatsoever to verify compliance with education and health conditions.\textsuperscript{27}

\textsuperscript{23}Martorano and Sanfilippo 2012: 1032-1033.
\textsuperscript{24}Fiszbein and Schady 2009: 243.
\textsuperscript{25}Fiszbein and Schady 2009: 89.
\textsuperscript{26}González-Flores et al. 2012: 2508.
\textsuperscript{27}Fiszbein and Schady 2009: 243.
CCT programs throughout Latin America have been relatively quite successful in achieving their aims. Fiszbein and Schady (2009) affirmed that participation in CCT programs has led to “significant and, in some cases, substantial increases” in the utilization of education services, especially among households where enrollment rates were initially low. Participation in Chile Solidario led to a 7 percent increase in the probability that children aged 6 to 14 would be enrolled in school. A large majority of Latin American CCT programs have led to increases in school enrollment, yet some programs have had effects only on particular age groups or in particular groups of beneficiaries. Mexico’s Oportunidades, for instance, was found to have had a particular impact on school enrollment among rural beneficiary children transitioning between levels of schooling, particularly children making the transition from primary to secondary school. The impact of the program is thus limited in scope, but it is highly important given the high dropout rates that children in transition grades face.

Evaluations have also found that CCT programs usually increase the utilization of preventative health services. Participation in Nicaragua's Red de Protección Social, for example, resulted in a 13 percent increase in the probability over a 6-month period that children aged 0 to 3 had been taken to a health center and weighed. Colombia’s Familias en Acción showed similar results. The effects of CCT programs on health service utilization are less uniform than for school enrollment and attendance, however. Both Brazil's Bolsa Família and Ecuador's BDH

28 Fiszbein and Schady 2009: 16.
29 Fiszbein and Schady 2009: 130; evidence from a study by Galasso 2006.
31 Fiszbein and Schady 2009: 137-139; evidence from a study by Maluccio and Flores 2005.
failed to raise the share of children receiving immunizations and health checkups.\footnote{Brazil: Soares et al. 2010; Ecuador: Paxson and Schady 2007.}

Participation in Chile Solidario increased the number of child health checkups among rural but not urban beneficiaries.\footnote{Soares et al. 2010: 183.}

CCT programs are also designed to increase the level of consumption of targeted households and to reduce the intensity of poverty. As a whole, CCTs in Latin America have improved household consumption among beneficiary families, and the improvement has been greater in programs in which the transfer payment is larger.\footnote{Fiszbein and Schady 2009: 106.} Fiszbein and Schady (2009) report that in the initial years of Mexico’s Progresa, the precursor to Oportunidades, beneficiary households of the program consumed on average 8.3 percent more than non-beneficiary households. For Brazil’s Bolsa Alimentação, a precursor to Bolsa Família, the authors similarly found that beneficiary households of the program consumed on average 7.0 percent more;\footnote{Fiszbein and Schady 2009: 12-13.} although in recent years of operation, however, Bolsa Família has not continued to have a significant positive effect on consumption. Soares et al. (2010) attribute this consumption stagnation in beneficiary households to the loss of income caused by the program-induced reduction of child labor, which despite its effect on consumption may nevertheless be considered another positive impact of CCT programs.\footnote{Soares et al. 2010: 181.}

Ambiguities in some of the findings aside, CCTs in Latin America have generally been found to increase aggregate levels of consumption among beneficiary families. CCT programs have improved the \textit{composition} as well as the aggregate level of household consumption. In compliance with program conditions, poor households
in many Latin American countries have increased spending on food, particularly on more nutritionally valuable food; on children’s clothing; and on education-related expenditures. This has been the case in Brazil.\textsuperscript{37} In Ecuador, Schady and Rosero (2007) assessed how participation in the BDH affected a household’s position on the food Engel curve. According to Engel’s Law, the portion of total income spent on food is expected to diminish as household income increases. Schady and Rosero (2007) found that the BDH transfer did not cause a reduction in the share of income spent on food, but did lead beneficiaries to spend a significantly higher absolute amount of income on food.\textsuperscript{38} Information campaigns undertaken at the programs’ inception in 2003, which stressed that the transfer is designed to benefit children, seem to have led some beneficiaries to shift their consumption patterns.\textsuperscript{39} The fact that CCT transfers are made to female heads of household also serves to explain the positive shifts in household consumption patterns, according to widely supported beliefs that women tend to spend more than men on children and on the household.\textsuperscript{40}

The increase in consumption facilitated by the programs’ cash transfers has also benefited poverty alleviation in Latin America.\textsuperscript{41} CCT programs have reduced the rate of income poverty among their beneficiaries, and as a result have reduced rates of overall income poverty at a national level. In Mexico, evaluations of the effects of participation on the income poverty rates among rural program beneficiaries revealed modest but significant reductions in the poverty gap (which measures the intensity of poverty by assessing how far, on average, the poor are from

\textsuperscript{37}Soares et al. 2010: 182.
\textsuperscript{38}Schady and Rosero 2007: 8-10.
\textsuperscript{39}Schady and Rosero 2007: 3.
\textsuperscript{40}Fiszbein and Schady 2009: 111; evidence from Hoddinott and Haddad 1995.
\textsuperscript{41}Fiszbein and Schady 2009: 15.
the poverty line) and squared poverty gap (which measures the inequality among the poor). Each fell by 3 percent.⁴² These evaluations were from the early phases of the program’s growth; since its expansion to the national level, Oportunidades has had large effects on poverty. Fiszbein and Schady (2009) estimated that the program reduced the national poverty gap by 19 percent and the squared poverty gap by 29 percent. Brazil’s Bolsa Família was also found to have reduced the two measures by a significant amount at the national level, 8 percent for the poverty gap and around 15 percent for the squared poverty gap.⁴³

CCT programs are not designed explicitly to reduce income inequality, yet some programs have done precisely that. In Brazil, Bolsa Família has raised the income shares of the poor and extremely poor. Soares et al. (2010) reported that the income transferred to poor households by Bolsa Família was responsible for 21 percent of the 4.7 percent fall in Brazil’s Gini index between 1995 and 2004.⁴⁴ Gasparani and Lustig (2011) found that the Bolsa Família was responsible for nearly 10 percent of the fall in income inequality between 2001 and 2007, and similarly found that Oportunidades in Mexico was responsible for 18 percent of a 10.3 percent decline in the country’s Gini index between 1994 and 2006.⁴⁵

CCTs have also led to substantial reductions in child labor among beneficiary households. It is an explicit aim of many CCT programs to reduce child labor among poor families and to get children into school. According to Fiszbein and Schady (2009), reductions in child labor have been noted in the BDH, Bolsa Família, and

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⁴² Fiszbein and Schady 2009: 108, Table 4.2.
⁴³ Fiszbein and Schady 2009: 110, Table 4.3.
⁴⁵ Gasparini and Lustig 2011: 706-710.
Oportunidades, as well as in Nicaragua's Red de Protección Social.46 In Ecuador the BDH has reduced child labor significantly, especially among the children most likely to leave school in order to work.47 The significant reduction of child labor among beneficiary households in Ecuador has offset the program's effects on reducing consumption poverty, at least in the short term, due to the loss of income from child labor; the same effect was found in the Brazilian case.48

CCT program participation has also led to other positive impacts on the livelihood of poor people. The effects of participation on feelings of citizenship among the poor have been less studied than other impacts, but Hunter and Sugiyama (2013) suggested that CCTs have the capacity not only to improve the material well being of the poor, but also to reduce social and political marginalization.49 In their interviews with beneficiaries of Bolsa Família in Northeastern Brazil, Hunter and Sugiyama (2013) found that certain elements of the program’s design and operation—its depiction as a “right,” its visibility, and its “distant” supervision by the federal government—increased beneficiaries’ feelings of social inclusion, agency, efficacy, and empowerment.50 The capacity of CCTs to reduce not only financial but also social and political marginalization of the poor is critical to the programs’ ultimate aim of increasing the human capital of the poor population and reducing the intergenerational transmission of poverty.

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46 Fiszbein and Schady 2009: 16.
48 Fiszbein and Schady 2009; Soares et al. 2010.
49 Hunter and Sugiyama 2013: 2-3.
1.2. Criticisms of CCT Programs

CCT programs in Latin America and across the world have been widely hailed as successful in achieving many of their intermediate aims. They are not without critics, however. Evaluations of their success in improving final outcomes in educational attainment, cognitive functioning, and nutritional status demonstrate more mixed results than evaluations of their success in improving intermediary outcomes involving school attendance, health care visits, and poverty alleviation. Other common criticisms of the programs focus on targeting mechanisms, compliance monitoring, and the role of female heads of households in the programs' operation. These criticisms find less support in program evaluations.

Levy and Schady (2013) raise the possibility that the large size of some transfers, together with the implicit incentive that the transfers create for adults in beneficiary households to remain unemployed or to seek employment in the informal sector (in order to continue meeting the proxy means test), could discourage labor force participation.\(^{51}\) No evidence of such a disincentive effect has been found in Ecuador, Mexico or Chile, however;\(^{52}\) and indeed Soares et al. (2010) found that beneficiaries of Brazil’s Bolsa Família had a 2.6 percent higher rate of adult labor participation than did non-beneficiaries.\(^{53}\)

With the exception of Bolivia’s CCTs, which are universalistic, the rest of Latin American CCT programs use means testing or proxy means testing to determine

\(^{51}\) Levy and Schady 2013: 208-209.
\(^{52}\) Fiszbein and Schady 2009: 16
\(^{53}\) Soares et al. 2010:
the eligibility of potential beneficiary households to receive program transfers.\textsuperscript{54}

Means testing and proxy means testing methods involve the evaluation of households’ income levels (or, in the case of proxy means tests, of housing quality and educational attainment) to determine their level of basic need. A central criticism of means testing is the twofold potential for errors: exclusion error, or the failure to identify poor households as eligible; and inclusion error, or the failure to identify non-poor households as ineligible. These errors will be assessed more extensively in Chapter III, but in general Latin American governments have worked successfully to improve means testing mechanisms to reduce these errors.

Criticisms have also been brought against means testing for its potential to violate the privacy of poor households and to engender stigma.\textsuperscript{55} In Brazil's Bolsa Família, however, beneficiaries usually remain largely unaware of their means-tested “score,” implying that the means testing process imparts less stigma than critics hypothesize (at least among actual beneficiaries; eligible non-uptakers were not covered by the study).\textsuperscript{56} Critics have also worried that national and municipal program administrators could capture CCT programs’ targeting mechanisms in order to distribute benefits selectively, a concern that stems from evidence of clientelistic cooptation in other types of social assistance programs. In Brazil’s Bolsa Família, however, the federal government provides each municipality so many “slots” that even municipal leaders desirous of exploiting the program for clientelistic purposes have little ability to exclude eligible families, or (given that eligibility is verified by

\textsuperscript{54} McGuire 2013: 3.
\textsuperscript{55} McGuire 2013: 3-4.
\textsuperscript{56} Hunter and Sugiyama 2013: 23-24.
checking against the national social programs eligibility database, the Cadastro Único) to include ineligible ones.\textsuperscript{57} The majority of Latin American CCT programs direct transfer payments to female heads of household. It is a widely held belief that women are more likely than men to use the transfer to invest in the education, health, and nutrition of children, and it has been found that by directing the transfer to women, CCT programs have for the most part increased the bargaining power of women in the household.\textsuperscript{58} The focus on women may have a down side, however. In some cases, the collection of the transfer might be an “overloading” of responsibility. Some critics have argued that this overload could tie women to their traditional role within the household and prevent them from joining the workforce.\textsuperscript{59} Again, there has been little evidence to support that CCTs reduce adult labor force participation, of men or of women, and empirical findings suggest that, to the contrary, CCTs have yielded “more involvement by women in household decision-making, improved self-esteem, and greater knowledge about health and nutrition.”\textsuperscript{60}

In general, impact evaluations of Latin American CCT programs reveal that participation in the programs has not improved \textit{final} outcomes of human development such as actual learning in schools or improvement of the health status of poor children. Valencia Lomelí (2008) examine the relation between failings in cognitive achievement and health outcomes, and argued that persisting undernourishment can undermine any positive effects that CCTs might otherwise have on learning.

\textsuperscript{57} Ansell and Mitchell 2011: 308.  
\textsuperscript{58} Fiszbein and Schady: xii.  
\textsuperscript{59} Valencia Lomelí 2008: 489.  
\textsuperscript{60} Valencia Lomelí 2008: 490.
Although some CCTs have been found to increase spending on food, and on nutritious food in particular, program participation has not generally been found to reduce levels of anemia among beneficiary children. This shortcoming is linked to the programs’ limited impact on improving cognitive achievement, given that “it is well-established that iron deficiencies can impede cognitive development.”

Levy and Schady (2013) also highlight CCT programs’ deficiencies in achieving positive final outcomes, especially in education. The authors point to the lack of teacher training and skill as a contributing factor to low performance. The limited positive impact of the programs on final outcomes in education and health cast doubt on the capacity of CCT programs alone to increase the human capital accumulation of poor children. The reviews by Valencia Lomelí (2008) and Fiszbein and Schady (2009) simply underscore that CCTs are exclusively demand-side programs. Both studies point to the necessity of complementary improvements to the supply and quality of social services alongside the development of CCT programs.

Despite criticisms to the contrary, CCT programs have been largely successful in achieving their aims, particularly as measured by intermediary indicators such as increased school enrollment and health visits, reduced consumption and income poverty, and reduced child labor. CCT programs have been especially successful as compared to social investment funds and microfinance initiatives. Concern for the programs’ effectiveness on final outcomes in human development remains, however.

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62 Levy and Schady 2013: 198.
64 McGuire 2012: 206.
1.3. Challenges

Although impact evaluations of CCTs in Latin America have shown that the programs have succeeded at achieving many of their stated goals, more research is needed on the challenges of under-coverage, under-participation, and under-documentation, which could have particularly adverse effects on the above-mentioned final outcomes of human development. An examination of these three challenges is critical to reforming program design and implementation to achieve long-term improvements in poverty reduction and human development.

1.3.1. Under-coverage

Most Latin American CCT programs utilize targeting mechanisms to identify which households are eligible to receive program benefits. Targeting mechanisms include both categorical and household identification assessments. Each targeting method has advantages and shortcomings, but most CCTs use a two-stage process, starting with a poverty map to identify particularly deprived regions and then, within those regions, carrying out a proxy means test (which uses observable household characteristics to “proxy” or stand in for household income) to identify the households within the deprived region that should be eligible to join the program.\(^{65}\)

Different components of targeting mechanisms’ design (such as the quality of the national census on which the poverty map is based, or of the original household data set on which the proxy means test is based) and the method of implementation (door-to-door surveys versus community meetings; the involvement of professionals versus

\(^{65}\)McGuire 2013.
nonprofessionals) determine targeting accuracy. Targeting mechanisms that are less accurate or inclusive produce errors of exclusion, resulting in the under-coverage of eligible households, or errors of inclusion, resulting in the coverage of ineligible households.

Many Latin American CCT programs suffer from errors of exclusion. In Ecuador’s BDH in 2003, exclusion error by the proxy means test was found to be between 10 and 20 percent. Mexico’s Oportunidades used a combination of geographic targeting and proxy means testing mechanisms during the initial years of the program’s expansion into urban areas. In 2002, targeting in urban areas was found to have erroneously excluded 24 percent of the eligible poor population. In Brazil, targeting mechanisms in 2006 were found to have significantly better coverage, at least of the poor population in the lowest income quintile; Fiszbein and Schady (2009) found no exclusion error among that group. It has been suggested that the expansion of CCT programs comes at the expense of targeting efficiency, and thus caused the exclusion error found by the evaluations of the BDH and Oportunidades.

Fiszbein and Schady (2009) report that since CCT programs were first developed in Latin America, policymakers have given priority to improvements to the programs’ targeting mechanisms in order to reduce exclusion error and increase coverage of the poor. For instance, Ecuador’s BDH reduced errors of exclusion by the proxy means test to only 5 percent by 2009. The overall assessment of CCT programs’ targeting effectiveness has been positive. Despite this progress, however,

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66 Fiszbein and Schady 2009: 70.
69 Fiszbein and Schady 2009: 76, Box 3.3.
70 Fiszbein and Schady 2009: 76 (Box 3.3) – 80.
challenges to full coverage by CCT programs remain. More attention must be paid to the causes of the still-significant problem of exclusion of eligible households, which undermines program effectiveness.\footnote{Valencia Lomelí 2008: 488.}

1.3.2. Under-participation

Even when a program’s targeting mechanisms correctly identify potential beneficiaries as eligible, there is no guarantee that they will participate. Few studies have assessed the rate of or reasons for such under-participation (lack of uptake) in Latin American CCT programs. Fiszbein and Schady’s (2009) study is one of the few; in it, the authors put together their own calculations of the rates of under-participation by poor populations in Brazil and Ecuador. For Brazil's Bolsa Família, the authors found that only 55 percent of the covered population in the lowest quintile enrolled.\footnote{Fiszbein and Schady 2009: 76-77.} This is an instance of under-participation in the program, for which explanations of targeting error do not suffice.

For Ecuador's BDH, Fiszbein and Schady (2009) similarly found “less-than-full coverage of the lowest quintile.” The authors concluded that this less-than-full coverage resulted not from the proxy means test, which was largely accurate in its targeting, but rather “from a lack of take-up by poor households.”\footnote{Fiszbein and Schady 2009: 76.} The only reason for the lack of uptake that the authors suggest is the inaccessibility of payment centers in Ecuador’s most rural provinces. For impoverished rural Ecuadorians, transport is too expensive to justify a monthly visit to a payment site to pick up a transfer that, prior to 2007, amounted only to US $15 per month (subsequently raised to US $30 in
2007, US $35 in 2009, and US $50 in 2013).\textsuperscript{74} The transport cost deterrent is particularly acute in the Amazon, where some indigenous people live in places that are reachable only by plane flights costing more than US $400.\textsuperscript{75}

In Chile, where the Chile Solidario program is targeted to a very narrow portion of the poor population, uptake is reported to be 95 percent.\textsuperscript{76} Martorano and Sanfilippo (2012) reported a dropout rate of 5.5 percent in the initial stages of the program, so about 90 percent of potential beneficiaries actually participate in the program.\textsuperscript{77} Because of its relatively small size, the nature of its integrated approach, and program officials’ high degree of involvement in the well-being of beneficiaries, the Chilean program is particularly closely monitored for under-participation. Reviewing the results of a government survey of potential Chile Solidario beneficiaries, Martorano and Sanfilippo (2012) found that eligible non-participants attributed their non-participation to mistrust of the program’s conditions and interventions, lack of clarity of the programs’ objectives, and indifference. The survey also revealed that most beneficiaries who dropped out did so because of a perceived inability to comply with program conditions, a factor that could be present in other contexts as well.\textsuperscript{78}

It is important to note that the evaluations by Fiszbein and Schady (2009) and Martorano and Sanfilippo (2012) represent some of the few that provide evidence of the rate of under-participation by targeted populations in CCT programs. In general, these studies have attributed under-participation either to prohibitive transaction costs

\textsuperscript{74}Carrillo and Ponce 2009.
\textsuperscript{75}Carrillo and Ponce 2009.
\textsuperscript{76}Larrañaga et al. 2012: 355.
\textsuperscript{77}Martorano and Sanfilippo 2012: 1033.
\textsuperscript{78}Martorano and Sanfilippo 2012: 1033.
or to voluntary abstention. Other factors are also at work, however, and identifying them is crucial to reforming CCT programs so that they may better achieve their stated goals of poverty reduction and human development.

1.3.3. Under-documentation

Latin American states have historically under-documented their poor citizens. Gelb and Clark (2013) highlighted the existence of an “identity gap” in developing countries between citizens who possess identity documents and (largely poor) citizens who do not. The poor lack birth certificates and other identity documents either because they can't afford to pay for them or because they have no access to health services or to other sites at which documentation may be obtained. Those who lack proper documentation are deprived of formal identities as citizens and are often unable to access social assistance through the state.

The main causes of under-documentation include the under-coverage of national civil registries and low rates of professional attendance at births in rural areas. An important consequence of under-documentation is the under-participation of a large segment of the poor population in social assistance programs, like CCTs, most of which require potential beneficiaries to possess identity documents to enroll. Rural populations, especially in the remote Amazonian regions of nations like Ecuador and Brazil, are at particular risk of under-participation in CCT programs because of the under-documentation issue. The issue has only recently emerged in the

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79 Gelb and Clark 2013: 1.
80 Hunter and Sugiyama 2011.
literature, and the focus has largely been restricted to the Brazilian case. The causes and consequences of under-documentation, like those of under-participation and under-coverage, in Latin America as a whole must be addressed in order to improve the capacity of CCT programs to achieve their central aims and to allow poor people to benefit from full rights associated with citizenship.

1.4. Conclusion

Conditional cash transfer programs have had a generally positive impact on the reduction of poverty, the utilization of education and health services, the reduction of child labor, and the emergence of feelings of citizenship among the poor. Important criticisms have been raised, however, which call into question the capacity of these programs to achieve their long-term goals, which are to improve human capital accumulation among poor children and to break the intergenerational cycle of poverty.

Latin American governments have attempted to rectify certain limitations of these programs. In recent reforms, policymakers have addressed both the necessity of introducing complementary policies to improve the supply and quality of social services, and of improving the accuracy of targeting mechanisms. Despite these improvements under-coverage persists, in part because it results not only from inaccurate means tests but also from the incomplete coverage of the national censuses used for geographic targeting. Moreover, under-participation has not been adequately studied or addressed in Latin American CCTs, and a full classification its various

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81 Hunter and Sugiyama 2011.
causes is needed. In addition, the under-documentation of the region’s poor deserves greater focus, undermining as it does the ability of poor people to participate in CCT and other social assistance programs. This thesis uses Ecuador’s Bono de Desarrollo Humano (BDH) as a case study to examine the three challenges explained above. The next chapter follows with an overview of the program and its expansion within the past decade of its operation.
Chapter II: The Bono de Desarrollo Humano: 
Characteristics and Coverage

Ecuador’s Bono de Desarrollo Humano (BDH) is a nationwide conditional 
cash transfer program that provides a monthly transfer worth US $50 to households 
that include young children and have incomes below the national poverty line. The 
transfer is typically paid to the mother, conditional on her children attending school 
and receiving regular medical check-ups. Households taking care of elderly or 
disabled family members receive an unconditional transfer of the same amount.\textsuperscript{82} 
Eligibility for the program is determined by a proxy means test, which is an 
evaluation of observable household characteristics that are correlated with welfare 
levels.\textsuperscript{83} In 2010, 44.3 percent of the national population was enrolled the program— 
the highest percentage of any CCT in Latin America.\textsuperscript{84} Since the election of President 
Rafael Correa in 2006, the program has become an integral part of Ecuador’s social 
protection policies, and its expansion has been a central pillar of the president’s 
political agenda. Like other CCTs in the region, the BDH, according to impact 
evaluations, has reduced poverty, increased the utilization of education and health 
services, and led to a large reduction in child labor.

The BDH still faces institutional and operational challenges, however. Indeed, 
the Correa administration is currently making significant reforms to the program. At 
the beginning of his third presidential term in 2013 (his second under the Constitution 
of 2008), President Correa issued an executive decree that renamed and restructured

\textsuperscript{82} World Bank 2005: 1.  
\textsuperscript{83} Fiszbein and Schady 2009: 258-259.  
\textsuperscript{84} ECLAC 2011: 141, Table III.1.
the Ministerio de Bienestar Social (Ministry of Social Welfare, MBS), which administered the BDH, as the Ministerio de Inclusión Económica y Social (Ministry of Economic and Social Inclusion, MIES), increased the transfer amount from US $35 to its current US $50, and redesigned the BDH itself in an effort to improve efficiency. Breaking with the period of expansion of the program between 2006 and 2013, the Correa administration and MIES have introduced reforms to restrict the BDH to those in extreme poverty, to enable beneficiaries to “graduate” from the program, and to monitor and enforce condition compliance. This chapter will examine the antecedents of the BDH, its current operation, its impact, and the design of the recent reforms.

2.1. Origins and Operation

Like Oportunidades in Mexico, the Bono de Desarrollo Humano in Ecuador began as an emergency response to an economic crisis but subsequently developed into a more institutionalized program. Inaugurated in 2003, it consolidated two existing cash transfer programs: the Bono Solidario (BS) and Beca Escolar (BE). The BS, which dates from 1998, was designed by the government of President Jamil Mahuad to assist households hard-hit by its decision, in the wake of a sharp decline in global oil prices, to cut subsidies and increase domestic prices on gasoline and other fuels. At the time, the country was in the middle of a severe economic downturn, caused by weak productivity growth, fiscal policy rigidities, and external shocks. The downturned peaked in the 1998/99 financial crisis, in which the banking system collapsed (with 16 of the total banks shutting their doors) and the national currency
rapidly depreciated. The 1998/99 crisis was characterized by severe recession and hyperinflation, which caused the US $4.00 per day income poverty headcount to rise from 55.1 percent in 1998 to 67.8 percent in 2000. In response, the Mahuad government in 2000 discarded the national currency, the sucre, in favor of the US dollar. By this time, however, the financial crisis had already caused substantial disruption of household income and consumption among poorer households.

The Mahuad government designed the BS as an unconditional cash transfer program targeted to poor families who were especially hard-hit by the crisis. Mahuad codified the eligibility requirements for the program in Executive Decree N° 129 of September 14, 1998, which stated that beneficiaries could be mothers with children under the age of 18, or elderly people over the age of 65, provided that the recipient had a monthly household income of less than 1 million sucres (approximately US $40 at the time) and lacked both employment and social security benefits. Also eligible were persons with disabilities between the ages of 18 and 65. The targeting mechanism was not systematic. The program had an open inscription process that relied on the identification of needy families by parish priests, who were considered to have reliable knowledge of whom among their parishioners was poor. Beneficiaries received transfers at banks that belonged to a banking cooperative called Banred. By 2003, when the government merged the Bono Solidario (BS) and Beca Escolar (BE) into the Bono de Desarrollo Humano (BDH), the BS benefitted close to 1

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86 Socio-Economic Database for Latin America and the Caribbean (CEDLAS and the World Bank) 2014.
89 Ponce and Enríquez 2013: 20.
90 Carrillo and Ponce 2007: 278, fn. 8.
million families. A significant portion of these beneficiaries, however, lived in households with incomes above the national poverty line, given that they only had to self-identify as poor in order to enroll—there was no reference besides the parish priests by which the government could verify households’ status. Such errors of inclusion became evident in the re-targeting process that evaluated BS beneficiaries by proxy means testing.

In 2001 the government created a second cash transfer program called the Beca Escolar (BE), which was modeled on the Bolsa Escola program in Brazil (a municipal-level precursor to the Bolsa Familia). The BE was targeted more effectively than the BS, and was conditional on school attendance by children in beneficiary households. A main reason for the improved targeting was the development of the Sistema de Identificación y Selección de Beneficiarios (Beneficiary Identification and Selection System, SELBEN), which used proxy means testing to separate households into quintiles and made the poorest two quintiles eligible to receive the transfer. A small-scale “pilot” program, the BE provided stipends only to households that the SELBEN determined to be in extreme poverty (living on less than US $1 per day). About 150,000 families benefited from the program. Each family received a transfer per child conditional on the child attending school on at least 90 percent of the days when classes were offered. Transfers were made through cooperative of banks called 29 de Octubre (named to commemorate the Ecuadorian Air Force’s first parachute jump on that date in 1956).

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93 Nehring 2012: 3.
94 Personal Interview 4: Francisco Enríquez.
95 World Bank 2005: 2.
96 Carrillo and Ponce 2009: 278.
Compliance with the attendance condition was evaluated at the transfer site, where mothers would give a bank teller a certificate signed by the teacher that indicated the number of school days missed by the child. This number was entered into a computer program that determined if the transfer should be made or withheld, in accordance with the condition’s requirements.\textsuperscript{97} The existence in the BE of a mechanism to monitor compliance stands in contrast to the BDH’s own lack of monitoring mechanisms.

The BS and the BE programs were combined in 2003 to create the BDH, which was rolled out slowly. The BDH targeted the poorest 40 percent of the population as determined by the SELBEN, and was conditional on school attendance and on the utilization of maternal and child health services.\textsuperscript{98} In 2006 the Ecuadorian government secured loan funding from the World Bank to help it target the BDH more effectively to the poor and to establish mechanisms to monitor and enforce compliance with the conditions. The World Bank’s 2006 Project Information Document on Ecuador’s CCT affirms that the proxy means test greatly reduced the incidence of the errors of inclusion that had plagued the BS:

The retargeting [process], which is close to full completion and has proceeded smoothly, was significant. In particular more than 500,000 households (or 50 percent of the BS original beneficiaries) were disqualified and stopped receiving benefits, while another 500,000 households were newly registered and started receiving benefits.\textsuperscript{99}

\textsuperscript{97} Personal Interview 4: Francisco Enríquez.
\textsuperscript{98} Ministerio de Inclusión Económica y Social 2013b: Noticias.
\textsuperscript{99} World Bank 2005: 2.
By January 2012 the BDH provided transfers to 1.9 million beneficiary households.\footnote{Ray and Kozameh 2012: 16, Figure 14.} In all, the World Bank between 2006 and 2010 lent Ecuador US $60 million to help sponsor the BDH.\footnote{World Bank 2005: 5.}

Since its creation in 2003, the budget and coverage of the BDH have expanded significantly. The transfer amount was doubled in 2007 from the initial US $15 to US $30 per month in order to “support the maintenance of a minimal level of consumption.”\footnote{Oleas 2007: 22. Translated by Chloe Rinehart.} In 2009, President Correa raised the amount to US $35. At the beginning of 2013 President Correa raised the monthly transfer again, from US $35 to US $50. As was the case with the BS, the transfer amount is not differentiated by family composition, or between the three different beneficiary groups—mothers, the elderly, and the disabled.\footnote{Fernald and Hidrobo 2011: 1438.} The total percentage of the population reached by the program also expanded significantly after 2008. An improved proxy means test administered by the Registro Social replaced the SELBEN, and between 2007 and 2009 Registro Social field workers executed a new door-to-door survey of poor households that sought to identify eligible households who were not yet enrolled in the program. As a result of this process, the number of beneficiaries of the BDH increased by 25 percent in August 2009 (Figure 2.1).\footnote{Ray and Kozameh 2012: 16.}

Ecuador’s BDH enrolls 44.3 percent of the total population, the highest share of any conditional cash transfer program in Latin America. Brazil’s Bolsa Família and Mexico’s Oportunidades, by contrast, benefit 26.4 and 24.6 percent of the
population, respectively.\textsuperscript{105} The BDH's budget is also quite large, amounting in 2010 to around US $790 million, or 1.17 percent of GDP.\textsuperscript{106} With the increase in the transfer amount to US $50 in 2013, the operational cost of the program has soared. The total budget for the program in 2013 reached US $1.04 billion, equivalent to 4.5 percent of total government spending that year\textsuperscript{107} and 0.66 percent of GDP.\textsuperscript{108}

The BDH, as it currently operates under MIES, benefits poor households in each of Ecuador's 24 provinces. Candidates typically enroll in the BDH at a district office of MIES in the nearest department capital, but MIES officials have also held \textit{convocatorias}, or calls for community meetings, in rural parishes (provinces are divided into departments and departments into parishes) that provide an alternative enrollment site. Registration for the BDH, as well as for every other social assistance program that operates under MIES, requires heads of household to have a \textit{cédula} (or identification card, which indicates registration with the national civil registry or Registro Civil), and to possess \textit{cédulas} and birth certificates for their children.\textsuperscript{109} Beneficiaries receive transfers through a national bank cooperative, Banred, the same payment agency network that was contracted by the national government to dispense the Bono Solidario.\textsuperscript{110} The Banred cooperative is a payment agency network of 17 financial institutions that operate a total of approximately 250 payment centers throughout rural and urban areas of Ecuador. Beneficiaries must be physically present to collect their transfers at a payment agency, although they can allow the monthly

\begin{thebibliography}{99}
\bibitem{105} ECLAC 2011: 141, Table III.1.
\bibitem{106} ECLAC 2011: 141, Table III.1.
\bibitem{107} Carrera 2013: Presentation.
\bibitem{108} CIA World Factbook 2014: Economy; author's calculations.
\bibitem{109} Ordóñez and Bracamonte 2006.
\bibitem{110} Personal Interview 4: Francisco Enríquez.
\end{thebibliography}
transfers to accumulate for up to four months, and collect on an accumulated schedule.\textsuperscript{111}

The collection of payments is conditioned on five core behaviors that require beneficiary households with children to utilize education and health services. First, children ages 6 to 15 must be enrolled in school and must attend classes on at least 90 percent of school days. Second, heads of households when registering for the BDH must agree to prohibit children younger than 15 years of age from engaging in any type of work. Third, pregnant beneficiaries are required to receive 5 prenatal consultations at an official health center during the time of pregnancy. Fourth, children under the age of 1 must receive a health checkup every two months, then at least twice a year until the age of 5. Fifth, all members of beneficiary households who are of childbearing age are asked to attend family planning talks, which are put on by the Ministerio de Salud Pública (Ministry of Public Health), at least once a year.\textsuperscript{112}

The BDH is distinctive among Latin American CCT programs in that it has no mechanisms for monitoring or enforcing compliance with conditions, even though one of its predecessors, the Beca Escolar (BE), did have an established monitoring system and an enforcement mechanism that would withhold payments from beneficiaries who were not in compliance (similar to the operation of condition enforcement by Mexico’s Oportunidades program mentioned in Chapter I). The monitoring mechanism used by the BE could not be extrapolated to the large-scale BDH, in which beneficiaries consequently do not need to meet condition

\textsuperscript{111} Carrillo and Ponce 2009: 278.
\textsuperscript{112} Ministerio de Inclusión Económica y Social 2013b: Noticias.
requirements in order to continue participation.\textsuperscript{113} Despite the lack of enforcement, however, Schady and Araujo (2008) found that net school enrollment increased by 3.4 to 4.0 percent for children aged 6 to 17 in beneficiary families. The implication is that the information regarding the program conditions that beneficiaries receive upon enrollment serves to “socialize” compliance.\textsuperscript{114}

2.2. Impact of the BDH

Despite the lack of condition enforcement, studies have shown that the Bono de Desarrollo Humano like other Latin American CCTs has had a generally positive impact on school attendance, has greatly reduced child labor, and has increased the share of household income spent on nutritious food. The BDH was rolled out in stages between 2003 and 2005. This staged rollout enabled researchers to conduct four randomized trial evaluations to compare the first share of beneficiaries, randomly selected by the national government’s “lottery,” to a control group of future beneficiaries that were not first selected. Schady and Araujo’s (2008) study found a 3.2 to 4.0 percent increase in school attendance among school-aged children of beneficiaries; attendance rates were also 6 to 8 percent higher among beneficiary households in which mothers believed the BDH to be conditioned on school attendance, as compared to beneficiary households in which mothers did not hold this belief.\textsuperscript{115} Participation did not increase the number of health care visits by young

\begin{footnotesize}
\textsuperscript{113} Ray and Kozameh 2012: 15.
\textsuperscript{114} Schady and Araujo 2008: 69.
\textsuperscript{115} Schady and Araujo 2008: 69.
\end{footnotesize}
children, however, according to a study by Paxson and Schady (2007). Edmonds and Schady (2007) observed that participation in the program led to a large reduction of child labor, particularly among children who were considered most likely or “vulnerable” to leave school in order to work, such as girls in rural areas. Finally, a study by Schady and Romero (2007) found that the share of income devoted to food purchase was larger among beneficiary than among non-beneficiary households. Although inconsistent with Engel’s law, the authors interpreted this finding as evidence that the 2003 information campaigns of the BDH, which stressed that the transfer is designed to benefit children, led some beneficiaries to consider their children’s nutrition more important than they did before participation.

As noted in Chapter I, Latin American CCT programs are found to have contributed significantly to the attainment of intermediary outcomes such as increasing school enrollment and the frequency of visits to healthcare facilities, but much more ambiguously to such final outcomes in human capital development. Studies such as Ponce and Bedi’s (2010) evaluation of the effect of BDH participation on improving 2nd grade children’s cognitive achievement have determined that the program alone has not engendered a significant positive impact on such long-term development goals. Paxson and Schady (2007) found modest treatment effects on basic health outcomes of children aged 3 to 7, including improved fine motor control and long-term memory and increased hemoglobin levels, yet the treatment effects were significant only for children living in the poorest

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118 Schady and Romero 2007.
119 Cecchini and Madariaga 2011: 112.
120 Ponce and Bedi 2010.
beneficiary households.\textsuperscript{121} In a follow-up study on health outcomes among younger children aged 12 to 35 months, Fernald and Hidrobo (2011) by contrast found no significant treatment effect on beneficiary children’s hemoglobin levels or height. Like Schady and Araujo (2008), however, Fernald and Hidrobo (2011) ran a separate analysis among beneficiary households in which mothers reported a belief that participation in the program was conditional on healthcare attendance. In this follow-up study, the researchers found that among that group, BDH participation had a significant positive effect on age-for-height measures.\textsuperscript{122}

Partly as a result of the operation of the BDH and other social assistance programs that comprise the “floor of social protection,” both moderate and extreme poverty have declined in Ecuador since the 1998/99 financial crisis, and particularly since the programs’ expansion began under President Correa in 2006. In the aftermath of the 1998/99 financial crisis, the national rate of income poverty (below US $4.00 per day) reached 67.8 percent in 2000. The adoption of the US dollar aided in the stabilization of the economy, and the introduction of the BDH in 2003 aided in the reduction of income poverty. In 2005, however, the US $4.00 per day poverty headcount remained high at 43.6 percent and the US $2.50 per day poverty headcount was still 25.6 percent of the population.\textsuperscript{123} President Correa assumed the presidency in 2006 pledging to help the poor, and his policies to expand the BDH and to increase the budget for social programs were central to this goal. Between 2006 and 2012, spending on social programs increased from 4 to 12 percent of GDP.\textsuperscript{124} The

\textsuperscript{121} Paxson and Schady 2007: 18-29.
\textsuperscript{122} Fernald and Hidrobo 2011: 1437, 1443.
\textsuperscript{123} Socio-Economic Database for Latin America and the Caribbean (CEDLAC and World Bank) 2014.
\textsuperscript{124} Mideros 2013: Presentation.
improvement to social spending, together with the increased economic growth in this period as a result of higher international oil prices, resulted in a large reduction in poverty levels. By 2012 the US $4.00 per day poverty headcount had fallen to 27.8 percent and the US $2.50 per day headcount to 12.9 percent (Figure 2.2).\(^\text{125}\) This improvement reflects an average annual percent decline in income poverty (at the US $4.00 per day cutoff) of 4.5 percent per year between 2005 and 2012.

2.3. Current Reforms to the BDH

The Bono de Desarrollo Humano has been praised for its generally positive impacts and for its progress toward achieving greater coverage of the targeted poor population.\(^\text{126}\) Since its creation in 2003, it has evolved into an ongoing conditional cash transfer program that benefits a large share of Ecuador’s poor population in all provinces of the country. Yet the certain limitations of the program (such as the lack of monitoring of condition compliance) along with the growth of the program itself have also given rise to concern about its efficiency and future effectiveness.

In response to these concerns, Ecuadorian scholars and former ministry officials have recently demanded more robust reforms to the program.\(^\text{127}\) In January 2013, Juan Ponce, currently the director of Ecuador’s branch of the Facultad Latinoamericana de Ciencias Sociales (Latin American School of Social Science, FLACSO), collaborated with former MIES Deputy Director Francisco Enríquez to publish a set of core policy recommendations. Foremost among them was to

\(^{125}\) Socio-Economic Database for Latin America and the Caribbean (CEDLAC and World Bank) 2014.

\(^{126}\) Fiszbein and Schady 2009; Nehring 2012.

\(^{127}\) Ponce and Enríquez 2013; Personal Interview 4: Francisco Enríquez.
strengthen the program’s conditionality by establishing mechanisms of monitoring and enforcement and by introducing an additional condition requiring beneficiary mothers to attend training sessions on child health and nutrition. Ponce and Enríquez (2013) argued that there is a strong link between increasing conditionality measures and improving the effect of the program on school and healthcare attendance, a view that is corroborated in the literature and by the findings of Schady and Araujo (2008) and Fernald and Hidrobo (2011) discussed above. Based on research into the effective policies of other Latin American CCT programs like Mexico’s Oportunidades, Ponce and Enríquez (2013) also advocated that the BDH transfer amount be differentiated according to household composition, by categories such as number of children, age, ethnicity, and area of the country. The last proposals called for the improvement of the Registro Social database to reduce errors of inclusion and exclusion, and the introduction of a graduation or “exit” strategy to reduce program costs and foster the poor’s self-reliance.

The Correa administration and MIES have announced that they are planning to undertake some of these reforms in 2014. Despite President Correa’s increase after the February 2013 elections of the BDH transfer amount from $35 to $50, which appeared to be part of the expansionist trend, the announced reforms will aim to restructure the BDH into a more narrowly-targeted program with better conditionality enforcement and a more “integrated anti-poverty” approach akin to Chile Solidario. Beginning in April 2013, MIES, in conjunction with the Ministerio Coordinador de Desarrollo Social (Coordinating Ministry of Social Development, MCDS), began a

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new round of the proxy means test survey to update the Registro Social database. The new survey—equipped with improved technological tools, like the use of electronic tablets to record survey responses in the field, and other advances—will re-assess the welfare levels of currently enrolled beneficiaries in order to provide the underlying data for two new policies: the implementation of graduation strategy of the less-poor from the program, and a “plan of accompaniment” (Plan Familia) that will pair social workers with beneficiaries living in extreme poverty.\textsuperscript{130} Plan Familia emulates design aspects of Chile Solidario. Between 200,000 and 280,000 beneficiary households throughout the country with high levels of unsatisfied basic needs will each be “accompanied” by a team of social workers for a period of three years. Each household will be assigned a social worker who will visit at least 4 times per year, offering “psychosocial” support with the aim of identifying and intervening in familial problems associated with chronic poverty, such as “drug addiction, intra-familial violence, child labor, or alcoholism.” Ministry officials consider the plan to be the initiation of a “next step” in the evolution of the BDH as a conditional cash transfer program, offering those living in extreme poverty a “real process out of” those conditions.\textsuperscript{131}

MIES and MCDS’s timeline for implementing the new eligibility requirements, and for introducing rounds of graduation from the program, remains undefined. But MIES’s stated commitment to the reform should help protect the program against the potentially negative consequences of “ politicization,” or cooptation of the program for political (electoral) gain. CCTs have gained widespread

\textsuperscript{130} Personal Interview 21: Daniela Carrasco, Directora Nacional de Corresponsabilidad, MIES; Quito, Pichincha, Ecuador; July 17, 2013.
\textsuperscript{131} Personal Interview 21: Daniela Carrasco, MIES.
popularity and a broad base of support, embracing not only the poor who directly benefit from the programs, but also middle class and elite supporters who for a broad range of reasons believe that poverty reduction is an important goal. CCT programs thus constitute a “win-win” for politicians: they are highly visible and widely popular but cost little. The downside of their popularity, however, is that vote-maximizing politicians have few incentives to come up with graduation strategies through which beneficiary families may exit the program. The BDH has won President Correa considerable electoral support, and the president has made sure to attach his name and image to its expansion. Beneficiaries interviewed in the Amazonian community of Tsunkintsaa reported a belief that their participation in the program was conditional on an implicit pledge to vote for Correa, “so that he remains President.”

By approving and encouraging the above-mentioned reforms, however, President Correa is actually breaking with the tendency of past presidents to exploit the BDH for political gain. Daniela Carrasco, National Director of Co-responsibilities for MIES, confirmed that in the past, “the bono has been used as a permanent political tool…[but] the presidency of Rafael Correa is defining a new reality,” in which the BDH will be “a temporary transfer that, in accordance with the laws and regulations of the program, should last no more than three years.” Proposed policy reforms that advocate a scaling back of the BDH are likely to be met with a certain degree of resistance and disapproval by the ousted poor, costing the president a degree of his popularity; yet the reforms have nevertheless been approved by the

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132 Hall 2008: 817.
133 Hall 2008: 812.
134 Personal Interview 22: Focus Group; Tsunkintsaa, Morona Santiago, Ecuador; July 22, 2013. Translated by Chloe Rinehart.
135 Personal Interview 21: Daniela Carrasco, MIES.
president and his administration. Two circumstances may lie behind Correa's
decision, which seems to be contrary to his electoral interests. First, Correa is in his
second and last term as president under the 2008 Constitution (his third term overall)
and no longer needs to worry about his electoral support. Second, Correa’s support of
the reforms could be considered a show of confidence in continued economic growth,
the revenue from which could fund and expand other social programs that comprise
the “floor of social protection” to substitute for the BDH in supporting less-poor
families. Regardless of Correa’s motivations, it remains to be seen whether the
Ministerio de Inclusión Económica y Social (MIES) and the Ministerio Coordinador
de Desarrollo Social (MCDS), both of which are under the President’s direction, will
successfully implement the reforms, and whether the reforms themselves will
improve the BDH's capacity to achieve its aims of poverty alleviation and human
development.

2.4. Conclusion

The Correa administration and the Ministerio de Inclusión Económica y
Social (MIES) initiated pilot programs of the new reforms to the BDH beginning in
September 2013, and plan to continue with the full execution of the reforms in July
2014 when the new proxy means testing survey for the Registro Social database is
completed under the direction of the Ministerio Coordinador de Desarrollo Social
(MCDS). After the survey is complete, MIES will restructure the program to
resemble more closely the narrowly targeted, integrated anti-poverty approach of
Chile Solidario. The timeline for these projected reforms is unclear, but the
“graduation” of current beneficiaries who are not living in conditions of extreme poverty has already begun. The proposed reforms represent an about-face; from 2003 to 2013 the BDH expanded in coverage, transfer size, and budget. It is outside the scope of this thesis to undertake a further assessment of the “new steps” of the BDH. The next chapter addresses the program as it currently stands: targeted to the lowest two quintiles of the poor population.

Three interrelated challenges—under-coverage by the program’s targeting mechanisms, under-participation of the ‘covered’ population, and the under-documentation of the entire poor population—are likely to continue to reduce the program’s effectiveness in reaching the poor population and thus in reducing poverty and expanding capabilities. Chapters III, IV, and V present an analysis of the causes, characteristics, and consequences of these challenges based on primary evidence.
Chapter III: Under-coverage: Errors of Exclusion

The targeting mechanisms utilized by the Ecuadorian government to determine eligibility for the BDH have evolved significantly since the establishment of the program’s predecessor, the Bono Solidario (BS), in 1998. The BS relied primarily on parish priests to aid in the identification of eligible poor households. The national government asked the National Statistical Institute (INEC) to design a basic needs indicator in 1996, but the resulting database did not accurately identify the poor either, and thus was never used as a mechanism to target the BS.136 By contrast, the BDH in its current form utilizes a combination of geographic targeting and proxy means testing to determine eligibility. Geographic testing is carried out by the Ministerio Coordinador de Desarrollo Social (MCDS). Based on data from the national census, MCDS determines which areas of the country are areas with “high basic need” and creates a national poverty map.137 Ministry staff members then carry out a door-to-door survey of all the households in the areas identified by geographic targeting to find out, by proxy means testing, which ones are eligible for the BDH. The results of the proxy means tests are then recorded in the Registro Social (formerly the SELBEN).

Assessment of the BDH’s targeting mechanisms requires rigorous definitions of program coverage and of errors of exclusion. Fiszbein and Schady (2009) and ECLAC (2011) define each term differently. Fiszbein and Schady (2009) define program ‘coverage’ as the percentage of the poor population that was successfully

identified by the proxy means test. Restricting their assessment of coverage to the lowest income quintile, Fiszbein and Schady (2009) found that errors of exclusion—which they defined as the non-identification of eligible beneficiaries—were quite low, at 5 percent. In Panama, by contrast, proxy means tests for the Red de Oportunidades program were estimated to exclude a quarter of the extreme poor. 138 ECLAC (2011) similarly defines ‘coverage’ as the percentage of the total poor and extreme poor that benefit from the BDH, yet their definition does not take into account errors of inclusion or exclusion by the proxy means test. As a result, ECLAC (2011) reports that coverage by the BDH in 2010 was greater than 100 percent. 139 The study’s omission of inclusion and exclusion errors, however, renders the figure inconclusive and incorrect.

In this chapter, program coverage will be understood along the lines of Fiszbein and Schady’s (2009) definition, but redefined to overcome certain limitations of their analysis. In their study, Fiszbein and Schady (2009) fail to recognize that the BDH since its introduction in 2003 has employed both geographic and proxy means testing. 140 By measuring the rate of program coverage as a percentage of only the poor households that are correctly identified by the proxy means test, the authors do not take into account the failure to cover poor people who reside in areas that are not identified by the national census, and thus not part of the generated poverty map that precedes the proxy means testing. Errors of exclusion

138 Fiszbein and Schady 2009: 76-77.
139 ECLAC 2011: Table III.1, 141.
result from inaccuracies of the census as well as from inaccuracies of the proxy means test.

The first section will review under-coverage by the national census, which assesses both demographic information and living conditions and is carried out by the Instituto Nacional de Estadística y Censos (National Statistical Institute, INEC). The census is taken every ten years, most recently in 2010. INEC divides the country into 32,000 designated “sectors” with about 150 households per sector.141 Visiting each household in person, census-takers record answers to about 50 questions about each household's demographic makeup and housing conditions.142 This information is used to generate a poverty map, which determines the geographic areas within which the proxy means test is applied. The second section of this chapter will examine under-coverage by the BDH’s proxy means test, the results of which are recorded in the Registro Social (formerly the SELBEN). Census as well as means testing errors need to be taken into account to achieve more complete picture of the success of the BDH in reaching the poor. The third and final section of the chapter will review the proposed overhaul of the program’s eligibility requirements.

3.1. Survey Error by the INEC National Census

Previous analyses have not examined the potential for under-coverage arising from survey error by the national census, despite the fact that the data gathered by the census forms the basis of the geographic testing assessment for social assistance eligibility. Precision and accuracy of the surveying process, the scope of the

141 Sistema de Información del Registro Social 2013: "Antecedentes."
142 Censo 2010 Población y Vivienda.
collection area and of data that is solicited, and the overall sophistication of the statistical methods are all factors of central importance to the quality and coverage of the national census itself. Erroneous exclusion of segments of the population produces an incomplete picture of the national population as a whole, and of the poor population in particular. MCDS uses the poverty map generated by the national census to direct the proxy means test. When census survey errors cause the map to be incomplete, it reduces the effectiveness of the targeting process as a whole.

Latin American nations remain on average less fully equipped to manage and execute censuses than countries in the developed world, due to a lack of adequate financing for the increasingly high costs of the operation. The Ecuadorian government has carried out seven total national population censuses since the inaugural census was completed in 1950. In 1960, the government introduced added measures to assess housing conditions, and in 1976 it created INEC to oversee the subsequent development of the census. INEC did succeed in undertaking certain improvements made between the 2001 and 2010 censuses that will be later specified. In all, however, the national census remains substandard. Using population estimates from the Economic Commission for Latin America and the Caribbean (ECLAC), Chakiel (2002) reported that the five censuses taken between 1950 and 1990 omitted an average of 5.4 percent of the population (Table 3.1) and had failed to reduce the rate of under-coverage over time despite the introduction of more sophisticated technology and other reforms. Indeed, the rate of under-coverage was highest for the

143 Chackiel 2002: 50-51.
144 Instituto Nacional de Estadísticas y Censos 2011a: 1.
1990 census at 6.8 percent.\textsuperscript{145} With a total \textit{counted} population of 9,697,979 in the 1990 census, the 6.8 percent rate of under-coverage amounted to an additional 700,000 people who were not counted.\textsuperscript{146}

Several characteristics of the Ecuadorian census have led to these high and rising rates of under-coverage. First, all national censuses, including the most recent in 2010, have utilized the \textit{de facto} residence standard, which requires that the surveying period of the census be restricted to one day. Census takers are instructed to canvass each person who is present in a given household during the twenty-four hour period, even if the household is not the individual’s place of residency. This standard is popular among Latin American nations because of its expediency and low cost. In comparison with the \textit{de jure} standard, however, which canvasses individuals where they typically use services, and includes individuals who are absent at the time of the survey, the \textit{de facto} standard is more prone to under-coverage (a significant portion of individuals can be expected to be outside of any residence at a given time on census day) and misidentifies the composition of each household.\textsuperscript{147} In the 2010 census, moreover, INEC reported that in designated “disperse” areas the survey was intentionally prolonged beyond a single day.\textsuperscript{148} This undermines the logic of the \textit{de facto} standard, and makes the likelihood of under-coverage greater, because of the increased potential for individual mobility across the longer time frame.

A second characteristic of Ecuadorian census procedures that can account for the high rates under-coverage is the manner in which the surveying process is actually

\textsuperscript{145} Chackiel 2002: 51, Cuadro 1.
\textsuperscript{146} Instituto Nacional de Estadística y Censos 2011a: 3. Author’s calculations from 1990 population count in the graph “Ecuador: Población de acuerdo a los censos nacionales.”
\textsuperscript{147} Chackiel 2002: 53.
\textsuperscript{148} Instituto Nacional de Estadística y Censos 2011b: 10.
carried out. Given that the census theoretically necessitates all surveying to be accomplished (or at least to begin) simultaneously in one day, INEC relies on high school students to serve as their census-taking “army.”\textsuperscript{149} Each census taker is trained and supervised by an experienced INEC worker, and is equipped with a standardized questionnaire and an official script. Despite these resources, professional INEC workers are vastly underrepresented in each census sector, so quality control during the actual census-taking process is limited. The students, being inexperienced and amateur, are more likely to be unfamiliar with the process and imprecise in their data collection. This inexperience is only compounded by the third characteristic of the census process that is a source of error: that responses are recorded on paper, as opposed to electronically. Paper forms are vulnerable to lost or missing pages and to ruinous weather; the complexity of the census form’s design could also exacerbate general human error in recording information. Each aspect is of greater concern when the forms are in the hands of nonprofessional census takers.

Due to the nature and specificities of these three characteristics, it is possible to conclude that they are contributing to the under-coverage of the poor population at a disproportionate rate, thus consequently affecting their ability to be identified as eligible for social assistance benefits. INEC’s own reports suggest that the \textit{de facto} standard is weakest in “disperse,” or the most rural, areas of the country.\textsuperscript{150} Under-coverage in these remote areas is of particular concern, given that a high concentration of isolated rural populations are living in conditions of poverty or extreme poverty. Although the census taking process is prolonged in those areas with

\textsuperscript{149} Instituto Nacional de Estadísticas y Censos 2011a: 2.
\textsuperscript{150} Instituto Nacional de Estadística y Censos 2011b: 9-10.
the intent to increase census takers’ capacity to cover more territory, the extra time allows for the greater mobility of individuals in these areas and a greater chance of being missed. Since travel in many rural areas of the country—particularly in the Amazon—is difficult, it is common for many members of a community to leave together on necessary errands to urban centers for many days at a time, pooling their travel time and costs.\textsuperscript{151} Although the surveying process in disperse areas is prolonged (INEC allotted eight days in 2010\textsuperscript{152}), this practice of extended, synchronized absence among Amazonian communities means that there is little guarantee that census takers will be able to canvass all individuals who reside in a particular disperse area.

In addition, given that the \textit{de facto} residence standard operates under the assumption that any canvassed individual might not own, reside in, or even use services in the residence in which they are counted, it is highly probable that the census survey produces data that are not actually representative of the living conditions of many poor. INEC makes a special effort to cover not only disperse and generalized areas, but also individuals in “collective housing,” “without housing,” and in “houseboats,” These people are usually poor.\textsuperscript{153} Yet INEC has established no clear method by which to link the individuals who are counted in a home where they do not reside to their actual residence. In the 2010 census questionnaire, the housing data section (which requires the census-taker to record information about the quality of housing materials, the presence of utilities, and the number of rooms) is linked by only two questions to the population data section (in which the individuals present are

\textsuperscript{151} Personal Interview 22: Focus Group, Tsunkints.
\textsuperscript{152} Instituto Nacional de Estadística y Censos 2011b: 10.
\textsuperscript{153} Instituto Nacional de Estadística y Censos 2011b: 10.
each asked for basic demographic and socioeconomic information). First, each individual is asked if they “sleep and eat” in the residence in which they are being counted. Second, each is then asked in what city or rural *parroquia* they “habitually” live, and if it is the same as the residence in which they are being counted.\(^{154}\)

Together these two questions allow INEC to create a picture of which individuals are simply present—but not residing nor using services—in the visited residence, which does nothing to resolve the problem of collecting information about the people who are only transiently present in the household. The resulting misrepresentation of individuals’ living conditions, or of their family composition, could result in an underestimate of the number of people lacking permanent housing, most of whom are poor and in need of social assistance.

With assistance from the Secretaría Nacional de Planificación y Desarrollo (Ministry of Planning and National Development, SENPLADES), INEC introduced operational and design reforms to improve performance and reduce error in the 2010 national census. To reduce the role of human error, INEC purchased specialized software for the processing and crosschecking of survey data (restricting manual processing to the surveying stage only) and introduced digitized mapping and scanning software.\(^{155}\) None of these reforms, although important, were focused on the core characteristics identified above as leading to under-coverage. Even the movement away from the manual processing of data was not complete, as the surveys continue to be recorded by nonprofessionals on complex paper forms. It is possible

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\(^{154}\) Censo 2010 Población y Vivienda: 4-5.

\(^{155}\) Instituto Nacional de Estadística y Censos 2011a: 3-9.
that the few reforms led to slight reductions in under-coverage by the census in 2010, but it is likely that the problem persisted.

Under-coverage by the national census is consequential of its own accord for national statistical records. It is also of great consequence for the targeting of social programs. Under-coverage by the national census leads to the creation of an incomplete poverty map, which then restricts the areas of focus of the proxy means test survey that registers eligible households in the Registro Social database. If the national census erroneously excludes enough people all within one census sector (each of which contains 150 households), then that entire sector might not be identified as an area of “unsatisfied basic needs” within the poverty map that the Ministerio Coordinador de Desarrollo Social (MCDS) generates, and thus it will not be covered by the proxy means test. The current rate of under-coverage by the national census is not known, but it is possible to estimate the extent of under-coverage by the 2010 census using Chackiel’s (2002) calculated average rate, 5.4 percent. It can be estimated that at least 825,000 people (apart from the 14,482,499 that the census did count) were “omitted” by the census count.156

3.2. Survey Error by the Registro Social Proxy Means Test

Previous studies have, by contrast, examined survey error by the proxy means test in assessing rates of under-coverage. Since its creation in 2003, the BDH has targeted Ecuadorians in the poorest two quintiles of the income distribution. Other Latin American CCT programs—like Mexico’s Oportunidades and Chile Solidario—

156 Rate from Chackiel 2002: 51, Cuadro 1; 2010 population from Instituto Nacional de Estadística y Censos 2011a: 3, Graph “Ecuador: Población de acuerdo a los censos nacionales”; author’s calculations.
target only households living in extreme poverty.\textsuperscript{157} Ecuador’s more inclusive approach means that the BDH targets a higher percentage of the national population than does the CCT program of any other Latin American country. Legal eligibility is not the same thing as effective coverage, however.

Various ministries in charge of the operation of the BDH and other social assistance programs—foremost the Ministerio de Inclusión Económica y Social (MIES) and the Ministerio Coordinador de Desarrollo Social (MCDS)—have overseen extensive reforms to the proxy means test since 2003. The Bono Solidario relied on parish priests to identify eligible beneficiaries, compromising targeting.\textsuperscript{158} After the Bono Solidario was combined with the Beca Escolar to form the BDH in 2003 a proxy means test was introduced and under-coverage fell to 10-20 percent in 2003.\textsuperscript{159} Improvements to the proxy means test led to a further reduction of under-coverage to 5 percent in 2009.\textsuperscript{160}

The BDH in 2003 identified eligible households using survey information gathered between 2001 and 2002 by a proxy means test survey, and recorded in the Sistema de Identificación y Selección de Beneficiarios (SELBEN). The SELBEN surveyors filled out a protocol with 70 indicators including household appearance, possession of durable goods, and family members’ attained education levels. A statistical algorithm combined the results of the 70 items to produce a measure of a household’s level of “structural poverty” (as opposed to a possibly conjunctural

\textsuperscript{157} Nehring 2012: 3.
\textsuperscript{158} World Bank 2005: 2. See Chapter II.
\textsuperscript{159} Schady and Araujo 2008: 46.
\textsuperscript{160} Fiszbein and Schady 2009: 76, Box 3.3.
condition of income poverty).\footnote{161} The 2001-2002 survey (recorded in the SELBEN database) was administered to Ecuadorian households living in areas of high basic needs as identified through geographic testing. The survey suffered from a 10-20 percent rate of under-coverage.\footnote{162}

Reforms to the proxy means test were first undertaken in 2009, when President Correa announced the restructuring of the SELBEN database and the launch of a new survey. The president’s goal was to expand the coverage of the BDH to reach households that had been previously unidentified within the outdated SELBEN database. Issued on August 4, 2009, Correa’s Executive Decree N° 1877 called upon the Ministerio Coordinador de Desarrollo Social (MCDS) to take control of the SELBEN and reform it into an improved social programs database. The rationale for the decree was concern that the previous survey, having been taken in 2001-02, now suffered from errors of exclusion and inclusion alike, given that many households had become richer or poorer in the intervening years.\footnote{163} Utilizing data from a second national survey between December 2007 and June 2009, the MCDS created the Registro Social.

The data recorded in the Registro Social came from a welfare index generated by a proxy means test and by a survey in which families self-describe a number of household characteristics. The new welfare index includes 59 total indicators that are divided into six categories: household characteristics, head of household characteristics, dwelling conditions, living conditions, availability of goods, and

\footnote{161 Personal Interview 4: Francisco Enríquez, Director Nacional del Ministerio de Bienestar Social (2001-2003) and Sub-Director Nacional del Ministerio de Inclusión Económica y Social (2011-2012); Quito, Pichincha, Ecuador; June 15, 2013.}
\footnote{162 10 percent: Schady and Araujo 2008: 46; 20 percent: Ponce and Enríquez 2013: 37.}
\footnote{163 Correa 2009: Executive Decree No. 1877.
Like the SELBEN before it, the Registro Social also utilized data from the 2001 national census to target geographically the areas of high “unsatisfied” basic needs. Based on the unsatisfied basic needs criteria, MCDS identified 25,942 (of 32,129) census sectors (76 percent) as “poor.” The MCDS applied its proxy means test within these sectors. The Registro Social surveyors employed two methods. Preferred was the *barrido* method, which were direct, door-to-door visits to households. In extremely rural *parroquias* where households were widely dispersed, however, the surveyors opted for the *convocatoria* method, in which families were summoned to a community meeting at a designated time and surveyed at that meeting. MCDS staff executed 70 percent of the surveying process by the *barrido* method, and the remaining 30 percent by *convocatoria*.¹⁶⁵

To reduce exclusion error further, the ministry in 2010 added a Registro Social por Demanda ("by Demand") for households that had either not been reached in the areas surveyed or that lived outside of the surveyed areas but wanted to be evaluated to determine their eligibility for social programs. It estimated that another 180,000 households—in addition to the 300,000 or so households that were identified as poor in the survey—would register through the Por Demanda operation.¹⁶⁶ The 2007-2009 survey’s identification of eligible households that had previously missed by the proxy means test allowed for the 25 percent expansion of the number of BDH beneficiaries by August 2009.¹⁶⁷ By this date errors of exclusion had been reduced to no more than 5 percent, according to the MCDS and other government ministries.¹⁶⁸

¹⁶⁴ Fahara 2009: 5, Tabla 2.
¹⁶⁵ Sistema de Información del Registro Social 2013: "Antecedentes."
¹⁶⁶ Sistema de Información del Registro Social 2013: "Antecedentes."
¹⁶⁸ Personal Interview 23: Reinaldo Cervantes, MCDS.
The 2007-2009 survey had shortcomings, however, including an outdated basis for the initial geographic targeting (the 2001 national census), the use of the *convocatoria* method, and human error. To try to resolve these and other problems, the MCDS in September 2013 introduced a new survey to update the Registro Social database, using the 2010 national census for geographic targeting, assessing all households by the *barrido* method, and giving surveyors electronic tablets to record data, in the hope of improving accuracy and reducing the lag-time between the completion of household surveys and the updating of the Registro Social database.169 MCDS and MIES have also advertised the new survey on line, in print, and on television.170

The survey is expected to take ten months and to result in a much-reduced rate of exclusion and inclusion errors. Even after the survey is complete, however, it will be difficult to compare the error rate with that of the previous surveys, because the purpose of the new survey is to identify the extreme poor, a more narrow section of the poor population than was previously targeted. It is promising, however, that Registro Social surveyors will be able to access certain remote areas of the country that had been identified as areas of high basic need, but which had previously been inaccessible. Indigenous communities living in the remote Amazon, particularly in the provinces of Morona Santiago and Pastaza, have reported that “the government” in any form does not reach them there.171 Overall, it is reasonable to infer that the core reforms of their own accord will succeed in further reducing exclusion error and under-coverage.

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169 Personal Interview 23: Reinaldo Cervantes, MCDS.
170 Ministerio Coordinador de Desarrollo Social 2013: Noticias.
171 Personal Interview 22: Focus Group; Tsunkints, Morona Santiago, Ecuador; July 22, 2013.
Reforms to the proxy means test (the data from which is recorded in the Registro Social) cannot alone reduce the overall rate of under-coverage by the BDH, however. Currently, all poor households in Ecuador should be eligible to receive a BDH transfer, but only households identified as poor in the Registro Social are able to receive such a transfer. Exclusion error by the two targeting mechanisms, the proxy means test assessment and the geographic testing assessment, compound one another. Under-coverage by the latest proxy means test survey (that gathered data then compiled in the Registro Social) has been reported at 5 percent. Fiszbein and Schady (2009) concluded that this rate was relatively low.172 When considered alongside the rate of under-coverage by the national census, which was conservatively estimated at 5.4 percent, the overall rate of under-coverage more than doubles, to 10.4 percent (or possibly higher). This reveals that the targeting mechanisms used by MCDS and MIES to enroll eligible households in the BDH are actually limited by a significant rate of under-coverage, despite previous beliefs to the contrary.

3.3. Exclusion Error Related to the Narrowing of the Scope of the BDH

The Ministerio de Inclusión Económica y Social (MIES) announced in 2013 its intention to restructure the BDH to include only the extreme poor. To achieve this goal, MIES plans to introduce guidelines that will compel beneficiaries close to the poverty line (the less-poor) to graduate from the program. Nehring (2012) reported

172 Fiszbein and Schady 2009: 76, Box 3.3.
that the subsidiary of MIES in charge of policy implementation planned to oversee
the graduation of at least 150,000 beneficiary households by the end of 2013.\footnote{Nehring 2012: 3.}

These proposed reforms are commendable, but it remains unclear when, how, and if they will be carried out. MIES and the Ministerio Coordinador de Desarrollo Social (MCDS) have announced in official ministerial decrees and on their websites the initiation of the new proxy means testing re-assessment survey (that will update the Registro Social database) and of the Plan Familia (the “Plan of Accompaniment” that assigns a social worker to each household in extreme poverty).\footnote{Registro Social: Ministerio Coordinador de Desarrollo Social 2013: Noticias; Plan Familia: Ministerio de Inclusión Económica y Social 2013a: Noticias.} Despite the availability of this information, current and potential beneficiary families remain unaware of the functioning or purpose of the reforms. This is particularly consequential given that it appears that MIES has already begun the initial rollout of the planned graduation from the program. The number of current beneficiaries who have already been dropped from the BDH is not available, but it is clear from interviews conducted in the summer of 2013 that a substantial number of beneficiaries had already been dropped. Many were confused by their sudden “graduation” and apprehensive about living without the monthly BDH transfer.\footnote{Personal Interview 9: Participant D; Puyo, Pastaza, Ecuador; June 24, 2013; and Personal Interview 17: Participant G; San Clemente, Imbabura, Ecuador; July 3, 2013.}

The introduction of these initial stages of graduation has also predated the completion of the new proxy means testing survey that will update the Registro Social database. Accordingly, the selection of beneficiaries to be “graduated”—supposedly the less-poor—is based on data that is not up-to-date. This first round of graduation has likely suffered targeting errors; some of those graduated probably live
in households that should continue to qualify for the program under the new eligibility criteria. Some of the interviewees who reported that they had recently been dropped from the program, for instance, appeared to live in conditions of extreme poverty. MIES’s rolling out of these new reforms, it appears, has not been adequately executed. Some “graduates” could probably meet the program’s new eligibility criteria; others who could not might still require the BDH transfer to attain a decent standard of living.

3.4. Conclusion

The Ministerio de Inclusión Económica y Social (MIES) has stated its commitment to improving the proxy means testing targeting mechanism that identifies poor households as eligible to enroll in the BDH and other social assistance programs. In evaluating only the rate of under-coverage by the proxy means test, however, MIES and the Ministerio Coordinador de Desarrollo Social (MCDS) have ignored the potential for survey error by the national census, which is the basis for the geographic targeting of the BDH. This omission is critical, given the apparent susceptibility of the national census to exclusion error.

The literature on Latin American CCT programs has neglected the problem of under-coverage by the national census. These programs have made considerable progress in reducing targeting error, but this progress has included only improvements to means testing and proxy means testing. Governments need to focus their attention on improving the coverage and operation of their national censuses as
critical step towards guaranteeing that their CCT programs reach the largest possible portion of the poor population.
Chapter IV: Under-participation: Non-uptake by Eligible Households

Expanding the coverage of a CCT program is not sufficient to improve its capacity to reduce poverty and improve human development. A program may be targeted effectively to the poor—that is, the targeting mechanism may correctly identify the entire poor population as eligible for the program, making few or no errors of exclusion—but eligible beneficiaries may nevertheless not enroll in it. Fiszbein and Schady (2009) identify the BDH as one such case of ‘under-participation’ by eligible beneficiaries. They found that in 2006 only 67 percent of eligible candidates, and only 64 percent of eligible candidates with children aged 0 to 17, actually received program benefits. The lack of uptake was particularly acute in the Amazon region.176

Under-participation of the poor in Latin American CCT programs has not been adequately studied in the literature. Only the Chile Solidario program has robust data on the rate and causes of under-participation; it is particularly closely monitored for under-participation because of its relatively small size, the nature of its integrated approach, and program officials’ high degree of involvement in the well-being of beneficiaries.177 Fiszbein and Schady (2009) also note that under-participation is a challenge for Ecuador’s BDH and of Brazil’s Bolsa Família, but they do not provide a full inventory of the factors leading to under-participation in these CCT programs. The issue of widespread under-participation—also referred to as a potential beneficiary’s ‘non-uptake’—and its consequences have, however, been a focus in

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176 Fiszbein and Schady 2009: Box 3.3, 76.
177 Martorano and Sanfilippo 2012: 1033.
impact evaluations of other types of social assistance programs in other regions, particularly in Western Europe and the United States. Such evaluations have concluded that under-participation can reduce the capacity of social assistance programs to achieve their aims. These conclusions underline the need to ascertain the incidence and impact of under-participation in Latin American CCT programs.

Drawing from Regina T. Riphahn’s (2000) theoretical model from her assessment of under-participation in social assistance programs in Germany, this chapter identifies and examines the causes of under-participation by the poor in Ecuador’s BDH. Although the government has attended to some of these causes in its reforms to the BDH and to other state services, overall, these reforms fall short of solving the under-participation issue.

4.1. Causes of Under-Participation in the BDH

This section extrapolates to Ecuador’s BDH the analytical framework used by Regina T. Riphahn (2000) in her extensive evaluation of under-participation in social assistance programs in Germany. In her study, focusing especially on the income support program Help for Livelihood, Riphahn noted that many eligible households did not participate in the program but instead lived in what she termed a state of “hidden poverty.” Noting that the literature on under-participation required revision and expansion, Riphahn argued that it was necessary to do more to monitor the rate of under-participation in the program and to evaluate the reasons for such behavior.

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178 Riphahn 2000.
179 Riphahn 2000: 2.
Drawing on prior contributions, Riphahn calculated the rate of under-participation of eligible poor households in the Help for Livelihood program using updated data from the 1993 German Income and Expenditure Survey (EVS), which is conducted every 5 years by the German Federal Statistical Office. The purpose of the EVS is to gather a more complete view of the essential features of poverty by assessing, over a yearlong period, poor households’ major incomes and expenditures. The EVS reached over 40,000 German households in 1993, and as of 2000 it was the largest survey of its kind in the European Union.\(^{180}\) Previous research, Riphahn claimed, had overestimated the number of poor German citizens who were eligible to receive program benefits and had therefore overstated the rate of under-participation. Even after improving the methodology for estimating the number of eligible households, however, Riphahn concluded that the total rate of under-participation by poor Germans had reached 62.7 percent, “a rate above the figures obtained for past years,” suggesting that it was a growing phenomenon.\(^{181}\)

In addition to recalculating the under-participation rate, Riphahn used probit analysis to estimate the statistical impact of four factors that previous research had found relevant to explaining non-uptake behavior in Germany: the cash amount of the benefit, the expected duration of the benefit, the cost of applying for the benefit, and the stigma attached to receiving the benefit. Overall, she found that poor households were less likely to participate in the program if the cash amount were small, if the expected duration were short, if the cost of applying for the benefit were high, and if stigma effects were present or perceived. The cost of participation was seen to be

\(^{180}\) Institute for the Study of Labor [IZA] 2013.
\(^{181}\) Riphahn 2000: 15.
highest for foreign households due to the difficulty and cost of obtaining the proper documentation required to participate in the program. Significant stigma effects were found for households that were located in small, rural towns, where it would be more difficult than in a large city to maintain privacy regarding one’s beneficiary status.182

The findings from this analysis revealed that the factors had affected non-uptake behavior in Germany in differentiated ways across different sectors of the poor population. The author concluded from the 1993 EVS data that a large portion of non-participating eligible households was unemployed, elderly, and/or single; as a whole, non-participating households were also found to be on average less poor than participating beneficiaries.183 The framework Riphahn used to assess the problem of under-participation in social assistance programs thus forced a view of “the poor” as a non-homogenized entity, which is of particular relevance to the Ecuadorian poor population.

Unlike studies of social assistance programs in Western Europe, however, evaluations of Latin American CCTs have neglected the problem under-participation. The few that have addressed the issue have not adequately explained the reasons for under-participation. For example, Fiszbein and Schady’s (2009) analysis of Ecuador’s BDH mentions only high transaction costs and concluded that under-participation was “not too grave an issue” for the BDH, even though they also reported that 33 percent of Ecuadorians who had “passed” the proxy means test never received benefits.184

The problem of under-participation in the BDH demands additional research. For one thing, it has not gone away. Qualitative evidence shows that under-

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183 Riphahn 2000: 15.
184 Fiszbein and Schady 2009: Box 3.3, 76.
participation in the BDH continues among the rural poor (a larger share of the rural population live in conditions of poverty than of the urban population, Table 4.1) and within indigenous communities, two impoverished groups that are of prime concern to the Ministerio de Inclusión Económica y Social (MIES). Its extent is unclear, however, and the rate of under-participation has not been recalculated since the Fiszbein and Schady (2009) study. Updated quantitative information on the rate of under-participation is needed to redesign the program to increase participation. A replication of Riphahn's statistical model is beyond the scope of this thesis, but her analytical framework can be applied the BDH. Interviews in the summer 2013 with current and potential beneficiaries of the BDH in four communities—San Clemente and Guamaní Narváez in the Sierra, and Tsunkintsa and Puyo in the Amazon (Figure 1.1)—revealed that at least five factors deter participation in the program: prohibitive transaction costs, prohibitive opportunity costs, a lack of access to education and health services, stigma effects, and anti-government sentiment. Many of these deterrents are particularly acute in rural indigenous communities in the Amazonian provinces, but many of the more isolated rural indigenous communities in the Sierra and Coastal provinces also experience them.

4.1.1. Prohibitive Transaction Costs: Travel to MIES, to Payment Site

High transaction costs were the factor that Fiszbein and Schady did identify as a cause of non-uptake of the BDH, citing Carrillo and Ponce’s (2009) study of the uptake behavior of rural poor beneficiaries.185 Interviews in impoverished rural

185 Carrillo and Ponce 2009.
communities in the summer 2013 confirm that high transaction costs continue to deter participation in Ecuador’s BDH.

Transaction costs are incurred during an economic exchange. If such costs exceed expected benefits, such as monetary gain or non-material rewards, then a rational individual is expected to decline to participate in the exchange. The largest transaction cost affecting participation in the BDH is the cost of travel and transportation. A potential beneficiary incurs costs when travelling to and from a district office of MIES to enroll in the program (the first act of participation), and again when travelling to and from a payment site to collect the cash transfer (to continue participation). In certain regions of Ecuador, the cost of travel is so high as to equal or exceed the amount of the transfer. Riphahn (2000) found that high application costs and low transfer payments each increased the probability of non-uptake in Germany. Likewise, high travel costs combined with the small size of the monthly transfer are likely causes of non-uptake of the BDH by eligible poor households in isolated rural regions of Ecuador.

Carrillo and Ponce (2009) found that the program’s inefficient payment distribution mechanism was responsible for the high transaction costs associated with collecting the transfer payment. They did their research in 2004, when the Banred payment agency network had only about 250 payment centers to distribute to all beneficiaries the monthly transfer of US $15. Few of these payment centers were in rural areas. In the rural Amazonian province of Morona Santiago, for instance, only 20 percent of program beneficiaries resided in a parroquia (parish) with a payment center. In the Sierra province of Pichincha, by contrast, where the nation’s capital

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186 Riphahn 2008: 19.
Quito is located, 79 percent of beneficiaries lived in a *parroquia* with a payment center.

The Achuar community of Tsunkintsa, a small village of about 200 families, is situated in the Huasaga *parroquia* only a few miles from the Peruvian border in the province of Morona Santiago (Figure 4.1). Huasaga does have a payment center, but it is located in Wampuik, the *parroquia* capital located some 15 miles away. Travel between Tsunkintsa and Wampuik is arduous. No road connects the communities, and unlike many other Amazonian communities, Tsunkintsa is located a few miles from the nearest large river, so inhabitants rely little on riparian travel. The usual way to travel from Tsunkintsa to other remote villages or to the provincial capital is to fly in a small airplane (*avioneta*), but with flights priced upward of US $400, air travel is a cost-prohibitive option for the poor.\(^\text{187}\) Accordingly, most potential and current beneficiaries in Tsunkintsa, from young mothers to the elderly, choose to walk through dense rainforest to the MIES district office or the payment center in Wampuik. The walk takes five hours each way.\(^\text{188}\)

The rural poor in the Sierra provinces face similar transaction costs to collect transfer payments. The community of Yanahurco Grande, which is located in the foothills of the Iliniza Sur volcano in the province of Cotopaxi (Figure 4.2), is very isolated from the nearest *parroquia* with a payment center—even from the nearest road. Potential beneficiaries in the community must pay for a bus or other vehicle to transport them approximately 15 miles to Sasquilí, the capital of the department (the administrative unit intermediate in size between a province and parish), along the

\(^{187}\) Personal Interview 7: Participant B; Puyo, Pastaza, Ecuador; June 24, 2013.

\(^{188}\) Personal Interview 22: Focus Group; Tsunkintsa, Morona Santiago, Ecuador; July 22, 2013.
unpaved Vía Sigchos. The road does not actually extend to the community of Yanahurco Grande, however, so would-be travelers to Sasquíllí must walk three miles over rough, mountainous terrain in order to reach the road itself.

Carrillo and Ponce (2009) were interested in the effects of high transaction costs on uptake behavior among beneficiaries who resided in isolated communities like Tsunkintsa and Yanahurco Grande. In 2004, when Carrillo and Ponce did their research, the Ministerio de Bienestar Social (MBS) required beneficiaries to travel in person to a Banred payment agency to collect their monthly transfer. Even after December 2008, when the MBS was converted by decree to the Ministerio de Inclusión Económica y Social (MIES), beneficiaries were required to collect their payments in person. Beneficiaries could not collect more than once per month, but were allowed to let the payments accumulate for up to four months. Carrillo and Ponce (2009) predicted that beneficiaries living in rural parroquias without a payment site would allow the transfer to accumulate, collecting fewer times per year to offset the high cost of travel.¹⁸⁹ Using payment data from Banred, and demographic information and geographic location from beneficiaries’ SELBEN scores (the study precedes its replacement by the Registro Social), the authors found that a beneficiary household located in a rural area 90 minutes away from the nearest payment center would typically collect the transfer only half as frequently as a beneficiary household living in the same parroquia as a payment agency, other characteristics held constant. For isolated beneficiary households, then, the value of participation in the BDH rises with each month the payments are allowed to accrue.¹⁹⁰

These findings are corroborated by the accounts of beneficiaries interviewed in Tsunkintsa in the summer of 2013. To collect their BDH transfer payments, female heads of beneficiary households had to make the expensive and arduous journey in person to the provincial capital Wampuik. Accordingly, each woman interviewed allowed the monthly transfers to accumulate, collecting every three to four months. A number of the beneficiaries in the community have collected their monthly transfers on an accumulated schedule for over 2 years, and some for close to 5 years.191

Carrillo and Ponce's (2009) findings that transaction costs influenced program beneficiaries’ collection behavior in 2004 were thus confirmed by personal interviews conducted in 2013 in the rural Amazonian community of Tsunkintsa. Carrillo and Ponce (2009), however, overlooked the effects of transaction cost on non-uptake behavior among potential beneficiaries, and thus did not provide a complete picture of the extent of under-participation in the BDH among the rural poor.

To extend Carrillo and Ponce's (2009) analysis from collection behavior to non-uptake behavior requires the conceptualization of a threshold for transaction costs. The threshold model developed by Mark Granovetter (1978) may be adapted for this purpose. Interested in the extent to which actors’ decisions were influenced by collective behavior, Granovetter formulated a threshold model to approximate the “point where the perceived benefits to the individual of doing the thing in question…exceed the perceived costs.”192 The task at hand, then, is to establish a threshold model for collection behavior that identifies the point at which the benefits

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191 Personal Interview 22: Focus Group; Tsunkintsa.
192 Granovetter 1978: 1422.
of the BDH for a current or potential beneficiary begin to fall short of the transaction costs, leading to non-participation.

In conceptualizing a threshold at which costs begin to exceed benefits, Granovetter asserted that one must take into account “most of the causal variables typically studied as determinants of individual behavior.” Riphahn (2000) found that the factors leading to non-uptake, as well as the causal mechanisms by which those factors worked their effects on the uptake decision, differed according to individual characteristics. Likewise, the threshold at which transaction costs begin to outweigh BDH benefits for poor people in Ecuador is likely to differ by region, by remoteness of geographic location, by age, and by other household characteristics. Moreover, transaction costs for a particular individual can change over time.

Interviews conducted in the summer of 2013 show that transaction costs for BDH-eligible residents of Yanahuco Grande are often so high as to deter participation in the program. One interviewee, who occupied an abandoned house in the relatively urban pueblo of Guamaní Narváez—in the parroquia Guaytacama in Cotopaxi (Figure 4.2)—had moved there from Yanahuco Grande with the specific intention of making it easier to reach the MIES district office so as to register for the BDH. The interviewee reported that travel to the district office, which was located in the department capital Sasquío, had been difficult when she lived in the isolated Yanahuco Grande—so difficult as to prohibit other members of the community from enrolling in the BDH. She added that one of her relatives in Yanahuco Grande, an elderly man, remains physically and financially incapable of traveling to the MIES to

193 Granovetter 1978: 1436.
enroll himself in the program, despite his dire need for the income transfer. This account reveals that age and ability are central components of differentiated transaction costs. The case permits the conceptualization of a transaction cost threshold that is applicable to elderly people in remote areas of the Sierra region, as well as in the other two regions. For that demographic, physical constraints magnify the financial aspects of transaction costs, and the threshold above which the costs become unacceptable is lowered (and thus more easily surpassed). Exceptionally high transaction costs also led to the non-uptake of program benefits by the elderly in Tsunkintsia. Many physically fit people who are eligible to participate in the BDH do in fact make the 10-hour round-trip walk to Wampuik to collect the transfer, albeit on a three- or four-month schedule. Even when offset by an accumulated schedule, however, the 10-hour collection journey is too arduous for many of the elderly. The tipping point where costs begin to exceed benefits for residents of isolated communities is thus lower for the elderly than for younger potential beneficiaries.

Even for younger beneficiaries, moreover, the transaction costs associated with geographic isolation are compounded by lack of access to health services and to documentation. Many parents in Tsunkintsia do not obtain proper documentation for their children at birth. A lack of physical access to health facilities, as well as aspects of indigenous traditions surrounding birthing practices, lead many of the families to give birth at home or in other places where birth certificates are unavailable. Because enrollment in the BDH requires birth certificates for children and identification cards (cédulas) for all family members, transaction costs are raised by the need to make additional trips to government offices to obtain the documents needed to enroll.

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594 Personal Interview 24: Participant A; Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.
One Tsunkintsa woman interviewed in the summer of 2013 had traveled to Wampui to enroll in the BDH, only to learn that she did not have the necessary documents. MIES officials told the woman that both she and her husband would have to travel to the Registro Civil office in Taisha in order to obtain them. Taisha, the capital of the department in which Tsunkintsa lies, is a 3 day walk—or an expensive avioneta flight—from the community (Figure 4.1). For the many cases like this one, the total transaction costs end up involving a round-trip to the MIES office in Wampui in a first attempt at registration, a round-trip to the Registro Civil office in Taisha to obtain proper documentation (assuming everything can be taken care of in one visit, which, as will be seen, is often not the case), and a second round-trip back to the MIES office in Wampui to successfully enroll in the BDH. These transaction costs are prohibitively large and also lead to non-uptake of the BDH.

Besides the cost of obtaining documentation, another cause of non-uptake of the BDH related to increased transaction cost is that bank tellers sometimes embezzle accumulated transfer funds. Many women of Tsunkintsa have experienced bank tellers at BDH payment agencies handing over only the equivalent of a three-month accumulated transfer, even after four months have elapsed between collection trips. One woman recounted a recent collection trip to Taisha that she undertook to collect four months of her transfers:

the bank authorities [said] that it is for three months; that they are giving a ‘discount.’ A discount! …They said that from now on, ‘there will always be a discount.’ …We don’t understand why.196

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195 Personal Interview 22: Focus Group; Tsunkintsa.
196 Personal Interview 22: Focus Group; Tsunkintsa. Translated by Chloe Rinehart.
MIES publications provide no evidence whatsoever that the ministry has reduced from four to three the number of months permitted for accumulation, lending support to the alternative conjecture that personnel at payment centers are engaging in corrupt practices. Beneficiaries justify traveling by foot for hours or days—or incurring high costs to travel by bus, plane, or other modes of transportation—because they expect to collect a payment of a particular size. If some of this payment is siphoned off, reducing its total value, then the payoff for their expended effort is lower than anticipated. Distrust of BDH personnel thus compounds the effect of high transaction costs, raising the probability of non-uptake.

By extending the analysis of Carrillo and Ponce (2009) from the effects of high transaction costs on the collection behavior of already-enrolled rural beneficiaries to the effects of high transaction costs on non-uptake by the rural poor, and by conceptualizing a Granovetter (1978) threshold model applicable to collection behavior, it is evident that several elements can push above an acceptable threshold the total costs of enrolling in the BDH and of travelling periodically to a BDH office to collect the transfer payment. When the threshold is exceeded, not only do beneficiaries cease participation, potentially eligible non-beneficiaries do not sign up. Age and other demographic factors, as well as the unavailability of social services (particularly health facilities), lack of proper documentation, and often well-founded attitudes of distrust of BDH administrative personnel, exacerbate the situation.
4.1.2. Prohibitive Opportunity Costs: Child Labor vs Compliance with Conditions

Opportunity costs are often confused with transaction costs, but are best conceptualized as a separate cause of non-participation in the BDH. Rather than making transactions more expensive out-of-pocket, opportunity costs result from the loss of potential gains from other alternatives, such as work, that are forgone in the selection of one transaction or activity. Time spent travelling to a payment point is time lost earning income, harvesting or purchasing food, or organizing the household. For instance, the 10 total hours it takes inhabitants of Tsunkintsa to travel to Wampui to enroll in the BDH or to collect transfers means the loss of a day of work in the cultivation of foodstuffs for the benefit of themselves or the entire community.

Among the opportunity costs associated with CCT programs, the literature has focused mostly on the tradeoff between program participation and the loss of earnings from child labor. Many potential beneficiary households undertake a complex cost-benefit analysis that weighs the benefits of monthly income transfers against the costs of forgoing child labor earnings (almost all CCT programs condition transfers on the school enrollment of children). Fiszbein and Schady (2009) cited criticisms of the programs’ conditionality, which argued that the opportunity cost of forfeiting child labor would cause of non-uptake of CCT programs. The higher the wages (or other material benefits) that a potential beneficiary household expects to derive from keeping their children out of school (that is, the higher the opportunity cost of enrollment), the lower the chances that the parents will opt to send their children to school, and thus the higher the probability that a household with an income low
enough to qualify for a CCT program will decide not to enroll in it.\(^{197}\) No impact evaluations have assessed the extent to which the opportunity costs of forgoing child labor has led to under-participation, however.

Interviews in rural Ecuador reveal little evidence that the opportunity costs of forgoing child labor have led to non-uptake of the BDH. In both Amazonian Tsunkintsa and in the Kichwa community of San Clemente in the Sierra province of Imbabura (Figure 4.3), young children are indeed expected to contribute to the cultivation of crops, which in both communities serve primarily for subsistence, but also for trade or sale in small quantities. Agriculture in San Clemente is centered around a number of small plots that are farmed communally. From a young age, children are expected to work in the fields, to contribute to the food supply of the community, and to learn the cultivation techniques of their parents and ancestors. The communal nature of these practices, and the small importance of income from trade, mean that time needed from children with help on the field is not incompatible with the investment of time in their children’s schooling.

Inhabitants of the rural communities in which interviews were conducted did not conceptualize the BDH transfer as a substitute source of income that they would need in order to compensate for wages lost by forgoing child labor. They also did not view compliance with the conditions of the program as a significant “sacrifice.” Interviews suggest that in most cases the children of the communities visited had been enrolled in school prior to a household’s participation in the BDH. Thus the income transfer was seen not as compensation for the loss of a child's labor, but rather as a welcome aid to offset expenses for school supplies, clothing and shoes.

\(^{197}\) Fiszbein and Schady 2009: 46.
medicines, and other goods associated with school enrollment and health visits. It was clear that most heads of households held both schooling and proper medical care in high regard.

The opportunity cost of losing child labor is arguably higher among the urban poor than the rural poor. In large cities across all three regions of Ecuador, young children selling candy and other items on the street bring in a significant portion of a family's total monthly income. Particularly before President Correa in March 2013 increased the transfer amount from US $35 to US $50, the income generated by participation in the BDH often failed to exceed, in the eyes of many BDH-eligible families, the potential monthly income generated by child labor. If the opportunity costs of participating in the BDH are greater for potential beneficiaries in urban areas than in rural areas, the probability of non-uptake should be greater in urban areas. This hypothesis deserves to be tested by systematic empirical research.

4.1.3. Lack of Access to Education and Health Services

Like the majority of Latin American CCT programs, the BDH requires beneficiary households to comply with both education and health conditions in order to receive program transfers. CCT programs assume that the poor suffer material constraints that keep them from utilizing social services already supplied adequately by the state. In Ecuador, however, education and health services, like Banred payment centers, are in short supply in remote communities. Fiszbein and Schady (2009)

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198 Personal Interviews 6-9, 11-20, 22, 24-31: Puyo, June 24; San Clemente, Imbabura, Ecuador, July 3; Tsunkintsa, July 17; and Guamaní Narváez, August 9, 2013.
expressed concern that deficient supply and inferior quality of health and education services could undermine the abilities of CCT programs to reduce poverty and strengthen the capabilities of the poor, and argued that governments would have to do more to improve the quality and availability of such services.\footnote{Fiszbein and Schady 2009: 24.}

President Correa in legislative bills and in the Plan Nacional para el Buen Vivir (PNBV, 2009-2013) has given priority to policies aimed at improving education and health services. Reports by the Ministerios de Educación and Salud and data compiled by the Instituto Nacional de Estadística y Censos (INEC) suggest that Ecuador has made progress toward a more equitable distribution of health and education services since Correa became president in 2006.

The Ministerio de Educación’s ten-year plan—the Plan Decenal de Educación, 2006-2015—put forward five fundamental policy initiatives designed to universalize basic general education (1\textsuperscript{st} through 10\textsuperscript{th} grades) and to raise the level of high school enrollment to at least 75 percent. The plan called for an incremental increase in education spending at the rate of 0.5 percent of GDP per year, until the total spending budget reached 6 percent of GDP;\footnote{Ministerio de Educación 2008.} the removal of cost barriers to enrollment, through the elimination of all matriculation fees, the establishment of a free textbook donation program for students in 1\textsuperscript{st} through 7\textsuperscript{th} grades, the provision of free uniforms for children whose families could not afford to purchase them, and the expansion of the free meals program;\footnote{Ministerio de Educación 2013a: Noticias.} the expansion of the Sistema de Educación Intercultural Bilingüe (Intercultural Bilingual Educational System);\footnote{ANDES 2012.} the
construction of over one hundred new schools in areas of high basic need (by March 2013, 18 new schools—dubbed “Unidades Educativos del Milenio” (“Millennial Educational Units”) or UEMs—were already in operation, 27 were under construction, and planning had begun for 58 more); and, finally, the improvement of the overall quality of schooling, through introduction of an incentivized retirement program and the hiring and rigorous training of thousands of new teachers.

In accordance with the Plan Nacional para el Buen Vivir (PNBV), the Correa administration has also worked toward a revamping of the public health system, which is administered by the Ministerio de Salud Pública. These reforms, like the policy initiatives of the Ministerio de Educación, are contingent on a substantial increase in, and redistribution of, government spending on public health. The core reform of the public health system involves the adoption of a Modelo de Atención Integral de Salud (Integrated Healthcare Model, MAIS), a “primary care strategy” that tailors health interventions to specific regions based on their epidemiological characteristics, incorporates indigenous practices and medicines, and makes basic health services accessible to the largest possible share of the population. Visits to health centers are free under the 2008 Constitution, but the PNBV outlines plans to make certain medicines also free of charge. The ministry additionally plans to renovate existing health facilities and to construct new facilities. In 2012 the ministry drafted plans for the Proyecto de Fortalecimiento de la Red de Servicios de Salud y Mejoramiento de la Calidad (Project for the Strengthening of the Health Services Network and the Improvement of Quality). By 2016, the Ministerio de Salud Pública

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204 Ministerio de Educación 2013b.
expects to complete the construction of 851 new health centers,\textsuperscript{207} adding to the total 211 centers that were in operation in the country in 2012.\textsuperscript{208} (More numerous were the health \textit{subcentros}, or clinics, at 1,387 nationwide.) This expansion will also be complimented by dual improvements in quality: the renovation of 381 existing centers, and the technological overhaul of all the 1,232 total new and renovated centers.

Evidently, the Ministerios de Educación and de Salud Pública have undertaken significant operational reforms and initiated multiple construction projects in compliance with the Correa administration’s dual goals of universalizing access to education and health services, and of offering alternative services to cater to the needs and wants of indigenous communities. Most of these policies and projects are recently developed and currently ongoing, so their progress cannot yet be assessed. What is already evident, however, within the outlines and objectives of the reforms, is a degree of shortsightedness in their design and implementation, foreshadowing significant limitations to their potential to achieve their goals. Accounts from the Kichwa community of San Clemente, and from a community of families from the Sápara nationality who live just outside Puyo, the capital of the Amazonian province Pastaza (Figure 4.4), underscore such limitations.

With regard to the reforms to the educational sector, the expansion of the bilingual education program contains financial and structural limitations that work against the government’s goal to guarantee universal access to those services. The system benefits only 14 of the total 28 indigenous groups, and covers only a fraction

\textsuperscript{207} Ministerio de Salud Pública 2013: Programas / Servicios.
\textsuperscript{208} Instituto Nacional de Estadísticas y Censos 2012: Estadísticas de Recursos y Actividades de Salud 2012, Tabulados: Gráfico No. 5.
of the indigenous children in the country. Although spending on the program has grown rapidly in recent years, it remains misallocated. The teachers hired for bilingual instruction are *mestizo* and have no knowledge of the native languages in which they are supposed to instruct and no familiarity with the indigenous groups’ cultures, practices, or worldviews. Members of a number of the highly politicized indigenous leadership councils, like that of the San Clemente community of Kichwa people, are enraged at what they view as a lack of progress in making good on decades-old promises to develop an adequate bilingual education system. Because education is valued highly in these communities it seems unlikely that such dissatisfaction would dissuade participation in the educational system or in the BDH altogether, but resentment over slow progress at bilingual education exacerbates misgivings between the national government and the indigenous poor.

Reforms to public health services present more significant challenges. The proposed construction of 851 new health centers in a three-year period represents a remarkable four-fold increase in the number of existing centers. Although it is outside the scope of this thesis to evaluate the financial and technical feasibility of the project, it is clear the current number of primary care health centers is insufficient and their distribution is inequitable: of 211 health centers in 2012, only 11 were in areas designated “rural” by INEC. The high cost and difficulty of traveling long distances to reach health centers is compounded by the inefficiency of the services available there and by the inattention of the medical staff to clients. Many potential and current beneficiaries of the BDH also grapple with the ministry’s delays in

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209 Personal Interview 1: San Clemente, Imbabura, Ecuador; October 2012.
210 INEC 2012: Gráfico No. 5.
developing health services offering traditional medicines and practices. Interviews with current BDH beneficiaries in San Clemente and Puyo suggest that many residents of these communities have spurned the medical services offered in the public health centers, opting instead to obtain natural remedies and consultations from local shamans. A Sápara woman in Puyo reported that she stopped complying with the BDH health requirements when a health center doctor prescribed her child an adult dose of a medicine that made him gravely ill. 211 Now she turns only to traditional medicine, but fears losing the BDH transfer if she does not comply with the program’s conditions. Women in San Clemente recounted similar decisions and similar fears. 212

Compliance with BDH conditions is neither monitored nor properly enforced, but the quasi-rejection of the public health system by members of eligible households remains a significant deterrent to uptake. If mothers believe that they will be dropped from the program if they fail to bring children for health checkups, or that compliance with the program conditions will be detrimental to their child, they may decide not to enroll in the program or to drop out after enrolling in it. Additional reforms to health and educations services are needed, particularly to rectify problems of inaccessibility, poor quality, and insufficient content. These problems are deterring poor households from utilizing these services, and as a result, the problems also deter their participation in the BDH.

211 Personal Interview 7: Participant B, Puyo.
212 Personal Interview 14: Participant D; San Clemente, Imbabura, Ecuador; July 3, 2013.
4.1.4. Stigma Effects

Riphahn (2000) hypothesized that stigma, proxied in various ways, would contribute to non-uptake of social assistance by impoverished Germans. She found conclusive evidence of a significant effect for only one such proxy, living in a small community, but her analysis underscores that “poverty stigma” is diverse in both character and impact. Likewise, Reutter et al. (2009) interviewed low-income people in urban Canada to explore the association between low self-esteem caused by direct or indirect anti-poverty stigma and various indicators of health, such as increased stress and anxiety and psychological distress. They found that stigma effects contributed to inferior health outcomes of the poor.213

Interviews with poor residents of two Canadians cities revealed both the pervasiveness anti-poverty stigma and the poor population’s tendency to internalize and incorporate those anti-poor attitudes into their own self-perceptions. Reutter et al. (2009) asserted that the low-income urban Canadians they interviewed described how anti-poverty stigma imbued in them a sense of moral exclusion that led them to withdraw and isolate themselves from social interactions, and from interactions with government institutions and services. The study also recognized the tendency of poverty stigma to intersect with other forms of stigma, including stigma around race and ethnicity; there was evidence that some interviewees had experienced the “interrelationship of poverty and ethnicity…as a factor in poverty stigma.”214 These two core conclusions can be extrapolated to approximate the effects of stigma on under-participation in the BDH, and in Latin American CCT programs in general.

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Reutter et al.'s (2009) findings are specific to the Canadian sociopolitical context, but poverty and race stigma are lamentably universal. Accordingly it is reasonable to presume that they exist in Ecuador, to an extent that they also cause the poor to withdraw and isolate themselves from government institutions.

In Ecuador, racist and discriminatory attitudes are frequently conflated with poverty stigma. Racist attitudes remain prevalent today, and were even more widespread and widely acceptable in the decades preceding the indigenous rights movement’s *levantamientos*, or uprisings, of the 1990s. Those protests—during which hundreds of thousands of indigenous people marched from their respective villages in the Sierra, Amazon, and Coast into the capital Quito—shocked *mestizo* city-dwellers and politicians, many of whom were forced to acknowledge for first time their shared citizenship with those groups. The uprisings put pressure on the national government to incorporate into the 1998 constitution new rights for indigenous communities, including the right to receive assistance from the government from the newly established Bono Solidario.

The community of San Clemente participated actively in the *levantamientos*, and many women in San Clemente have been BDH beneficiaries since the time of these uprising. Such women when interviewed reported suffering discrimination and harassment from government officials because of their status as indigenous and poor. One former beneficiary stated that “in those times,” it was clear to her that indigenous people were “less attended to” at the health center, which was located in the provincial capital Ibarra, about 20 miles down the mountain from the community (Figure 4.3). She described traveling in pouring rain, through dense mud, to take her
then-infant daughter to a health appointment. When she arrived at the health center, the nurses yelled at her to go back outside and clean off her “paws”—likening her to an animal, and shaming her into not returning to seek care there.215

The current beneficiaries in San Clemente did not speak of specific instances of overt classism and racism like this, but it was clear from their accounts that “long waits” at health centers continue to this day. Beneficiaries living outside of Puyo also mentioned long waiting times when visiting health centers, along with a certain amount of poor treatment. The centers, one woman stated, “do not attend [to patients] the way the government says.” Worse, the doctors discourage the women from bringing their children for regular check-ups.216 It is unclear from their accounts if they perceived these waits as a specific, discriminatory practice against them as poor and indigenous, or as a result of these health centers’ lack of staff and resources. Drawing from Reutter et al. (2009), however, the difference between the two rationalizations is insignificant, given that each is a form of stigma that results in the women feeling “undeserving” and inferior.217 Either particular government officials discriminate against the poor in practice, or the poor view the entire government as discriminatory in its inadequate allocation of resources to the health centers; both perceptions relay a broader message of devaluing the poor and the indigenous who rely on those inferior services.

Current and potential beneficiaries thus continue to feel stigmatized in their interactions with government officials while carrying out activities related to the BDH. Such feelings might well lead to non-uptake of the BDH, although only one

216 Personal Interview 7: Participant B, Puyo.
interviewee reported withdrawing from the program (and she had been “graduated” when her husband acquired a job with a pension). These accounts of discrimination and stigma still compel further examination.

4.1.5. Anti-Government Sentiment and Distrust

In Ecuador today, there are high levels of distrust of the national government under President Correa, particularly among indigenous communities in the Amazon that reject the president’s expansion of the oil industry. The communities are wary that the government has used dishonest tactics to obtain consent to drill on their territories, and they have become suspicious that Correa’s enlargement of and personal identification with the BDH program are part of those tactics. Leaders of Amazonian indigenous nationalities and peoples have plainly stated that they expect the government to utilize the BDH as socio-political blackmail to convince—or trick—their people into supporting the government's oil extraction policies. This perception has raised the probability of non-uptake within those communities.

Beginning in 2010, the Correa administration took steps to contract out rights to 16 new oil-drilling fields in the provinces of Napo, Pastaza, Orellana, and Morona Santiago. In November 2013, the government announced that it planned to authorize four foreign companies—from China, Spain, Chile, and Belarus—to begin extraction in 13 of the blocks. The remaining blocks are being reserved for the state-run company Petroamazonas. This “11th Oil Round,” also called the Southeastern Oil Round, is anticipated to affect approximately 3 million hectares (or 7.4 million acres)

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218 Personal Interview 22: Focus Group; Tsunkints.
219 EL PAÍS 2013.
of Amazon forest, and to disrupt the communities of 7 indigenous nationalities.\textsuperscript{220} Amazonian indigenous nationalities—such as the Achuar, Shuar, Waorani, and Sápara—have vociferously protested the proposed extraction, which they view as a systematic violation of their rights under the 2008 Constitution, including the right to self-determined development projects on their own land, and of the right to free, prior, and informed consent to “the plans and programs for prospecting, producing and marketing nonrenewable resources located on their lands and which could have an environmental or cultural impact on them.”\textsuperscript{221}

The consultation process for the Southeastern Oil Round has produced significant conflicts between the national government and the indigenous nationalities poised to have their territories and livelihoods affected by the new round of oil extraction. In 2012, Correa mandated that the process of consultation be placed under the direction of the Secretaría de Hidrocarburos (Secretary of Hydrocarbons) and the Ministerio de Recursos Naturales No Renovables (Ministry of Non-Renewable Natural Resources).\textsuperscript{222} The Secretaría de Hidrocarburos asserts that it has undertaken the consultation process in a judicious manner and in good faith, as mandated by Ecuadorian courts and domestic and international agreements.\textsuperscript{223} On its website, it has published a running list of towns and communities that have been properly consulted, recorded the attendance at each convocatoria meeting, and affirmed the amount of compensation it will pay to communities who have approved of oil drilling on their territory. Yet indigenous groups allege that the consultation process has been carried

\textsuperscript{220} Narváez 2012: 1.
\textsuperscript{221} Republic of Ecuador Constitution of 2008: Title II, Rights; Chapter 6, Rights to Freedom; Article 67.
\textsuperscript{222} Correa 2012: Art. 6, Autoridad Competente; Art. 13, Mechanismos de participación.
\textsuperscript{223} Inter-American Court of Human Rights 2012: 82, 92.
out under false pretenses. Many charge that Secretaria officials have taken signatures supposedly collected to verify attendance at informational meetings and reproduced them in order to falsify communities’ consent to drilling on their territory.\(^{224}\)

Regardless of the number of times such offenses have occurred, the allegations themselves have caused indigenous nationalities that strongly oppose the extraction of oil from their lands to distrust all interactions with the government.

For instance, in Tsunkintsa the people have begun to regard the government’s motives in offering and expanding the BDH with suspicion and alert. Women in the community reported a belief that the government uses registration campaigns for the BDH as part the same deceitful tactic to obtain signatures that will subsequently be used to falsify consent to oil exploitation. One woman stated that the BDH was being used to “trick” and to “lie to” the communities in a cynical effort to persuade them to allow oil extraction on their lands.\(^{225}\) During a session with a focus group in the summer of 2013, a government official passed around an attendance sheet to the members of the community. The president of the community immediately and angrily accused the official of attempting to trick community members with the now well-known scheme for acquiring falsified consent to the Southeastern Oil Round. The president and the other community members eventually agreed to sign the attendance sheet, but tense atmosphere remained.\(^{226}\)

At the time of the focus group interview in Tsunkintsa in July 2013, it appeared that potential beneficiaries’ distrust had not yet led them to cease their participation in the BDH. The women of the community did pledge, however, that if

\(^{224}\) Berman 2013: Research Materials, Conclusions & Implications.

\(^{225}\) Personal Interview 22: Focus Group; Tsunkintsa; Translated by Chloe Rinehart.

\(^{226}\) Personal Interview 22: Focus Group; Tsunkintsa.
the government tried to use the BDH as a bargaining chip to gain consent for oil drilling, they would forgo the cash transfer. In terms of the threshold model introduced above, for indigenous people in Tsunkintsa, the cost of oil extraction far exceeded the benefits for the community of receiving the BDH transfers.\textsuperscript{227} In November 2013, Correa finalized contracts with the four foreign oil companies, granting the green light for the initiation of operations in 13 of the 16 oil blocks; Tsunkintsa is located right on the dividing line between blocks 78 and 82, which are under the jurisdiction of the national company Petroamazonas.\textsuperscript{228} With increased pressure from the government’s decision to move ahead with the Southeastern Oil Round, it is possible that the level of distrust will surpass an acceptable threshold, and that Tsunkintsa community members may be forced to fulfill their pledge and cease their participation in the BDH.

Levels of distrust are likely to also be high among other Amazonian indigenous communities, although the amount of distrust and the degree of its effect on uptake might differ according to the stage of the consultation process with the Secretaría de Hidrocarburos that each community is currently in. Another community—of the Achuar nationality (like the Tsunkintsa community) or of one of the other six nationalities whose territories are part of the new round—might be so distrustful of the government’s motives, or could have already been the subject of government deceit, that the potential beneficiaries residing there might choose to not participate in the BDH. Growing distrust of the government among the Amazonian communities is a potential deterrent to uptake.

\textsuperscript{227} Granovetter 1978.
\textsuperscript{228} Berman (2013): Background Information, Oil in Ecuador: 11\textsuperscript{th} Oil Round, map.
4.2. Conclusion

It was estimated in Ecuador in 2006 that 33 percent of eligible households do not participate in the BDH.\textsuperscript{229} No estimate exists for subsequent years, owing to lack of the requisite data; the Ministerio de Inclusión Económica y Social (MIES) has yet to do the research necessary to identify the many and diverse reasons why persons who are eligible for the BDH do not participate in the program. By examining prior studies on participation behavior in the BDH, and by extrapolating the empirical frameworks of Riphahn (2000) and Granovetter (1978), it is possible nonetheless to establish that several factors have contributed to under-participation in the BDH.

Poor households living in geographically isolated areas of the Sierra, Amazonian, and Coastal provinces are at particular risk for under-participation. Transaction costs disproportionately affect the isolated poor, particularly the elderly, the less-able, and those who lack access to services and/or documentation. Indigenous communities, which also often suffer from geographic isolation, are also especially vulnerable to non-uptake behavior because of the desire of many of their members to preserve certain cultural practices and because of generalized distrust of the government related to oil drilling and non-fulfillment of previous promises. Under-participation is of particular concern within rural and indigenous communities, who are historically underserved by state-led assistance. It also remains a problem among the urban poor, and deserves further analysis.

Since the development of CCTs in Latin America, studies have focused on the programs’ impact, and on their effectiveness at reaching the poor population that they

\textsuperscript{229} Fiszbein and Schady 2009: 76, Box 3.3.
intend to cover. These studies have largely ignored the effect that under-participation has on those outcomes, however. Many poor households in Ecuador do not participate in the BDH, and thus fail to benefit from an income transfer that could potentially improve their well-being. They also sacrifice an incentive to send their children to school or to participate in regular health checkups, resulting in higher levels of child labor, lower levels of educational attainment, and poorer nutrition and health among those non-participating households. Each of the five factors identified as affecting under-participation—prohibitive transaction costs, prohibitive opportunity costs, a lack of access to education and health services, stigma effects, and anti-government sentiment—reduce the capacity of the BDH to achieve its goals. The existence and incidence of these factors in other Latin American countries, and their consequences for the operation of other CCT programs, also deserves greater attention from scholars and policymakers alike.
Chapter V: Under-documentation: The “Identity Gap” of the Poor

In the modern state, identity documents are required for citizenship and for the political and social entitlements that accompany it. The poor often lack such documents—notably the birth certificate, “the stepping stone to all other essential documents.” Lack of proper documentation prevents poor people from enrolling in social assistance programs, and is one of the most important causes of under-coverage and under-participation in Latin American CCTs, including Ecuador's BDH. Those who do not have documents do not enjoy the full rights of citizenship, which is both a deprivation in itself and a handicap in the achievement of other aspects of well-being.

The causes of under-documentation, and its consequences for the operation of CCT programs, have only recently gained recognition in the literature. Hunter and Sugiyama (2011) pioneered these studies with their examination of the issue in Brazil and its effects on participation in Bolsa Familia. The authors concluded that the main reasons why many poor Brazilians never receive birth certificates are high infant mortality; high cost; logistical and informational difficulties in accessing the state agencies that confer birth certificates; and the reluctance of many fathers to recognize paternity (birth certificates in Brazil by law require the father to be present and claim paternity in order to impart his surname) which leads mothers, out of fear of social stigma, to avoid the certification process altogether. In Brazil and in other Latin

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230 Hunter and Sugiyama 2011: 3.
231 Hunter and Sugiyama 2011: 2.
233 Hunter and Sugiyama 2011: 5.
American countries, including Ecuador, an individual needs a birth certificate to obtain other identity documents and to participate in social assistance programs. If these documents are not obtained in a timely fashion they may never be obtained at all, because “late certification” and “late registration” entail fees that are often prohibitively high for the poor. Lack of proper documentation at birth thus locks poor families into a cycle of political and social exclusion. Gelb and Clark (2013) point out that the resulting “identity gap” is both a symptom of underdevelopment and a cause of less inclusive, and therefore more limited, development.\(^{234}\)

The under-documentation of the poor is a long-standing problem in Ecuador, despite the national government’s stated commitment to identifying and documenting all citizens. In many Latin American countries the Catholic Church, which has been a prominent social and political force since the colonial era, maintained parish records that served as the precursors to national civil registries.\(^{235}\) Ecuador’s civil registry, which was established in 1900, was founded on Church records. Its modern incarnation, the Dirección General de Registro Civil, Identificación y Cedulación (the General Directorate of Civil Registry and Identification, “Registro Civil”) was established in April 1976 at the beginning of a three-year military regime.\(^{236}\) Its purpose was to register all Ecuadorian citizens and to provide each of them a cédula (identification card).\(^{237}\) The Registro Civil’s reach has been limited, however, in the rural, inaccessible areas of the country, particularly in the Sierra and in the Amazon.

\(^{234}\) Gelb and Clark 2013: 1.
\(^{235}\) Gelb and Clark 2013: 22.
\(^{236}\) Lauderbaugh 2012: 134.
\(^{237}\) Ordóñez and Bracamonte 2006: 118.
It has also often failed to reach indigenous people, who have been historically underserved by the state.

Full documentation in Ecuador involves possession of both a birth certificate, which is supposed to be acquired in the first 30 days of life at the health facility in which the birth took place, and a cédula, which must be obtained from an office of the Registro Civil. Acquisition of the cédula for a child or for an adult requires prior possession of a birth certificate. In order to enroll in social assistance programs such as the BDH, the Ministerio de Inclusión Económica y Social (MIES) requires that both parents and children possess both documents. The issue of under-documentation thus comprises “under-certification,” the lack of a birth certificate, and “under-registration,” the lack of a cédula. Until the 2009-2013 Plan Nacional para el Buen Vivir (National Plan for Good Living, PNBV) initiated a more proactive system of distributing birth certificates and cédulas, many Ecuadorians, particularly indigenous people in rural areas, lacked both documents.

This chapter assesses the incidence of under-certification and under-registration in Ecuador from 1998, when the Bono Solidario (BS) was introduced, to 2009, when the PNBV began. It then assesses the PNBV's effect on under-certification and under-registration. The evidence suggests that even after the implementation of the PNBV reforms many Ecuadorians remain undocumented, presenting a challenge to the effective operation of the BDH. The PNBV reforms and other complementary documentation initiatives have significantly expanded the proportion of citizens with birth certificates and cédulas, however.
5.1. Causes of Under-documentation in Ecuador

The procedures and requirements for acquiring birth certificates and *cédulas* are laid out in the 1976 Ley General de Registro Civil, Identificación, y Cedulación. Acquiring a *cédula* requires a birth certificate. Certification of a newborn is supposed to occur within the first 30 days at the facility in which the birth took place. After 30 days elapse the family is considered “late” in acquiring the birth certificate. Late acquisition of a birth certificate must occur in a Registro Civil office, and a fine is levied. The birth certificate reports the place and date of birth, the child’s sex, the child's first and last name, and the names and *cédula* numbers of both parents or of the declarant (if not a parent). If the parents are not married, the declaration of the birth by the father is legally considered recognition of paternity. In addition to the possession of a birth certificate, subsequent registration in the Registro Civil requires the family to present the “statistical report of live birth” signed by a doctor (or by two witnesses if a doctor was not present), the date of registration, and the signatures of the declarant and of the Head of the Registro Civil.

A study by Ordóñez and Bracamonte (2006) for the Inter-American Development Bank estimated incidence of under-certification and under-registration in Ecuador on the basis of data collected by the Instituto Nacional de Estadística y Censos (National Statistical Institute, INEC) during the 2001 census. The study found that from 1990 to 1999 between 40 and 50 percent of the total births certified each year were late certifications of births that had occurred in a previous year. Based on these data and on other demographic information, INEC officials estimated that 37

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238 Ley General de Registro Civil, Identificación, y Cedulación, 1976.
239 Ley General de Registro Civil, Identificación, y Cedulación, 1976.
percent of babies born each year did not acquire a birth certificate in a timely fashion.\textsuperscript{240} Ordóñez and Bracamonte (2006) did not assess the share of initially non-certified births that were subsequently certified late, but even assuming that some were subsequently certified, the proportion of newborns without birth certificates (and therefore without the legal requisite for obtaining a cédula) present serious challenges for poor Ecuadorians seeking access to social assistance programs, to education and health services, to employment, and to the right to vote. In terms of under-certification, the INEC survey found that 12.5 percent of children under the age of 5 were not registered with the Registro Civil.\textsuperscript{241} The survey also found that 15 percent of the adolescent population (between the ages of 5 and 17) and 18 to 20 percent of the adult population (above 18) were not registered with the Registro Civil,\textsuperscript{242} and therefore were ineligible to enroll in the BDH.

The causes of under-documentation in Ecuador closely resemble the five factors affecting under-participation in the BDH. In another 2001 INEC survey, male heads of households with unregistered children under the age of 5 self-reported that cost (26.3 percent of those surveyed) and lack of time away from work (27.0 percent) were the main factors deterring registration; other factors included travel time to the place of registration, a lack of knowledge of the registration process, and refusal to recognize paternity.\textsuperscript{243} Ordóñez and Bracamonte (2006) similarly found that geographic isolation, poverty, membership in an indigenous community, and denial of paternity to be the main reasons for under-certification and under-registration. The

\textsuperscript{240} Ordóñez and Bracamonte 2006: 116.
\textsuperscript{241} Ordóñez and Bracamonte 2006: 115-116.
\textsuperscript{242} Ordóñez and Bracamonte 2006: 116.
\textsuperscript{243} Ordóñez and Bracamonte 2006: 116, fn. 142.
geographic isolation of many communities and the difficulty and high cost of travel to and from those zones restrict their inhabitants’ access to the health facilities where birth certificates are issued, as well as to offices of the Registro Civil where cédulas are acquired. These problems are particularly pronounced in the rural Amazon, where some areas are accessible only by plane and where health centers and other government facilities are sparse and under-resourced. In 2004 only 38.2 percent of births in the Amazonian region were recognized by a “timely” birth certificate issued in that same year, compared to 60.6 percent in the Sierra and 52.6 percent in the Coast regions. These percentages are associated closely with the poverty headcount in each region (Table 5.1).

Geographic barriers to acquiring documentation are often compounded by poverty. In 2004, a birth certificate cost US $0.50 and a cédula cost US $2.00. These costs are already prohibitive for many poor people, and they are even more prohibitive when surcharges are imposed for late certification or registration. A person over the age of 18 who wishes to acquire a birth certificate must pay a fee equivalent to half the minimum wage; in 2006, the fee was US $75. In addition, for the rural poor in particular, the actual cost of acquiring the documents is compounded by transaction and opportunity costs associated with traveling to a health center or Registro Civil office.

Ethnicity was another factor affecting under-documentation. Indigenous communities comprise a large percentage of Ecuador's rural population. Many indigenous communities in the rural Sierra and in the Amazon maintain centuries-old

\[\text{Ordóñez and Bracamonte 2006: 116-117.}\]
\[\text{Ordóñez and Bracamonte 2006: 120.}\]
traditions, including some that come into conflict with institutional certification and registration processes. Indigenous mothers in the Amazon often give birth not in a medical facility but in the home in order to perform traditional rituals such as burying the placenta, which is believed to represent the child’s soul, near the fireplace inside the home.\textsuperscript{246} Because so many births in the Amazon region take place outside the medical facilities where certification is supposed to occur, under-certification of Amazonian children is much higher than in other parts of the country. Further, given the longevity of traditional practices and the history of political and social exclusion of indigenous people, under-certification (as well as under-registration) can extend back for generations. Ordóñez and Bracamonte (2006) argue that not only indigenous Ecuadorians, but also the geographically isolated rural poor in general, suffer from under-documentation over multiple generations.

Denial of paternity was another factor that Ordóñez and Bracamonte (2006) cited as a major cause of under-documentation and that male heads of households self-reported as a contributing factor. Mothers’ sense of stigma or shame, as well as rejection and denial on the part of fathers, contribute the under-certification of births in both rural and urban populations and in both indigenous and non-indigenous communities.\textsuperscript{247}

A study by UNICEF (2009) identified four additional administrative barriers to documentation. One was simply the complexity and lengthiness of the process of acquiring a cédula, which entails high opportunity costs for the applicant.\textsuperscript{248} A second was the lack of “inter-institutional coordination” between the various government

\textsuperscript{246} Ordóñez and Bracamonte 2006: 118, fn. 150.
\textsuperscript{247} Ordóñez and Bracamonte 2006: 118.
\textsuperscript{248} UNICEF 2009: 35.
ministries involved in or concerned with the documentation of Ecuadorians: the Registro Civil, the Ministerio de Salud Pública (Ministry of Public Health), the Ministerio de Educación (Ministry of Education), and the Ministerio de Inclusión Económica y Social (MIES). For example, a child is supposed to have a cédula in order to enroll in the public education system, but particularly in rural areas, schools often accept children without them.\textsuperscript{249}

A third administrative obstacle to documentation involved the decentralized provincial structure of the Registro Civil. The UNICEF study cited interviews with Registro Civil officials in the rural Sierra province of Chimborazo, who stated that Chimborazo residents who had acquired a cédula in another province had to re-register with the Registro Civil of Chimborazo.\textsuperscript{250} The lack of national unification of the Registro Civil presents a huge barrier to many Ecuadorians. People who reside close to provincial borders often find it more convenient to travel to another province’s Registro Civil office than to the office in their own province, but the law precludes them from doing so. Lastly, under-documentation has persisted due to failures of outreach. The study found that the Dirección General de Registro Civil, Identificación y Cedulación had failed to mount adequate public education campaigns underscoring the importance of registration and providing information about the process. The initial campaigns it did carry out were limited in scope and failed to reach many of the isolated rural areas where many indigenous communities reside.\textsuperscript{251} The next section examines the evolution of those campaigns and the relative success of the reinvigorated campaign efforts by the Correa administration.

\textsuperscript{249} UNICEF 2009: 34.  
\textsuperscript{250} UNICEF 2009: 35.  
\textsuperscript{251} UNICEF 2009: 34.
5.2. Government and International Measures to Reduce Under-documentation

The national government, together with international organizations like UNICEF, began in the 1990s to address the issues of under-certification and under-registration across the country. The Registro Civil, UNICEF, the Catholic Church, various Catholic universities, and the Instituto Nacional de la Niñez y la Familia (National Institute for Children and Families, INNFA) registered 132,000 children—an estimated 24 percent of the under-registered population at the time—in the 1995 campaign “Derecho al Nombre y la Nacionalidad” (“Right to a Name and Citizenship”). Organizations like UNICEF, Plan International, and INNFA—a quasi-private organization under the direction of the First Lady and supported with state funding—were responsible for various other efforts around 2000 to document the undocumented poor. Despite these laudable efforts under-certification and under-registration remained a problem, as the Ordóñez and Bracamonte (2006) and UNICEF (2009) studies revealed. Accordingly, the Correa administration in 2009 resolved to reinvigorate the documentation effort, and to introduce substantial reforms to the Registro Civil, as essential steps toward achieving the objectives outlined in the 2009-2013 Plan Nacional para el Buen Vivir (PNBV).

The PNBV echoes many of the underlying principles of the 2008 Constitution. It commits the government to work toward the guarantee of full citizenship and the universal exercise of political, social, and economic rights for the entire Ecuadorian population, which the Constitution pronounced as “plurinational” to stress the coexistence of multiple nationalities and cultures and to officially recognize the

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252 Ordóñez and Bracamonte 2009: 120-121.
validity of their alternative worldviews. In order to achieve the plan’s core objectives—in particular, Objective 2, “Improve the capacities and potential of citizenship,” and Objective 10, “Guarantee access to public and political participation”—the government scaled up its efforts to confront the problem of under-documentation.

The revived documentation campaign that began in 2009 was a collaborative effort between the Registro Civil and various other government agencies including the Ministerio de Inclusión Económica y Social (MIES), Ministerio de Salud Pública, Ministerio de Educación, Ministerio de Telecomunicaciones y de la Sociedad de la Información (Ministry of Telecommunications and Information Society), INNFA, the Consejo Nacional de las Mujeres (National Council of Women), the Vice Presidency, and international organizations including UNICEF and Plan International (a non-profit organization dedicated to child welfare in developing countries).253 The campaign adopted the slogan “¡A Ecuador ponle tu nombre!” (“Put your name to Ecuador!”) and was structured around four core components. First, registration teams visited provinces that had been identified as containing large percentages of highly vulnerable populations. By 2010 the campaign had reached 13 of Ecuador's 24 provinces. In remote parts of the Amazon campaign workers walked hours to reach more isolated communities. In addition to the direct registration efforts, the campaign secondly called for the creation of Agencias de Registro Civil en Establecimientos de Salud (Registration Agencies in Health Establishments, ARCES) in various public hospitals across the country. The ARCES allow parents, after acquiring a birth certificate, to also register newborns with the Registro Civil while they are still in the

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253 Registro Civil 2011: Presentación.
hospital, rather than in a separate Registro Civil office. Previously, the birth certificate alone was obtained at the hospital; with the introduction of the ARCES, the cédula as well would now be available, reducing the total number of steps to acquiring full documentation. Policymakers hoped that the creation of the ARCES would enable more timely registration. As a third component, the period for acceptable timely certification, formerly 30 days, was prolonged to 5 months. Lastly, the “¡A Ecuador ponle tu nombre!” campaign included a widespread informational component, featuring brightly illustrated posters that encouraged parents to register their children with the Registro Civil.

In December 2010, with the assistance of a $78 million loan from the Inter-American Development Bank (IADB), the Correa administration also implemented reforms to improve the operation of the Registro Civil in order to rectify administrative barriers to documentation. “The Civil Registry Modernization Plan” sought to improve both coverage and service quality. Improving coverage involved

(i)...the construction or remodeling of 187 agencies of the Registro Civil [offices] at the provincial and department levels, (ii) the establishment of 58 kiosks in 30 provincial and 7 department offices to expedite certifications... (iii) the startup of 130 mobile [registration] teams to serve the most remote and vulnerable populations... and (iv) the startup of 26 [more] ARCES...in hospitals with an annual average of over 1,000 deliveries.254

By increasing the number of ARCES in high-traffic hospitals, the plan noted that 37 percent of annual births would be registered at-hospital with the Registro Civil.

Improving service quality involved the adoption of advanced technology and an overhaul of the operation of the Registro Civil offices. Plan documents are vague on the specific technology that it aimed to incorporate, but Gelb and Clark (2013)
later identified and hailed the project for its incorporation of innovative digital
biometric technology. In general, biometric refers to any physical trait or
characteristic that can be used to identify an individual or to verify an individual’s
identity.\textsuperscript{255} With the IADB funds, the Registro Civil upgraded to biometric
registration and “began collecting 10 digital fingerprints and issuing chip-based
identity cards.”\textsuperscript{256} The objective was to spread biometric technology not only to
Registro Civil offices, but also to ARCES and to mobile registration teams. The
technology will facilitate the de-duplication of registrations and the proper
verification of identity so that one’s benefits—like a BDH transfer—are not granted
to someone else.

On an institutional level, the Civil Registry Modernization Plan pledged to
establish a Department of Technology that would oversee investment in new
registration technologies. The Plan recognized a need to train personnel in the
operation of the new biometric technology and systems, and to lay off employees to
streamline productivity. Lastly, the Plan proposed the creation of a unified, broadly
accessible, and secure platform that would house vital registration information and
make it accessible for retrieval and validation by other public and private entities,
such as the police or the Ministerio de Salud Pública.\textsuperscript{257}

The Inter-American Development Bank (2010) predicted that the reforms to
the coverage of the Registro Civil would lead to a 95 documentation rate among the
population aged 18 or above,\textsuperscript{258} which would represent a significant increase from the

\textsuperscript{255} Gelb and Clark 2013.
\textsuperscript{256} Gelb and Clark 2013: 22, fn. 38.
\textsuperscript{257} Inter-American Development Bank 2010b: 4.
\textsuperscript{258} Inter-American Development Bank 2010a: News Release.
80 percent rate recorded in 2001 by the Instituto Nacional de Estadística y Censos (INEC). Greater institutional and technological efficiency was expected to cut the transaction costs of obtaining a birth certificate by one-half, and of registering with the Registro Civil by one-quarter. The government’s aim is to document all citizens by 2015 and thus universalize equitable access to the right to a name, nationality, and possession of a cédula.

5.3. The Current Status of Under-documentation in Ecuador

The “¡A Ecuador ponle tu nombre!” campaign and the Civil Registry Modernization Project have made progress in their few years of operation. In 2011, the Registro Civil reported that the total number of undocumented Ecuadorians surpassed 2.9 million, 90 percent of whom were children between 0 and 4 years of age. By 2012, UNICEF reported that the campaign’s mobile teams and Registro Civil offices had registered over 400,000 of those people, free of charge. Recent offshoots of the campaign have also had considerable success. In October 2013, the Registro Civil and the Ministerio de Educación launched an effort in the Coastal provinces aimed at registering undocumented children under the age of 5. At the end of the first phase in January 2014, over 162,000 children (of 2.6 million unregistered nationwide) had been registered with the Registro Civil and issued a cédula in preparation to enroll in school for the coming year. In order to accommodate the

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259 Ordóñez and Bracamonte 2006: 116, fn. 142.
261 UNICEF 2009.
262 Registro Civil 2011: Presentación.
263 UNICEF 2010.
264 Registro Civil 2014: Noticias.
increased traffic to the Registro Civil provincial offices, the government kept offices open on Saturdays and Sundays in November and December 2013. By drawing on the combined efforts of the Registro Civil and Ministerio de Educación, the coastal provinces initiative also represented a step forward toward improving “inter-institutional coordination.”

Despite the clear and continuing progress, under-documentation remains an obstacle to the effective operation of the BDH. Its persistence can be attributed, to a certain degree, to the recency of government efforts to ameliorate the problem. The documentation campaign, and particularly the newest pilot venture mounted by the Registro Civil in collaboration with the Ministerio de Educación, is still in its initial stages, as is the project with IADB, which has a 25-year term. Limited resources affect the capacity of the institutions involved to achieve their goals rapidly. Given the importance of document acquisition to the participation of the poor in the BDH, the Ministerio de Inclusión Económica y Social (MIES) might well be advised to increase the resources being devoted to the documentation campaign.

Moreover, the campaign thus far has failed to address the problem of remediating improper documentation, itself a separate factor that prevents potential beneficiaries from enrolling in social assistance programs like the BDH. Improper documentation results from misreported or falsified information on a birth certificate or cédula. In preceding decades, particularly in the rural Amazon, registration teams had made a practice of assigning arbitrary dates of birth to elders and adults who had no other record of the exact day of the event.\textsuperscript{265} Effectively a shortsighted attempt to

\textsuperscript{265} Personal Interview 7: Participant B; Puyo, Pastaza, Ecuador; June 24, 2013.
break the generational cycle of under-documentation, this practice has since impeded
the operation of social assistance programs like the BDH. In some cases registration
workers would record parents as being younger than their children; in others they
would choose Spanish-influenced surnames for indigenous persons who lacked one.
In such cases, the affected persons’ applications to the BDH are today often rejected
on the grounds of falsified personal information.

A BDH beneficiary living near Puyo, the capital of Pastaza province in the
Amazon, reported that improper documentation had resulted in her grandmother, a
Sápara indigenous woman who lives in the isolated community of Llachamacocha
(also in Pastaza, see Figure 4.4), being denied enrollment in the BDH multiple times.
“The [Registro Civil] officials have seen her cédula,” the beneficiary recounted,
“[and] because her cédula has been made up…they have said no, that she can’t
collect because she is young.” The beneficiary also attempted to help her
grandmother register for the BDH on the enrollment website run by the Registro
Social,266 again without success. “We tried to do it, but it does not take her, I don’t
know why it would be. But it simply says ‘rejected’.”267

Factors similar to those that impede participation and enrollment in the
BDH—geographic barriers, transaction cost, opportunity cost—also hinder
improperly documented people from attempting to rectify the information on their
birth certificates and cédulas. Travel to the nearest Registro Civil office, particularly
from isolated Amazonian communities like Llachamacocha, is cumbersome and
costly. The majority of the improperly documented population is also elderly, and

266 This website, under operation at the time of the interview in the summer of 2013, has been taken down;
formerly accessed through: http://www.rips.gob.ec/rs/ (last known successful retrieval Nov, 2013).
267 Personal Interview 7: Participant B, Puyo. Translated by Chloe Rinehart.
their old age makes the journey even more difficult. Many potential beneficiaries doubt that a single visit will suffice to obtain the needed documentation. Weighing the costs of multiple visits against the benefits of cash transfers, many simply decide not to enroll in social assistance programs that might help them considerably.

The reforms to the Registro Civil do not present a direct solution to the problem of improper documentation. It is even a concern that some of the reforms might make remediation more difficult. For instance, a problem with the newly introduced digital biometric technology used for registration is that it reduces the potential for error to such a degree that when errors or misidentification do occur, they are difficult to correct. As Gelb and Clark (2013) note, a widespread belief that biometric technology is “infallible” can actually present a trap to an improperly documented person. If Registro Civil officials believe their technology to be error-free, then they are unlikely to believe a poor person who claims to have been misidentified.\textsuperscript{268} On the other hand, it could be argued that biometric technology could also present the solution. Utilization of more than one biometric characteristic could potentially help to resolve this problem.\textsuperscript{269} If certain biometric characteristics are associated with an applicant’s real age, the characteristics could be used to rectify the problem of falsified dates of birth. Recent studies suggest that DNA from a person’s saliva can predict age to within 5.2 years.\textsuperscript{270} The existing IADB project would be well advised to work with the Ecuadorian government in evaluating such potential solutions, and the Registro Civil and the other ministries collaborating on

\textsuperscript{268} Gelb and Clark 2013: 10.
\textsuperscript{269} Gelb and Clark 2013: 48.
\textsuperscript{270} Bocklandt et al. 2011.
the documentation campaigns should also focus on developing solutions to this endemic problem.

Children as well as the elderly suffer from improper documentation. The grandmother in Llachamacocha was raising four children whose parents had left them in her care. She had no legal proof of her guardianship, and was therefore ineligible to receive the BDH transfer for which impoverished single mothers are eligible.\textsuperscript{271} Many in such a situation are unable to carry through with formal adoption procedures,\textsuperscript{272} which occur through the Registro Civil as well, and are quite costly, at US $15 for each adoption.\textsuperscript{273} Similar situations are tragically common among the poor, rural and urban alike. Reforms to the Registro Civil would be well-advised to recognize the existence of multi-generational families and adoptions that are undocumented but are validated by members of local communities with knowledge of the guardianship situation, particularly in order to facilitate children’s access to social services.

5.4. Conclusion

The Registro Civil, together with other government ministries, has made significant progress with its “¡A Ecuador ponle tu nombre!” campaign in expanding documentation. The Ministerio de Educación has worked to enforce its long-standing requirement that children must possess a cédula in order to enroll, and has joined in the documentation effort with pilot programs aimed at registering children before their entrance into the school system. The Inter-American Development Bank’s loan

\textsuperscript{271} Personal Interview 7: Participant B, Puyo.
\textsuperscript{272} Personal Interview 25: Participant B; Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.
\textsuperscript{273} Registro Civil 2013: Programas / Servicios.
for the Civil Registry Modernization Project will address administrative deficiencies and introduce significant technological changes that are likely to improve registration and verification.

Despite these advances, under-documentation continues to persist among the poor population, particularly in rural areas, remote regions (especially the Amazon), and indigenous communities. Documentation campaigns and the modernization reforms must pay particular attention to these historically underserved communities, and deal with the issues of improper documentation and unconventional families.

The issue of under-documentation is a question of citizenship, basic human rights, and the capacity of government-led social assistance programs to achieve their aims. In Ecuador, under-documentation persists among the population under the age of 5.274 If these children cannot access basic health and education services, then participation in the BDH cannot bring about the human development achievements it was designed to attain. Among the adult population, chronic under-documentation locks families into what Riphahn called “hidden poverty”275 by making them ineligible for the BDH, for other social assistance programs, and for school enrollment. The “¡A Ecuador ponle tu nombre!” campaign and the IADB’s Civil Registry Modernization Plan are a good start, but much remains to be accomplished.

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274 Registro Civil 2011: Presentation.
Conclusion: The Bono de Desarrollo Humano
in Comparative Perspective

The preceding chapters have explored the causes, characteristics, and consequences of three leading challenges affecting the operation of Ecuador’s conditional cash transfer program, the Bono de Desarrollo Humano: under-coverage, under-participation, and under-documentation. This thesis has proposed a preliminary, qualitative analytical framework that classifies a range of factors that contribute to these challenges and that, as a result, limit the BDH’s effectiveness in improving human development outcomes. In examining the causes and consequences of these challenges this thesis has also addressed several critical gaps in the literature on Latin American CCT programs.

First, although Latin American policymakers have worked with considerable success to improve CCT programs’ targeting mechanisms, they have focused their efforts almost exclusively on improving proxy means testing mechanisms, neglecting the need to improve the accuracy of geographic targeting mechanisms such as the use of census data to create a poverty map. If the goal of the policymakers is to expand the overall coverage of CCT programs, they will need to improve geographic targeting as well as proxy means testing. National censuses in Latin America suffer from high and in some cases increasing rates of under-coverage of the national population, and in particular the poor population, resulting in serious errors of exclusion from CCTs and other social assistance programs. Second, the under-participation of the poor has diminished CCT programs’ capacity to reduce poverty and improve human development. Under-participation is caused by a complex array
of factors. Each beneficiary has a particular threshold above which the costs for participating in the program outweigh the benefits. In Ecuador, the Ministerio de Inclusión Económica y Social (MIES) has not adequately monitored the rate of under-participation in the BDH, and most other Latin American CCT programs have similarly failed to give sufficient priority to monitoring under-participation by the covered population (those who are tested and identified as eligible by the proxy means test). Third, scholars have begun only recently to problematize the under-documentation of the region’s poor and to evaluate its effect on their access to state services, including CCTs and other social assistance programs. Geographic, ethnic, and financial barriers contribute to the under-documentation issue, and each deserves more attention by Latin American policymakers.

A focus on these neglected issues of census under-coverage, under-participation, and under-documentation has implications for the operation and effectiveness of other Latin American CCT programs. A brief analysis of Chile Solidario, Mexico’s Oportunidades, and Brazil’s Bolsa Família will suffice to show that more research is needed in these cases as well in order to identify the causes, characteristics, and consequences of census errors, high transaction costs, prohibitive opportunity costs, lack of access to services, stigma effects, and anti-government sentiment.

The integrated anti-poverty program Chile Solidario is considered to be among the Latin American social assistance programs most successful at covering the extreme poor. This assessment, however, is based entirely on the observation that its proxy means test results in few errors of exclusion. Fiszbein and Schady (2009)
assert, incorrectly, that Chile Solidario targets beneficiaries using only a proxy means test, the CAS (Social Assistance Committee) survey. In fact, Chile Solidario also draws on the CASEN (National Socioeconomic Characterization) survey conducted by the Ministry of Social Development to identify communes with high levels of extreme poverty.\textsuperscript{276} The CAS proxy means test is implemented in these communes only. The process is analogous to how the Ministerio Coordinador de Desarrollo Social (MCDS) in Ecuador uses the national census to target the geographic areas found to have high rates of unsatisfied basic needs, and it results, as in Ecuador, in significant rates of under-coverage and inclusion error (the failure to identify non-poor households as ineligible). In Chile, under-coverage by the CASEN survey is partly a function of the survey’s small sample size. Chile’s 54 provinces are divided into 346 communes. Because the CASEN surveys only about 200 households per commune, it results in both underestimations and overestimations of the extreme poverty headcount in different communes.\textsuperscript{277} In the instances where the survey underestimates extreme poverty in a commune, that commune is at risk of being skipped by the subsequent CAS proxy means test survey.

The CASEN survey as it stands is not up to the task of targeting Chile Solidario. One option for improving the targeting process would be to redesign the survey itself, another would be to restructure the process so that the geographic testing relies on a different survey entirely. In this vein, the government could consider substituting the national census for the CASEN survey. Reliance on the national census is currently a delicate issue, however. As a result of the switch from

\textsuperscript{276} Larrañaga et al. 2012: 355.
\textsuperscript{277} Larrañaga et al. 2012: 355, fn. 23.
the de facto to the de jure surveying method, the 2012 national census suffered from an extremely high rate of under-coverage, nearly 10 percent of the population. The Chilean government announced recently that the census will be annulled.\footnote{Instituto Nacional de Estadísticas – Chile 2014: Presentation.}

Another option for improving the targeting of Chile Solidario would be to follow the leads of Mexico and Brazil. Both Mexico’s Oportunidades and Brazil’s Bolsa Família target beneficiaries in a process that combines self-selection, whereby households who consider themselves eligible attend program modules and request to participate, with a household survey, in which program administrators utilize means tests (proxy in Mexico, direct in Brazil)\footnote{Fiszbein and Schady 2009: Mexico: 268-269; Brazil: 242-243.} to determine eligibility. The inclusion of a self-selection module in the urban Oportunidades program has resulted in lower rates of exclusion error than did the previous method of using proxy means tests exclusively.\footnote{Levy 2006: 67. In reference to Escobar and González de la Rocha (2003).} A problem with self-selection is that potentially eligible beneficiaries may be reluctant to identify themselves as poor, but a two-step targeting mechanism including a self-selection model has the potential to reduce under-coverage to some degree.

Under-participation in Latin American CCT programs is a composite of two problems: potential beneficiaries electing not to enroll, and current beneficiaries dropping out prematurely. It is important to distinguish between the two components in the case of Mexico’ Oportunidades program, for which under-participation is a particularly acute issue. An eligible poor household may be capable of surpassing barriers to enrollment, yet incapable of sustaining program participation in the short- or medium-term. Mexico’s Oportunidades does more than Ecuador's BDH to monitor
and enforce compliance with conditions. Every three years, the Mexican government re-evaluates households to determine whether their puntaje, or proxy means test score, is still low enough to meet the Oportunidades program's eligibility requirements. Both leading up to and because of this recertification process, a large number of beneficiaries drop out of the program.

González-Flores et al. (2012) classified the reasons for dropout from Mexico’s Oportunidades program in urban areas into “behavioral” or “administrative” categories. When a household drops out for behavioral reasons, it is usually because of voluntary or involuntary non-compliance with program conditions, and usually precedes recertification. Dropouts in the administrative category are made by program administrators, who upon review of the beneficiary households in the recertification process determine that those households have surpassed the program’s eligibility requirements and no longer need the program. The authors found that, among urban dropouts between 2002 and 2007,

three-quarters (74%) drop[ed] out because of choices they made with over half (56%) due to the failure to meet the conditions linked to program health requirements…[t]he other quarter drop out for administrative reasons. 281

Dropouts for administrative reasons were found to mostly involve households near or above the poverty line, suggesting that the program administrators are correctly identifying households that no longer qualify. On the other hand, the authors found that the dropouts for “behavioral” reasons usually involve the extreme poor, leading to non-participation in the program by households that would pass the recertification

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process and that should still benefit from the program, increasing the incidence of under-participation in the program.

Applying the threshold model derived in Chapter IV from the work of Mark Granovetter (1978), it is evident that for urban beneficiaries of the Oportunidades program living in conditions of extreme poverty, the costs associated with condition compliance are exceeding the benefits of participation. The five factors identified in that chapter as deterrents to program enrollment and participation can also diminish a household’s ability to comply with program conditions. Transaction costs such as travel to payment sites; opportunity costs such as the need for child labor; inadequate access to education or health services; stigma; and distrust of government services can arise after as well as before program enrollment, and can hinder compliance with conditions and lead to dropout. More research is needed on the relative weight of these and other factors in shaping dropout behavior.

The Mexican government would be well-advised to incorporate into its recertification process a secondary procedure that would monitor the incidence and causes of program dropout. As mentioned in Chapter I, only in Chile Solidario has a government ministry (in this case the Chilean Ministry of Social Development) surveyed eligible but non-participating households to estimate the incidence and identify the causes of under-participation in the program. The survey showed that distrust of the government and a desire to avoid stigma were central factors deterring the participation of otherwise eligible households.282 A similar survey also determined that households that had ceased participation in the program did so because of an inability to comply with conditions, possibly because of high

282 Martorano and Sanfilippo 2012: 1033.
transaction or opportunity costs or because of lack of access to services. The program’s close monitoring of under-participation is a crucial precondition for rectifying the problem. Still, unless the Mexican, Chilean, and Ecuadorian governments improve the availability and quality of health and education services, demand-side social assistance programs like CCTs will continue to suffer from under-participation.

Brazil’s Bolsa Família also suffers from high rates of under-participation. In 2006, according to Fiszbein and Schady (2009) only 55 percent of those poor enough to qualify for the program actually received program benefits.\(^{283}\) A major reason for this high rate of under-participation is the widespread under-documentation of the poor, especially the rural, indigenous, and elderly poor. Hunter and Sugiyama (2011) reported that more than 30 percent of Brazilians in the 1990s lacked identity documents, and that in eight of the 27 Brazilian states the rate exceeded 30 percent, including one in which the rate was 43 percent.\(^{284}\) Hunter and Sugiyama (2011) argued that the under-documentation of poor Brazilians deterred their participation in Bolsa Família, which requires possession of proper documentation to enroll. They also noted, however, that the program’s requirements also brought the issue of under-documentation to light. Bolsa Família in effect acted as a “catalyst” that sparked action on the issue on two fronts: by the poor, who acquired a new incentive to obtain documents; and by the government, which acquired a new incentive to expand documentation campaigns.\(^{285}\) Latin American governments need to do more to address the issue of under-documentation of their poor populations. Attention to the

\(^{283}\) Fiszbein and Schady 2009: 76, Box 3.3.  
\(^{284}\) Hunter and Sugiyama 2011: 4.  
\(^{285}\) Hunter and Sugiyama 2011: 10, 17.
issue of under-documentation had been, prior to the contributions of this thesis, limited to Brazil; the issue is clearly present in Ecuador, and should be assessed in Mexico and elsewhere as well. Chile’s national civil registry, on the other hand, has a history of laudable performance, and as a result under-documentation is not considered a major threat to the participation of the poor in the Chile Solidario program.\footnote{Ordóñez and Bracamonte 2006: 41.}

If Latin American CCT programs are to continue to contribute effectively to poverty relief and human development, Latin American governments must do more to meet the challenges of coverage, participation, and documentation. These challenges reduce the programs’ ability to reach the poor, and thereby reduce their ability to achieve their long-term aims. The conceptual innovations presented in this thesis provide a groundwork for additional empirical research to calculate rates of under-coverage, under-participation, and under-documentation. Household surveys and statistical analyses can help weigh the relative importance of the various factors that contribute to under-participation and under-documentation.

Ecuador’s government has already identified many of the factors contributing to the problems of under-coverage, under-participation, and under-documentation that affect the BDH, and in some cases it has attempted to rectify them. The Correa administration has expanded and improved state-led social assistance, and has worked to realize the guarantee to all citizens of “buen vivir,” or good living, through targeted reforms to education, health, and other state services, and to the Registro Civil. To solve the problems of under-coverage, under-participation, and under-documentation, it is necessary to determine how widespread they are and which sectors of the
population they particularly affect. Subsequent studies should use the empirical findings presented in this thesis to guide comprehensive calculations of current rates of coverage, participation, and documentation. More complete information about the extent and characteristics of these challenges will help the Ecuadorian government to reform the BDH in ways that help the poor.

Despite their limitations, conditional cash transfer (CCT) programs in Latin America have made significant contributions to significantly reducing poverty (less than US $4.00 per day) in the region, from 40.8 percent in 1998 to 25.8 percent in 2011. They have also helped to improve food consumption, increase school attendance and medical visits, reduce child labor, diminish income inequality, and strengthen feelings of citizenship and political and social inclusion. It is important that this progress continues. Addressing the issues of under-coverage, under-participation, and under-documentation is an important first step in facilitating continued progress.
Appendix

Figure 1.1. Map of Ecuador with Interview Sites Indicated

Source: Wikimedia Commons 2014; Author's additions.
Figure 2.1. Beneficiaries of the Bono de Desarrollo Humano by Type

Figure 2.2. Poverty Levels since President Correa’s Election in 2006 (% poverty and % extreme poverty)

Table 3.1. Census Omissions by National Censuses, 1950-1990 (%)

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Source: Chackiel 2002.
Table 4.1. Ecuador Poverty Headcount Ratio at US $4.00 per day, Rural versus Urban

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<td>68.1</td>
<td>61.1</td>
<td>56.2</td>
<td>57.8</td>
<td>56.2</td>
<td>52.3</td>
<td>47.7</td>
<td>46.1</td>
<td>44.0</td>
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</table>

*Source: SEDLAC (CEDLAS and the World Bank) 2014.*
Figure 4.1. Provincial Map, Morona Santiago


Figure 4.2. Provincial Map, Cotopaxi

Figure 4.3. Provincial Map, Imbabura


Figure 4.4. Provincial Map, Pastaza

Table 5.1. Ecuador Poverty Headcount Ratio at US $4.00 per day, By Region

<table>
<thead>
<tr>
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<td>National</td>
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<td>37.1</td>
<td>33.4</td>
<td>29.5</td>
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<td>51.1</td>
<td>46.1</td>
<td>42.6</td>
<td>39.7</td>
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<td>34.6</td>
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<td>Coast</td>
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<td>34.4</td>
<td>30.8</td>
<td>29.6</td>
<td>28.3</td>
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<tr>
<td>Amazon</td>
<td>59.8</td>
<td>62.8</td>
<td>54.4</td>
<td>44.7</td>
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<td>57.3</td>
<td>45.8</td>
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<td>45.1</td>
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Reference Table. Beneficiaries of the Bono de Desarrollo Humano by Province, March 2014

<table>
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<tr>
<th>Province</th>
<th>Region</th>
<th>Total Beneficiaries</th>
<th>Urban</th>
<th>Rural</th>
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<tbody>
<tr>
<td>Azuay</td>
<td>Sierra</td>
<td>81,069</td>
<td>29,428</td>
<td>51,641</td>
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<tr>
<td>Bolivar</td>
<td>Sierra</td>
<td>40,088</td>
<td>22,102</td>
<td>17,986</td>
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<tr>
<td>Cañar</td>
<td>Sierra</td>
<td>33,226</td>
<td>13,490</td>
<td>19,736</td>
</tr>
<tr>
<td>Carchi</td>
<td>Sierra</td>
<td>23,365</td>
<td>10,487</td>
<td>12,878</td>
</tr>
<tr>
<td>Cotopaxi</td>
<td>Sierra</td>
<td>76,594</td>
<td>29,488</td>
<td>47,106</td>
</tr>
<tr>
<td>Chimborazo</td>
<td>Sierra</td>
<td>70,407</td>
<td>30,048</td>
<td>40,359</td>
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<td>El Oro</td>
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<td>65,898</td>
<td>46,682</td>
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<td>Esmeraldas</td>
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<td>39,902</td>
<td>40,066</td>
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<td>Galápagos</td>
<td>Island</td>
<td>602</td>
<td>291</td>
<td>311</td>
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<td>Guayas</td>
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<td>390,043</td>
<td>328,437</td>
<td>61,606</td>
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<td>Imbabura</td>
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<td>21,181</td>
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<td>Sierra</td>
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<td>32,815</td>
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<td>92,298</td>
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<td>Costa</td>
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<td>155,260</td>
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<td>Morona Santiago</td>
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<td>Napo</td>
<td>Amazon</td>
<td>15,410</td>
<td>5,964</td>
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<td>Sucumbíos</td>
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<td>12,002</td>
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<td>Tungurahua</td>
<td>Sierra</td>
<td>63,217</td>
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<td>Zamora Chinchipe</td>
<td>Amazon</td>
<td>14,389</td>
<td>7,604</td>
<td>6,785</td>
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<td>Non-Delimited Zone</td>
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<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>1,732,508</strong></td>
<td><strong>1,028,200</strong></td>
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<td><strong>100</strong></td>
<td><strong>59.34</strong></td>
<td><strong>40.65</strong></td>
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Source: Viceministerio de Aseguramiento y Movilidad Social de MIES (VAMS) – RIPS 2014.
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Personal Interviews

Personal Interview 1: San Clemente, Imbabura, Ecuador; October 2012.

Personal Interview 2: Juan Ponce, Director de la Facultad Latinoamericana de Ciencias Sociales, Ecuador. Quito, Pichincha, Ecuador; June 7, 2013.


Personal Interview 5: Paola Gutiérrez, Directora de Investigación del Ministerio de Inclusión Económica y Social, and Alejandro Vaca, Director de Gestión de Información y Datos del Ministerio de Inclusión Económica y Social. Quito, Pichincha, Ecuador; June 20, 2013.


Personal Interview 8: Participant C. Puyo, Pastaza, Ecuador; June 24, 2013.


Personal Interview 24: Participant A. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 25: Participant B. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 26: Participant C. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 27: Participant D. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 28: Participant E. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 29: Participant F. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 30: Participant G. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.

Personal Interview 31: Participant H. Guamaní Narváez, Guaytacama, Cotopaxi, Ecuador; August 9, 2013.