

Conditional Cash Transfer Programs:  
The Emergence and Diffusion of Pro-Poor Social Policy  
in Latin America

by

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## Introduction

A new social policy phenomenon has taken hold in Latin America in the past two decades. Across the region, governments are paying families to invest in the health and education of children. Between 1989 and 2011, seventeen countries in Latin America implemented conditional cash transfer (CCT) programs, which deliver money to families under the condition that parents send their children to school and take them to health centers for checkups and immunizations.<sup>1</sup> CCT programs have captivated policymakers around the world for their ability to increase household consumption, reduce short-term poverty, increase school enrollment and attendance, reduce school dropout rates, and increase the utilization of health services. Mayor Michael Bloomberg's decision to use \$40 million in private funding to implement a pilot CCT program in New York City in 2007 is evidence of the widespread enthusiasm for the programs.<sup>2</sup>

Conditional cash transfer programs merit the attention they have received for helping families overcome income-related obstacles to achieving human development goals. Rigorous impact evaluations have repeatedly found that CCTs have positive effects on education and health-related outcomes. More attention is needed, however, to equally important findings about the programs' unintended consequences for women, for social cohesion, and for citizenship. Furthermore, a dearth of research on

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<sup>1</sup> This concise definition necessarily downplays variation among CCT programs. Most such CCT programs transfer benefits to families with children, but many also target pregnant women. The conditions that need to be met in order to receive the transfer vary from children's regular school attendance to parents' participation in health seminars. Specific features of the programs are addressed in Chapter 1.

<sup>2</sup> Bosman 2010.

the causes of the programs represents a major gap in the literature. This thesis, accordingly, will focus not only on the characteristics and consequences (both intended and unintended) of CCT programs, but also on their causes.

Conditional cash transfer programs fit into a broader social policy framework composed of three types of policies: social assistance, social insurance, and the basic provision of services. CCT programs fall under the category of social assistance – a form of social policy designed to help reduce poverty. Social assistance refers to government programs that provide general revenue-funded cash transfers and in-kind transfers. A second category of social policy, social insurance, is primarily concerned with managing risk. Social insurance refers to contributory insurance against basic risks (old age, disability, illness, and unemployment). Social insurance and social assistance together make up a country's system of social protection,<sup>3</sup> which along with the public provision of education, health care, and other basic services constitute a country's overall social policy configuration.<sup>4</sup> These three categories of social policy – social assistance, social insurance, and the basic provision of services – are interdependent. CCTs, for example, focus on compensating children for the expenses of school-related travel, supplies and clothing, as well as for the opportunity cost of forgoing work. Many other aspects of poor children's education fall into the realm of social provision, however. CCT programs make a demand-side contribution to resolving the problems of low primary and secondary school enrollment and low rates of health service utilization. Such demand-side efforts to provide incentives for the use of public services must be complemented by supply-side investments in

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<sup>3</sup> Ferreira and Robalino 2010: 16.

<sup>4</sup> McGuire 2010b: 1.

transportation, schools, teacher training, and health centers if improvements are to be made in educational attainment. To argue, as this thesis does, that delivering cash to poor families with children is an important step toward affording all children the opportunity to attend school and live healthy lives is not to deny the importance of these supply-side investments.

The remarkably simple idea of paying poor parents to send their children to school and to ensure that they are immunized raises the important issue of the role of conditionality and of targeting in improving human development outcomes. Conditioning social assistance on particular behaviors is the most innovative aspect of CCT program design, and raises interesting questions about the forces that inhibit families from investing in the health and education of their children. Policymakers impose conditions because they want to modify household behavior to achieve a desired result that would not otherwise be attained. The decision to condition transfers on particular behaviors reflects an assumption that something more than income deficiency (e.g., inadequate information about the benefits of certain practices) prevents parents from sending children to school or from investing in children's health. Opponents of conditionality argue, however, that conditions are not only unnecessary to achieve desired results, but also paternalistic, administratively costly, and disproportionately burdensome for beneficiaries – particularly mothers. Although there is some evidence that conditions boost school enrollment rates above and beyond the effect of the cash alone, there is also a danger in ignoring some potentially negative unintended consequences of programmatic design features. If CCTs improve children's education at the expense of the well-being of mothers, who

have to bear most of the burdens of time and effort involved in meeting the conditions, the overall contribution of such programs to improving human development would be correspondingly diminished.

A second contested feature of CCT programs is targeting. With the exception of Bolivia's Juancito Pinto program, every CCT program in Latin America employs means-based targeting as part of program design. Targeting schemes qualify families as potential beneficiaries on the basis of income deficiency or other poverty-related indicators. Universalistic programs like Juancito Pinto, on the other hand, offer benefits to all members of a certain group (e.g. school-age children), regardless of income. Proponents of targeting argue that means-based selection is the most cost-effective method for channeling scarce resources to poor families and dismiss universalistic programs as fiscally impossible for impoverished developing countries. Such arguments against universalism are premised on the assumption that the size of the budget available for redistribution is fixed. In a world unaffected by politics, targeting would indeed provide more benefits for the recipients most in need. Political considerations, however, change the frame of reference. A program that includes the middle classes may enable administrators to raise the budget available for redistribution above the level that it would attain were the program restricted to the poor, who tend to be less politically influential than the middle classes. Paradoxically, then, giving some of the benefits of social programs to the middle classes can increase the size of the benefits going to poor households. It will be argued in this study that despite conventional wisdom, universalistic programs have the capacity to outperform targeted programs in helping the poor, without incurring the substantial



costs of targeting – including disincentives for adults to participate in formal employment, adverse social and psychological effects, high administrative costs, the exclusion of large proportions of poor individuals, and political unsustainability. Bolivia, one of the poorest countries in Latin America, has defied critics of universalism by implementing not one, but two universalistic cash transfer programs in the past two decades. Chapter 4 explores the characteristics and consequences of these programs, as well as the reasons why the Morales government (2006-) chose them over targeted CCTs.

Two original contributions of this thesis are particularly worth highlighting. The first is an evaluation of the causal pathways that led to the proposal, design, political approval, and implementation of CCT programs in Latin America. Given the immense popularity of CCT programs, it is surprising that so little attention has been paid to the political forces and circumstances that bring them into being. This study, it is hoped, will encourage further research into such factors and conditions. A second distinctive contribution of the thesis is to inquire into why CCTs caught on only at the end of the 1990s rather than at the beginning of the decade. Mexico implemented such a program in 1989, and Chile followed suit in 1990. Nonetheless, it was not until Mexico implemented a second, larger-scale initiative in 1997 that CCT programs began to spread across the region. By exploring why some programs became models, whereas others did not, the thesis enriches the emerging field of policy diffusion research.

To identify the key characteristics of CCTs is the principal task of the first chapter, which examines CCTs' main design and implementation features

(conditionality, targeting, transfer method, exit strategy, and supply-side support), and distills the broader problems and questions raised by these characteristics. The second chapter evaluates the consequences of CCT programs, focusing on the relatively neglected topic of their unintended consequences for mothers, for social cohesion, and for political and economic citizenship. The third chapter analyzes the causes of CCT programs in Latin America, with special attention to the understudied question of why targeted, conditional cash transfer programs – as opposed to universalistic, unconditional cash transfer programs – became the model of social assistance that spread across the region. A fourth chapter examines two universalistic social assistance programs in Bolivia, arguing that these programs provide evidence that universalistic programs are feasible even in lower-income countries. Special attention is paid to the question of why the Morales government in Bolivia, unlike the governments of sixteen other Latin American countries, opted for universalistic rather than targeted programs.

The concluding chapter summarizes the evidence for the three main arguments of the thesis. First, CCT programs have contributed toward enhancing citizenship and improving the lives of female beneficiaries in addition to achieving their intended goals of improving the uptake of education and health services. Second, four broad factors – the free market economic model, entrenched business and labor interests, policymakers' bounded rationality, and international financial institutions – contributed to the emergence and diffusion of targeted (as opposed to universalistic) CCTs everywhere in Latin America except Bolivia. Third, targeting is neither socially optimal nor financially indispensable even in a poor country like

Bolivia. Finally, the concluding chapter suggests some directions for future research that can help to clarify the strengths and weaknesses of CCTs in improving the capabilities of the poor, and the conditions under which pro-poor policies are proposed, designed, approved, implemented, and sustained.

## **Chapter I: Characteristics of Conditional Cash Transfer Programs**

Conditional cash transfer programs are designed to raise the incomes of the poor in the short term, while breaking the intergenerational transmission of poverty. To achieve these twin goals, CCT programs deliver money to families with children under the condition that parents invest in their children's health and education. CCT programs include several key design features that set them apart from other social assistance programs. The most innovative feature is the requirement that families comply with certain conditions in order to receive the grants. Other distinctive features of the programs include the transfer of money as opposed to vouchers for goods (i.e., in-kind transfers) and the emphasis on monitoring the compliance of beneficiaries with the conditions and on evaluating whether the programs are achieving their stated goals.

This chapter will explore the chief characteristics of CCT programs and engage with the broader questions raised by each of these features. The major strands of debate regarding CCT program design concentrate on the strengths and weaknesses of targeting the programs to the poor (rather than providing benefits universally) and on the benefits and costs of imposing conditions on the transfers (as opposed to providing them unconditionally). Targeting is addressed only briefly here because it is the primary focus of Chapter IV; the present chapter will concentrate mainly on theoretical and practical issues involved with making the transfers contingent on beneficiaries' meeting certain conditions. The chapter begins by

summarizing the main features of CCT programs in Latin America (1.1), and then proceeds to examine the role of conditions in contributing to human development goals (1.2). A third section turns to policy designers' efforts to complement CCT programs with supply-side interventions, which are both important in their own right, and necessary in many contexts to enable families to comply with program conditions (1.3). A fourth section explores implementation strategies, focusing on those which make it less likely that CCTs will be used for political patronage purposes (1.4), and a fifth tackles the pressing problem of finding an appropriate method for graduating beneficiaries from the programs (1.5). The sixth section concludes that there are various ways in which design features of CCT programs could potentially affect the programs' consequences, not just for human development outcomes, but also for gender-related outcomes, political and economic citizenship, and the sustainability of the programs themselves.

### 1.1. An Overview of the Main Features of CCT Programs

Every designer of a CCT program must decide how to allocate benefits, to whom they should go, and under what conditions. Contextual factors have produced some important variations in CCT program design, implementation, and monitoring, but all such programs target families with children and many target pregnant women to ensure that the health monitoring of children starts at infancy.

With the exception of Bolivia's Juancito Pinto initiative, CCT programs employ a means-based targeting strategy. One widely-used variant of this strategy involves first identifying the most impoverished regions, and then using means tests

or proxy means tests to narrow the pool of potential beneficiaries to the poorest. Proxy means tests evaluate poverty based on household characteristics other than income, such as the size and quality of the house, assets, family size, number of children, and number of adults capable of working. They provide an operationally practical alternative to the exact measurement of household income or expenditures, and are frequently utilized in CCT programs in Latin America.<sup>5</sup> Because they are not based on income, proxy mean tests are not subject to minor fluctuations in family earnings and other receipts. El Salvador's CCT program, Red Solidaria, is an example of a program that relied on a multi-level targeting strategy to identify potential beneficiaries. Red Solidaria first employed geographical targeting to identify impoverished municipalities (which in El Salvador, as in most other Latin American countries, can be rural as well as urban). Then, within the municipalities with the highest levels of income poverty, the program included extremely poor rural families, but employed a proxy means test to determine a second layer of need at the household level in urban areas.<sup>6</sup> The identification of potential beneficiaries can be as complex and multilayered as in El Salvador, or as simple and straightforward as in Bolivia, where all primary school-age children attending public schools are eligible to receive the cash grant conditional on school enrollment.

CCT programs employ various methods for delivering cash transfers. The time frame of payment delivery ranges from one month to one year, but the majority of programs make transfers on a monthly or a bimonthly basis. Although transfers are generally delivered to the mother of the household, some program designers have

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<sup>5</sup> Johannsen 2009: 21.

<sup>6</sup> Soares and Britto 2007: 8.

strayed from the norm.<sup>7</sup> The Dominican Republic's Solidaridad program and Argentina's Asignación Universal por Hijo transfer benefits to the head of the household, who may be either male or female.<sup>8</sup> In Colombia's Subsidio Condicionado a la Asistencia Escolar, the transfer is given directly to the student. In Bolivia's Juancito Pinto, the benefit is transferred to a child who is accompanied by a parent.<sup>9</sup> The motivation for delivering the cash benefit directly to women is the presumption that money in the hands of mothers will more likely be spent in a "family-friendly" way.<sup>10</sup>

Payment delivery methods also vary across Latin America. In some countries (e.g., Argentina and Brazil) the payment is transferred through debit cards, whereas other program designs stipulate that cash will be delivered at specific mobile units or payment points.<sup>11</sup> In El Salvador, payment is manually dispensed at payment posts, which requires the deployment of money and personnel across the country. In Paraguay's Tekoporâ, transfers are made through a mobile unit, which means that there is no fixed date for the transfers to arrive. This aspect of Tekoporâ implementation results in delays, and is a bottleneck for scaling up the program.<sup>12</sup>

CCT program conditions generally include compliance with immunization protocols for infants, prenatal and postnatal checkups for expectant and new mothers, and regular school attendance by school-age children. Some programs also require

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<sup>7</sup> Fiszbein and Schady, et al. 2009: 82, 234, 242.

<sup>8</sup> For Argentina, see Lo Vuolo 2010: 13; For the Dominican Republic, see República Dominicana 2008.

<sup>9</sup> Fiszbein and Schady 2009: 236, 252.

<sup>10</sup> Handa et al. 2008: 1129.

<sup>11</sup> Fiszbein and Schady et al. 2009: 82; Soares and Britto 2007: 15.

<sup>12</sup> Soares and Britto 2007: 15.

parent participation in workshops and capacity-building events.<sup>13</sup> Each CCT program treats noncompliance with conditions differently. Conditions can be “hard,” as in Nicaragua, where a family loses all or part of the grant when it violates the conditions, or they can be “soft,” as in Brazil, where families who violate the conditions are given additional support. In Brazil, conditions are designed to encourage certain behavior, and noncompliance is then taken as an indication of a family’s inability to overcome an obstacle that is preventing family members from exercising their rights to free education and healthcare.<sup>14</sup>

## 1.2. The Debate over Conditionality

To condition social assistance on particular behaviors raises important questions about the forces that inhibit families from investing in the health and education of their children. Policymakers impose conditions because they believe that something more than income deficiency (e.g., inadequate information about the benefits of certain practices) prevents parents from sending children to school or from taking them to health centers. Opponents of conditionality argue, however, that conditions are unnecessary to achieve desired improvements in health service utilization and school enrollment. Furthermore, critics also argue that conditions are fundamentally paternalistic and costly to both the government and to mothers, who tend to be responsible for bearing the burdens involved in meeting the conditions.

A main argument put forth in favor of making cash transfers conditional on certain behaviors is that parents may be unaware of the value of certain beneficial

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<sup>13</sup> For example, El Salvador’s Red Solidaria requires families to attend training sessions. Soares and Britto 2007: 12.

<sup>14</sup> Lindert et al. 2007: 55; see also Hanlon et al. 2010: 127-128.



practices, such as the immunization of children.<sup>15</sup> If informational asymmetries are to blame for underinvestment in the health and education of children, then conditions might encourage behavior that is not practiced simply due to a lack of understanding of its advantages. A second argument in favor of conditions relates to the political legitimization of the programs. Imposing conditions may bestow a greater degree of legitimacy on targeted cash transfer programs by appeasing the qualms of the politically vocal middle and upper classes about “government handouts.”<sup>16</sup> Conditions may therefore allow cash transfers to be viewed as part of a social contract.<sup>17</sup> Gaining the support of the middle classes is not only important for the introduction of a program, but also for its sustainability. Conditions do not give the middle sectors a personal stake in the program, however, but rather merely make them feel that their tax money is not being wasted.

Opponents of conditionality argue that imposing conditions is unnecessary to achieve the desired health and education outcomes, and that enforcing conditionality leads to higher administrative costs; imposes higher costs on beneficiaries (which may not be shared equally among household members); and excludes high-need areas that lack the infrastructure necessary to allow families to comply with conditions.<sup>18</sup> In Nicaragua, one study found only a small monetary incentive was needed for parents to send their children to school; more critical in encouraging the utilization of schools and health facilities were supply-side improvements to the affordability and

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<sup>15</sup> De Janvry and Sadoulet 2005: 2.

<sup>16</sup> Lindert et al. 2007: 56.

<sup>17</sup> De Brauw and Hoddinott 2010: 3.

<sup>18</sup> De Braw and Hoddinott 2010: 3; Handa et al. 2008: 1131.

accessibility of services.<sup>19</sup> Confounding the evaluation of the effect of conditions on improving health and education outcomes is the difficulty of separating the effects of conditions from those of the cash grant itself.<sup>20</sup> Evidence presented in the Chapter 2, however, suggests that conditions do affect school enrollment above and beyond the impact of the cash itself.

Even if conditions enhance education-related human development goals, they increase significantly the administrative burden of CCT programs on teachers, on health workers, on other service providers, and on parents.<sup>21</sup> Furthermore, conditions may impose disproportionate burdens on mothers, who tend to be responsible for ensuring that conditions are met.<sup>22</sup> Some conditions in particular, such as mandatory attendance at nutrition and health seminars, add to the already large burdens on women's time.<sup>23</sup> The theoretical and practical significance of CCT programs for women's lives are explored further in Chapter 2.

Another problematic area related to conditionality is the dismissal from CCT programs of beneficiary families who have failed to comply with the conditions stipulated for the transfer.<sup>24</sup> A main argument for instituting demand-side programs like CCTs is to allow families to overcome the income-related obstacles to investing in the human development of children. Thus, the dismissal of eligible beneficiaries on the basis of their inability to overcome those obstacles appears to be inimical to the goals of the programs. Brazil's Bolsa Família is an example of a program that

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<sup>19</sup> Bradshaw and Quirós Viquez 2008: 826.

<sup>20</sup> Hanlon, Barrientos, and Hulme 2010: 131.

<sup>21</sup> Hanlon, Barrientos, and Hulme 2010: 133.

<sup>22</sup> Molyneux 2006: 427.

<sup>23</sup> Molyneux 2006: 438.

<sup>24</sup> Minujín et al. 2007: 127.

attempts to address these concerns about conditionality from a rights-based perspective. Unlike in some other CCT programs, a violation of conditions does not immediately result in exclusion from the program under Bolsa Família, whose designers seem to have recognized that it is often the most desperate households that are unable to meet all of the conditions, and that punitive conditions “penalize those who need help most.”<sup>25</sup>

Making cash transfers conditional on meeting educational and health service utilization targets is not an unambiguously best practice for social assistance in Latin America. Numerous studies confirm that most poor families indeed recognize that it is important to invest in the education and health of their children. Poor people want to send their children to school. It is not a lack of will, but a lack of funds that prevents them from doing so.<sup>26</sup> Furthermore, deficiencies in the provision of basic social services in many countries may result in the penalization of families for not using services that do not exist or that are so far away that the meager transfer amount does not cover transportation costs.<sup>27</sup> Although this thesis presents CCT programs in a highly favorable light due to their demonstrated effects on human development, empowerment, and citizenship, it is nonetheless crucial to keep in mind that there are costs associated with conditionality.

### 1.3. Complementary Supply Side Reforms

As a demand-side solution to the problem of low levels of human development among poor families, CCTs complement but do not substitute for

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<sup>25</sup> Hanlon, Barrientos, and Hulme 2010: 133.

<sup>26</sup> Hanlon, Barrientos, and Hulme 2010: 125.

<sup>27</sup> Minujín et al. 2007: 128.

broader social provisioning. There is a consensus in the literature that CCT programs will not be able to affect long-term human development without quality-enhancing supply-side reforms.<sup>28</sup> CCT programs are likely to be most effective as part of a comprehensive social policy strategy that involves infrastructure development, job-generating economic strategies, and well-financed, equitable programs in health and education.<sup>29</sup> Especially in locations where social services do not exist or are of poor quality, complementary support is necessary for CCT programs to have any long-term impact.<sup>30</sup>

Strategies to enable the supply of services to keep up with heightened demand took various forms. In Nicaragua, teachers received a bonus for each student in their class.<sup>31</sup> In El Salvador, an extension of resources for strengthening health and educational infrastructure complemented Red Solidaria.<sup>32</sup> Mexico also supplies resources for equipment, medicine, and health services to complement Oportunidades, and Honduras provides grants directly to schools and health centers to support PRAFII.<sup>33</sup> Paraguay's Tekoporâ, which is part of a broader strategy that emphasizes social support, provided social workers known as family guides. Even with important investments, there are supply-side constraints on CCT programs. In El Salvador, for example, transportation problems, a lack of school supplies, shortages of classrooms, and a shortage of doctors and nurses represent important supply-side

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<sup>28</sup> Johannsen 2009: 26.

<sup>29</sup> Teichman 2007: 456.

<sup>30</sup> Johannsen 2009: 26; see also Britto 2008: 189.

<sup>31</sup> Maluccio and Flores 2005: ix.

<sup>32</sup> Soares and Britto 2007: 21.

<sup>33</sup> Rawlings and Rubio 2005: 36. On the health side, the program AIN-C (*Atención Integral a la Niñez en la Comunidad*) provides trained monitors to measure the weight and height of children, and to treat dehydration, among other things; On the education side, APFs (*Asociaciones de Padres de Familias*) receives funds from NGOs and then chooses how to best spend the money to benefit the local school. Moore 2008: 10.

challenges.<sup>34</sup> As Hanlon, Barrientos, and Hulme argue, better schools do more to improve school attendance than do either cash transfer or the conditions attached to receiving them.<sup>35</sup>

Nevertheless, the success of programs in five lower-income countries in Central and South America (Nicaragua, Honduras, El Salvador, Paraguay, and Bolivia) demonstrates that it is not necessary to wait until supply infrastructure is available to begin to implement demand-side transfers.<sup>36</sup> Certainly, in a region without the necessary services, attaching conditions to a cash transfer would prevent any family from being able to receive the benefit. However, unconditional cash transfers can enhance human development even in the absence of adequate schools or health centers by improving nutrition, which has been shown to decrease stunting in young children.<sup>37</sup>

#### 1.4. Delivery and Implementation

Any aspect of CCT program design that enhances administrative discretion presents the possibility for patronage, clientelism, and corruption. An important question is thus: are CCT programs capable of operating in a way that makes them resistant to these scourges, or do they merely reinforce the systems of clientelism that have historically plagued Latin American countries? Wendy Hunter and Natasha Sugiyama's study of clientelism and Bolsa Família in Brazil in 2009 found that the method of transfer (a debit card that cuts out the middleman) and provisions for

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<sup>34</sup> Soares and Britto 2007: 21-24.

<sup>35</sup> Hanlon, Barrientos, and Hulme 2010: 135.

<sup>36</sup> Barrientos and Santibañez 2009: 422.

<sup>37</sup> Grantham-McGregor et al. 2007: 62.

lodging complaints (a toll-free telephone number rather than a report submitted to a local official) seem to have prevented Bolsa Família from becoming a program that is easily manipulated by local officials for political gain.<sup>38</sup> Each stage of program design presents opportunities for corruption, but the method of benefit delivery affects the likelihood that a program will end up being manipulated for political gain. Programs like Bolsa Família, which have managed to remove middlemen by mechanizing the delivery of funds, reduce the likelihood of corruption at the local level.

### 1.5. Exit Strategy

No simple solution exists to the problem of how and when to graduate beneficiaries from CCT programs. Evidence suggests that such exit strategies have not received adequate attention by program designers.<sup>39</sup> For example, Paraguay's Tekoporâ requires graduation from the program after three years if the family complies with certain expectations, but a family may stay in the program for two more years if it does not comply.<sup>40</sup> Evidence suggests that many families were under the impression that the possibility of staying in the program after three years related to their performance with respect to meeting conditions, but "this is precisely the approach that would render them not eligible for the two-year extension."<sup>41</sup>

In the spectrum of exit strategy options, a fixed date exit strategy is the least recommended practice because it contradicts the explicit long-term goals of the CCT program.<sup>42</sup> One major challenge in CCT program design is finding an appropriate exit

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<sup>38</sup> Hunter and Sugiyama 2009: 27-28.

<sup>39</sup> Barrientos and Santibañez 2009: 417.

<sup>40</sup> Soares and Britto 2007: 14-15.

<sup>41</sup> Soares and Britto 2007: 15.

<sup>42</sup> Johannsen 2009: 24.

strategy that neither arbitrarily stops supporting beneficiary families while they still have infants and school-aged children nor raises administrative costs exorbitantly with excessive reevaluations of need. Given the constraint of limited funds, made even scarcer because targeting strategies limit the possibility for increasing taxes to support the programs, CCT program designers face the choice of whether it is better to give transfers to a greater proportion of the poor population for a shorter duration (by assigning a fixed expiration of funds) or to give transfers to qualifying beneficiaries for as long as they are eligible and then broaden the scope.

#### 1.6. Conclusion

The important effects on human development of CCT programs and their massive popularity in Latin America warrant an examination of their chief characteristics. CCT program designs raise many interesting questions about social assistance in the developing world. To answer these questions, it is important to challenge the conventional wisdom that targeted programs are always more cost-effective than universal ones; that need should be assessed on the basis of income rather than on the basis of non-monetary measures of unsatisfied basic needs; and that conditional cash transfers are invariably better than unconditional cash transfers at reducing poverty in the long run.

Whereas the following chapters emphasize commonalities among targeted CCT programs in Latin America, this chapter has underscored differences among such programs and has provided background information on many of the principal debates that are taken up again in subsequent chapters. Several important issues

raised here, including the possible negative effects of the programs on beneficiary women, the necessity of supply-side investments to ensure the effectiveness of CCT programs, and the potential for CCTs to be used for political patronage purposes, contribute toward the unintended consequences of the programs, which are a principal focus of Chapter 2.



## **Chapter II: Intended and Unintended Consequences of CCT Programs**

CCT programs have won international acclaim for reducing poverty and increasing the utilization of education and health services, but their effects on women's household bargaining power, leisure time, and social capital deserve more attention. Furthermore, there is a lack of research on the programs' political sustainability, effects on other social policies, and citizenship-building capacity. This chapter examines the specific features of CCT programs that have contributed to their demonstrated short-term effects on poverty, school enrollment, attendance, and grade promotion, and the utilization of health services, and evaluates the programs' understudied effects on female beneficiaries, on social cohesion, and on political sustainability.

The first section of the chapter presents evidence that CCT programs are generally well-targeted, with beneficial effects on household income-related indicators and on the political sustainability of the programs. The second section analyzes the effects of CCT programs on household consumption and income poverty, and examines whether or not means-based targeting provided a disincentive to work, which could have offset income gains from the cash transfers. The third section evaluates the programs' impact on the utilization of education and health services, and seeks to disentangle the effect of conditionality from the effect of the transfer itself. A fourth section examines the gender consequences of CCT programs, whose designs incorporate assumptions about gender and the family structure that

deserve to be questioned. A fifth section investigates the impact of the programs on other social policies, and a sixth explores the political consequences of CCT programs, which have been criticized for being susceptible to corruption and for being politically unsustainable. The seventh and final section will draw some conclusions about the political and social consequences of targeting and conditioning cash transfers.

### 2.1. Targeting Efficiency and Effectiveness of CCT Programs

CCT programs have been criticized both for under-coverage of poor households (exclusion errors) and for leakage to non-poor households (inclusion errors). Studies reveal that CCT programs generally performed well at targeting benefits to the poor, but there is still evidence of both leakage and, more significantly, under-coverage as a result of imperfect targeting and inadequate program size. Soares, Ribas, and Osório (2010) found that both Bolsa Familia and Oportunidades did well with respect to leakage, which means that most benefits went to poor households.<sup>43</sup> Data from the 2004 national household survey in Brazil revealed that the poorest quartile of the population received 80 percent of all Bolsa Familia benefits, and 85 percent of the leakages to the non-target group went to families in the next poorest quartile.<sup>44</sup> Similarly, Coady and Parker found that poor households received 78 percent of Progres-a-Oportunidades benefits, and that most of the program's leakage went to households immediately above the threshold for program

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<sup>43</sup> Soares, Ribas, and Osório 2010: 177.

<sup>44</sup> Lindert, et al. 2007: 45-46.

eligibility.<sup>45</sup> Honduras's PRAF II was also found to be well targeted – about 80 percent of the beneficiary families fell under the poverty line, and 70 percent were in extreme poverty.<sup>46</sup>

Although CCT programs did well at avoiding errors of inclusion, they did poorly at avoiding errors of exclusion. As compared with Brazil's Bolsa Familia, Mexico's Oportunidades included a lower percentage of non-poor citizens as beneficiaries, but also excluded a higher proportion of the eligible poor.<sup>47</sup> Qualitative research on Mexico's Progresa (the precursor to Oportunidades) revealed that in some cases, families were not home when the enumerator came to their house and the enumerator did not return, or people overstated their resources because they were ashamed to admit their poverty.<sup>48</sup> Problems with program design also generated errors of exclusion. In Mexico, for example, families with school-age children could be excluded from receiving a transfer under Progresa if their region lacked health and education facilities.<sup>49</sup> For Colombia's Familias en Acción, only areas with a bank and adequate schools and health facilities were considered eligible to receive the transfer.<sup>50</sup> By design, some programs have excluded the most impoverished areas. The exclusion of potential beneficiaries in Mexico and Colombia highlights the importance of supply-side investment to complement CCT demand stimulation.

CCT programs that employ targeting strategies thus perform relatively well at delivering benefits principally to the poor, but there are significant under-coverage

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<sup>45</sup> Coady and Parker 2005: 11.

<sup>46</sup> Cohen et al. 2006: 309.

<sup>47</sup> Soares, Ribas, and Osório 2010: 177.

<sup>48</sup> Skoufias 2005: 38.

<sup>49</sup> Britto 2008: 187.

<sup>50</sup> Villatoro 2005: 94.

problems resulting both from faulty program design and inadequate size. Because precise targeting is neither technically feasible nor politically sustainable, the best option for policymakers, it will be argued here, is to universalize the programs, thereby not only reducing exclusion errors, but also broadening the base of political support and thus enhancing the political sustainability of the programs. Although they are more expensive than targeted programs (holding the size of the transfer constant) universal programs are affordable even for poor countries. Chapter 4 analyzes the experience of Bolivia with two universal cash transfer programs.

## 2.2. The Impact of CCT Programs on Consumption and Income Poverty

Reducing income poverty is an explicit objective of most CCT programs. According to Amartya Sen's freedom-centered approach to conceptualizing poverty, income deficiencies are only one of many obstacles to people being able to attain the freedoms that they value, such as the ability to live long and healthy lives.<sup>51</sup> Sen reminds us that income, which is often taken mistakenly to be a measurement of well-being, is not an end in itself, but rather a means to achieve freedom from capability deprivation. Thus, income plays no more than an instrumental role in human development – albeit an important one.<sup>52</sup>

Contrary to what we might expect, cash transfers may not necessarily make families richer. As Skoufias (2005) explains, the “pure income effect” of the cash transfers must be contrasted against the income losses or cost increases associated

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<sup>51</sup> Sen 1999: 40.

<sup>52</sup> Sen 1999: 72.

with adhering to program requirements.<sup>53</sup> In principle, cash transfers could have no net effect on the income of beneficiary households. In Mexico, for example, benefits from Oportunidades could merely compensate for the income that beneficiary households lose when they end their participation in other social programs, or they could be partly or entirely used up by the costs associated with receiving the transfer. Another possibility is that the cash transfers might be large enough to reduce the willingness of family members to accept low-paying jobs, which could result in a negligible or even negative impact on household income.<sup>54</sup>

The impact of a CCT program on immediate consumption serves as an indicator of the program's success at alleviating short-term poverty. As Sen and Anand argue, although consumption is a means and not an end, "there are few things more central than consumption to the lives that people variously lead."<sup>55</sup> Evidence from Latin America suggests that CCT programs did generally increase consumption among beneficiaries. CCT programs in Colombia, Mexico, Nicaragua, and Paraguay had significant, positive impacts on the per capita consumption of beneficiary households.<sup>56</sup> Maluccio and Flores (2005) found that, on average, Nicaragua's Red de Protección Social transfer supplemented total annual per capita household expenditures by 18 percent, most of which was spent on food.<sup>57</sup> CCT programs also were found to reduce income poverty. CCT programs in Paraguay, Mexico, and Nicaragua reduced the income poverty headcount among beneficiaries, and Mexico's

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<sup>53</sup> Skoufias 2005: 24.

<sup>54</sup> Skoufias 2005: 24-25.

<sup>55</sup> Anand and Sen 1998: 1-2.

<sup>56</sup> For Colombia, see Nuñez and Cuesta 2006: 48-49. For Mexico, see Cohen, et al. 2006: 126. For Nicaragua, see Villatoro 2005: 95. For Paraguay, see Soares et al. 2008: 13-14.

<sup>57</sup> Maluccio and Flores 2005: 29.

Progres-Oportunidades and Nicaragua's Red de Protección Social also reduced the poverty gap, which measures the additional income that the poor person or household with the average income would need to reach the poverty line.<sup>58</sup>

Despite allegations that cash transfer programs provide a disincentive to work, the demonstrated effects of CCT programs on household consumption and income poverty suggest that it is not likely that adult beneficiaries reduced work efforts as a result of receiving transfers.<sup>59</sup> In fact, several studies dispel concern over the disincentive effects of cash transfer programs on adult labor supply. Mexico's Progres-Oportunidades did not have a significant impact on the leisure time of men and women, and did not change the types of work carried out by adults.<sup>60</sup> Similarly, Colombia's Familias en Acción had no effect on the number of hours devoted to paid work.<sup>61</sup> In Nicaragua, however, there is some evidence that the RPS transfer encouraged adults from beneficiary households to substitute leisure for work.<sup>62</sup> Nevertheless, the weight of the evidence suggests that the cash transfer component of CCT programs is generally not used as a replacement for work income among beneficiary families.

### 2.3. The Impact of CCT Programs on Education, Child Labor, and Health

A second major goal of CCT programs is to encourage parents to invest in the health and education of their children. Program evaluations for CCTs in Argentina,

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<sup>58</sup> For Paraguay, see Soares et al. 2008: 11. For Mexico, see Skoufias 2005: 36. For Nicaragua, see Maluccio and Flores 2005: 27. Also see Samson, van Niekerk, and Mac Quene 2006: 20.

<sup>59</sup> Lindert, Skoufias, and Shapiro 2006: 40.

<sup>60</sup> The only exception is that there is evidence of a small (2 percent) reduction in women's participation in domestic work. Parker and Skoufias 2000: 27.

<sup>61</sup> Nuñez and Cuesta 2006: 49.

<sup>62</sup> Maluccio and Flores 2005: 34-35.

Chile, Colombia, Ecuador, Honduras, Mexico, and Nicaragua show that the programs had significant, positive effects on school enrollment.<sup>63</sup> Paraguay's Tekoporá, Nicaragua's RPS, and Honduras's PRAF II also increased attendance, and the programs in Nicaragua and Honduras increased grade advancement as well.<sup>64</sup> Higher rates of school enrollment tended to go hand-in-hand with lower rates of child labor. In Ecuador, Mexico, and Nicaragua, CCT programs reportedly reduced children's participation in the labor market.<sup>65</sup> In Paraguay, children who received Tekoporá benefits were more likely exclusively to attend school and less likely to exclusively work.<sup>66</sup> In Colombia, the Familias en Acción program reduced child labor participation among rural children ages 10 to 13, but had no statistically significant effect on older children.<sup>67</sup> Several CCT program evaluations also reported positive program effects on health checkups and vaccination rates. The CCT program in Colombia increased vaccination rates for some diseases, and the CCT in Honduras both enhanced the utilization of health services and increased vaccination rates.<sup>68</sup> Paraguay's Tekoporá and Nicaragua's RPS programs increased the number of visits to health centers among beneficiaries, but had no significant impact on vaccination rates.<sup>69</sup> Thus, CCT programs were generally successful at increasing school

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<sup>63</sup> For Argentina, see Heinrich 2007: 121-143. For Chile, see Galasso 2006: 18. For Colombia, see Nuñez and Cuesta 2006: 45-46. For Ecuador, see Schady and Araujo 2006: 16. For Honduras, see Glewwe and Olinto 2004: 47-48. For Mexico, see Coady and Parker 2002: 16. For Nicaragua, see Maluccio and Flores 2005: 36-37.

<sup>64</sup> For Paraguay, see Soares et al. 2008: 11. For Nicaragua, see Maluccio and Flores 2005: 42. For Honduras, see Glewwe and Olinto 2004: 47-48.

<sup>65</sup> For Ecuador, see Schady and Araujo 2006: 15-16. For Mexico, see Parker and Skoufias 2000: 29. For Nicaragua, see Maluccio and Flores 2005: 44.

<sup>66</sup> Soares et al 2008: 12.

<sup>67</sup> Nuñez and Cuesta 2006: 49.

<sup>68</sup> For Colombia, see Attanasio et. al. 2005: 11. For Honduras, see Glewwe and Olinto: 48.

<sup>69</sup> For Paraguay, see Soares et al 2008: 13. For Nicaragua, see Maluccio and Flores 2005: 44-48.

enrollment, and some programs succeeded at increasing health service utilization as well.

The impact of CCT programs on the utilization of health and education services could be a result of the transfer itself, of the conditions, or of some combination of the transfer and the conditions. The specific causes of CCT programs' demonstrated impacts on enrollment and health service utilization have important program-design implications. If the cash transfer, alone, were responsible for enhancing desired outcomes, then conditionality would not be necessary to achieve program goals. Researchers have conducted both *ex-ante* micro-simulations and *ex-post* evaluations to test whether conditionality, independent of the income effects of the cash transfer, increases school enrollment, attendance, and progression from primary to secondary school. *Ex-ante* methods simulate the effect of the program using a model of the household, allowing researchers to "test" program designs that are not actually implemented. Rigorous *ex-post* evaluations compare beneficiaries with non-beneficiaries after controlling for selection into each group.<sup>70</sup>

Both *ex-ante* and *ex-post* studies of three of the largest CCT programs in Latin America have found that conditioning had a significant impact on school enrollment above and beyond the income effects of the transfer itself.<sup>71</sup> One *ex-ante* analysis simulated a targeted transfer exactly like Brazil's Bolsa Escola, but with no conditionality requirements, and found that conditionality played a crucial role in changing how children allocated their time. The researchers determined that the school enrollment condition was the primary cause of the extra demand for

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<sup>70</sup> Bourgignon, Ferreira, and Leite 2003: 229-230.

<sup>71</sup> Bourgignon, Ferreira, and Leite 2003: 248-251; De Braw and Hodinott 2010: 4.



schooling.<sup>72</sup> An ex-post evaluation of Mexico's Progresa found that conditioning had no impact on enrollment in primary school, but that it had a significant impact on the enrollment of children transitioning from primary to secondary school.<sup>73</sup> In a study of Ecuador's Bono de Desarrollo Humano, researchers exploited the fact that conditions were rarely enforced to test the difference in school enrollment among families who were aware of the conditions and those who were not. Among beneficiary families, those who understood that school enrollment was a stipulation of the program were more likely to enroll their children in schools than were families who were unaware of that stipulation.<sup>74</sup>

There is also evidence that CCT programs have affected grade advancement even when it is not required to receive the transfer. Nicaragua's Red de Protección Social had a large effect on students transitioning from third and fourth to fifth and sixth grades, even though enrollment in fifth grade and higher was not one of the conditions for continuing to receive the transfer. This may be due to an income effect of the program, confusion about program requirements, or changes in attitudes toward education.<sup>75</sup> Conditions do appear to have been effective for increasing school enrollment and grade progression, but the topic deserves greater attention among researchers to determine the impact of conditionality in different contexts and on different age groups.

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<sup>72</sup> Bourignon, Ferreira, and Leite 2003: 21-22.

<sup>73</sup> De Brauw and Hoddinott 2010: 4.

<sup>74</sup> Schady and Araujo 2006: 29, 18-20.

<sup>75</sup> Maluccio and Flores 2005: 42.

## 2.4. The Gender Impacts of CCT Programs

Most CCTs incorporate women directly into program design: transfers are generally given to the female head of the household with the rationale that money in the hands of women tends to be spent on goods and services for their children.<sup>76</sup> It is possible, as some have argued, that giving mothers control over the cash transfers enhances women's status within the household and gives women some increased autonomy. However, because mothers tend to be responsible for ensuring that their families comply with the conditions attached to CCTs, the programs could adversely affect women's well-being by giving women additional and undue burdens.

Furthermore, some argue that CCT programs reinforce traditional gender roles because CCT programs construct the category of women as mothers and caregivers.<sup>77</sup>

In order to effectively analyze the gender effects of CCT programs, this section begins with a normative reflection on gender equity in the welfare state. Gender equity is a complex idea, and its frequent dichotomization into equality ("treating women exactly like men") and difference ("treating women differently insofar as they differ from men") does not help to simplify, but rather confounds.<sup>78</sup> Social policies may contribute toward enhancing gender equity by allowing women to avoid exploitation by family members, bosses, and government officials; by

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<sup>76</sup> Valencia Lomelí 2008: 489. There are a few exceptions to this rule. Argentina's Asignacion Universal por Hijo para Protección Social pays the transfer to either the mother or the father. The Dominican Republic's Solidaridad program goes to the head of the household. Colombia's Subsidio Condicionado a la Asistencia Escolar is given to the student and Bolivia's Juancito Pinto is transferred to a child who is accompanied by a parent (gender unspecified). For Argentina, see: Lo Vuolo 2010: 13. For the Dominican Republic, see: República Dominicana 2008. For Colombia and Bolivia, see: Fiszbein and Schady 2009: 236, 252.

<sup>77</sup> McIntosh 1981: 121.

<sup>78</sup> Fraser 1994: 594.

improving equality of income, leisure time, and respect; and by enhancing women's political and economic citizenship.<sup>79</sup>

Transferring cash directly to poor women should allow them to mitigate exploitable dependency on husbands and adult children, employers, and state officials. Dréze and Sen find that women who work in paid employment experience less anti-female bias in intra family distribution.<sup>80</sup> One interviewee in Aracaju, Brazil said of Bolsa Familia: "If I don't have income I have to keep my mouth shut. It's given me more self-esteem. Before, I used to live under my husband's feet. Now I can choose what to do."<sup>81</sup> However, receiving a stipend from the government is likely not to be equivalent in terms of self-esteem, status, and bargaining power to earning money in the market economy.<sup>82</sup> As Molyneux argues, "this issue cannot simply be reduced to the effects of controlling cash per se, but needs to take account of the social relations within which cash is earned or given, the meaning ascribed to it, and the purpose to which it is put."<sup>83</sup> Thus, CCT programs could have more complex effects on women's empowerment than studies that specifically focus on women's income-generating ability would suggest.

Furthermore, CCT programs may leave room for the exploitation of female beneficiaries by state officials. Evidence of the contradictory effects on women of new forms of social assistance is found in impact evaluations of the Grameen Bank micro-credit program in Bangladesh. One study found that female clients of the Grameen Bank experienced public humiliation (a form of social violence) and

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<sup>79</sup> Fraser 1994: 595.

<sup>80</sup> Dréze and Sen 1989: 58.

<sup>81</sup> Suárez and Libardoni 2007: 143.

<sup>82</sup> Molyneux 2009: 37.

<sup>83</sup> Molyneux 2009: 37-38.

domestic violence when they were not able to pay back loans, or did not receive a new loan within the time frame expected by the husband.<sup>84</sup> In Mexico, there is evidence that spousal abuse did not increase as a result of Oportunidades transfers, but that it did not decrease either.<sup>85</sup> Given the high rates of domestic abuse among the populations that are targeted to receive CCT benefits, program effects on violence against women deserve greater attention.

With regard to the equality principles of gender equity, CCT programs help to enhance income equality by compensating women for some of their child-care work, but the conditions attached to receiving the transfer may unfairly require a sharp decrease in women's leisure time.<sup>86</sup> Sen and Anand argue that a far greater emphasis should be placed on the value of leisure in human development studies. As Sen and Anand argue, "an overworked life can be not only joyless, it can also leave the person with rather little ability to do the things that she may value doing."<sup>87</sup> Parker and Skoufias found that Progresa increased the percentage of women who reported spending time taking children to school and health clinics, and increased participation in community work, which was often informally required to receive Progresa benefits.<sup>88</sup> Nevertheless, Molyneux reports that women admitted to generally appreciating Oportunidades' education and training projects, as opposed to seeing them as burdens.<sup>89</sup> Thus, the capacity-enhancing seminars incorporated into CCT programs may not be the terrible burdens that some have suggested.

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<sup>84</sup> Rahman 1999: 69-70.

<sup>85</sup> Interview from Bobonis and Castro 2010: 2.

<sup>86</sup> Fraser 1994: 598.

<sup>87</sup> Anand and Sen 1998: 9.

<sup>88</sup> Parker and Skoufias 2000: 28.

<sup>89</sup> Molyneux 2006: 437.

Finally, several program evaluations of Progresa revealed positive effects of CCT programs on empowering women.<sup>90</sup> In addition, a Brazilian governmental report found that Bolsa Família, which requires that beneficiaries possess a form of identification in order to receive benefits, encouraged poor women to obtain I.D. cards, which gave women a sense of themselves as citizens. The report also found that women gained greater visibility as consumers by virtue of carrying identity cards and receiving fixed monthly incomes.<sup>91</sup> The ability of CCT programs to enhance citizenship allowed for the integration of marginalized and isolated women into the political and social spheres.

Thus, despite claims that CCT programs have negative gender consequences, evidence suggests that CCT programs promoted gender equity by giving women an independent income, which helped them to protect themselves against exploitation at home and in the public sphere. Furthermore, by encouraging women to obtain identification cards, CCT programs enhanced citizenship and elevated women's status as consumers.

## 2.5. The Consequences of CCTs for other Social Policies

CCT programs have been criticized for displacing social policies with longer time horizons. Anthony Hall argues that the popularity of Bolsa Familia could promote a short-term perspective among politicians and policymakers, encouraging

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<sup>90</sup> Valencia Lomelí 2008: 489.

<sup>91</sup> Suárez and Libardoni 2007: 140-142.

them to use the program as a vote-capturing mechanism.<sup>92</sup> Similarly, Marcos Andre Melo argues that social transfers in Brazil have “crowded out investments in the improvement of basic services such as sanitation and health, which have stagnated.”<sup>93</sup> Furthermore, Lena Lavinias found that from 2002 to 2004, social assistance transfers rose while social spending on sanitation, education, and housing fell.<sup>94</sup> However, the short time frames chosen by the researchers conceal the broader trend of higher spending on basic health services since the implementation of CCTs. According to Brazil’s Ministry of Health, per capita spending on basic health care increased from about 19 reais in 2002 (a year after the national adoption of Bolsa Escola) to about 44 reais in 2009.<sup>95</sup> Table 2.1 reveals that across Latin America, public spending on education increased for most countries in the years following the implementation of CCT programs in those countries.<sup>96</sup> The criticism that CCTs divert resources from the provision of basic social services has been made repeatedly in the literature, but it does not hold much weight. Not only are CCT programs an extremely cheap form of social protection, but also they are complementary to supply-side interventions. Pointing to a short span of time during which social transfer spending increased and other social spending decreased does not prove any causal connection between the two patterns.

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<sup>92</sup> Hall 2008: 814.

<sup>93</sup> Melo 2008: 173.

<sup>94</sup> Lavinias 2006: 5.

<sup>95</sup> Brasil. Ministerio da Saúde. "Avanços na Saúde 2003-2010," 71.

<sup>96</sup> See Table 2.1. World Bank World Development Indicators.

## 2.6. Political Consequences of CCT Programs

One positive political consequence of CCT programs was discussed in the earlier section on gender: as a result of the necessity to obtain identification cards in order to receive benefits, poor people, and particularly women, gained important tools to citizenship. Paraguay's Tekoporá and Brazil's Bolsa Família increased the proportion of poor adults with identification cards.<sup>97</sup> In order to apply for Bolsa Família, a Brazilian citizen must have either a *Cadastro de Pessoa Física* (CPF) card (an individual taxpayer identification number), or a *Titulo de Eleitor* (voter registration card). The CPF card is required to open a bank account, acquire credit, or purchase anything with installment plans, which are a very common way for consumers to buy commodities in Brazil.<sup>98</sup> Paraguay's Tekoporá also reduced significantly the number of adults older than 25 years old without identification cards.<sup>99</sup> The effects of CCTs on citizenship thus empower beneficiaries in their relationship with their communities and with the State.

Just as preceding social policies generated incentives for political actors to accept CCTs as a viable form of social protection, CCT programs themselves have political repercussions.<sup>100</sup> One of the major political criticisms of CCT programs is that they are susceptible to manipulation for political or patronage purposes. Britto argues that the decentralization of Bolsa Família provides room for political

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<sup>97</sup> Soares, et al. 2008: 17. Hunter and Sugiyama 2009: 10-11.

<sup>98</sup> Hunter and Sugiyama 2009: 10-11.

<sup>99</sup> Soares et al. 2008: 17.

<sup>100</sup> Pierson 1993: 611.

patronage.<sup>101</sup> The local mediation in choosing who benefits from Bolsa Familia may be a cause for concern, but the fact that transfers are made through debit cards reduces opportunities for political manipulation. Fenwick argues that by cutting out intermediaries, Bolsa Família “reduces the ability of state brokers to use these specific funds to generate patronage.”<sup>102</sup> Similarly, Hunter and Sugiyama argue that the method of transfer of Bolsa Familia (debit card which cuts out the middleman) and the avenues for complaint (toll-free number to call in case of difficulties rather than a local official) seem to have prevented Bolsa Família from becoming a program that is easily manipulated by local officials for political gain.<sup>103</sup> Thus, there is some evidence against the criticism that CCT programs are highly susceptible to political manipulation.

Another criticism of CCT programs is that they are politically unsustainable. This argument harkens back to the earlier discussion of targeting versus universality. In some of the poorer countries in Latin America, which attempted to implement highly targeted programs, CCTs did not gain political support. For example, Nicaragua’s CCT program, Red de Protección Social, was discontinued due to a lack of domestic support despite positive results on poverty reduction, school enrollment, and health indicators.<sup>104</sup> An issue that goes largely unaddressed in Fiszbein and Schady’s expansive discussion of CCT programs, political sustainability is dependent on the support of the middle classes, or those who have political clout. Nicaragua’s RPS is heralded as an exemplary CCT program, but it could not gain political support

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<sup>101</sup> Britto 2005: 17.

<sup>102</sup> Fenwick 2009: 114.

<sup>103</sup> Hunter and Power 2007: 18.

<sup>104</sup> Moore 2009: 33-34.



and thus was discontinued.<sup>105</sup> RPS thus serves as a model of the negative effects of targeting on political sustainability.

## 2.7. Conclusion

CCT programs generally had positive effects on the income-related, education-related, and health-related indicators that they were specifically designed to influence, and also contributed toward enhancing citizenship and improving the lives of female beneficiaries. From a gender standpoint, there is evidence that giving transfers to women enhanced gender equity by increasing women's bargaining power within the home. Furthermore, CCT programs encouraged beneficiaries (particularly women) to get identification cards, which have contributed toward women's citizenship and empowerment in the public sphere. From a political standpoint, CCT programs increased demands for the provision of social services, and they did not prove to be susceptible to political corruption or patronage. Furthermore, CCTs were shown to be complementary rather than antagonistic to broader and longer-term social policies.

Nevertheless, there were some negative effects of CCTs, particularly on CCT programs' prospects for sustainability. Highly targeted social assistance programs are shown to be susceptible to discontinuation as a result of waning support from the middle class. This final point will be discussed in more detail in Chapter 4, which explores the Bolivian experience with two universalistic cash transfer programs.

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<sup>105</sup> Moore 2009: 26-27.

### **Chapter III: Causes of Conditional Cash Transfer Programs in Latin America**

Although seventeen of twenty countries in Latin America have adopted and implemented CCT programs since 1989,<sup>106</sup> scholars have devoted relatively little attention to the processes by which CCT programs make it onto the policy agenda, are formulated as politically viable options, and are put into effect. This chapter offers an explanation of the origins and determinants of Latin American CCT programs. It focuses on Brazil and Mexico, hosts to the largest such programs, and devotes special attention to the issue of why targeted CCT programs – as opposed to universalistic or unconditional cash transfer programs – became the model of social assistance that spread across the region.

The policymaking process for CCT programs can be divided into four stages: agenda setting, policy design, political approval, and policy implementation.<sup>107</sup> These four stages are interrelated, and as Grindle argues, each “can be understood as an arena in which political and bureaucratic interactions take place and affect what happens in subsequent arenas.”<sup>108</sup> An appropriate model of public policy-making should take into account structural constraints, but it must also be able to identify the actors and their interests, and the impact of ideas, beliefs, and past policy experiences on actors’ decisions and actions. As Merilee Grindle and John Thomas argue, the interests of social classes, organized groups, international actors, historical context, preceding policies, and economic conditions define the outer boundaries of the options available to policy elites. Within these boundaries, however, there is room for

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<sup>106</sup> See Table 3.1 for a list of the start dates of the programs.

<sup>107</sup> Merilee Grindle adds a fifth stage of “sustainability.” Grindle 2004: 16.

<sup>108</sup> Grindle 2004: 16.

maneuver and influence – what Grindle and Thomas call a “policy space.”<sup>109</sup> In the policy cycle model, accordingly, both contextual factors and policy elites are understood to be relevant to policy-making.

The factors that affect the location and timing of CCT program adoption and implementation overlap and are interrelated, but their categorization provides a useful tool for analyzing the causal mechanisms at work in CCT program development. This chapter inventories these mechanisms, structuring the analysis of their impact around the stages of agenda setting, policy design, adoption, and policy implementation. The first section examines the role of preceding waves of social policy in CCT program adoption. By the early 1990s, because of the rise of informal employment and unemployment during the 1980s and the structural reforms to public systems, social insurance coverage had declined significantly in most Latin American countries.<sup>110</sup> This section argues that the decline in social insurance coverage gave governments an incentive to formulate new social assistance schemes. Previous social assistance programs and supply-side interventions also contributed to CCT program implementation by providing some of the administrative capacity, infrastructure, and information necessary for the programs.

The second section examines the relation between the prevailing economic model and the appearance of CCT programs. The debt crisis of the 1980s is taken to be a critical juncture, during which interest group pressure was weakened and policymaking elites gained a greater role in pushing forward their agendas. The free-market reforms that swept the region in the wake of the debt crisis reduced the funds

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<sup>109</sup> Grindle and Thomas 1991: 7.

<sup>110</sup> Mesa-Lago and Márquez 2007: 361-364

available to pay for universalistic social assistance programs, which were regarded as more expensive than targeted programs, including most CCTs.

The first two sections of the chapter set the stage for a third section, which discusses the role of bureaucratic initiative in CCT program innovation. This section makes a case that the policymakers and political elites who have proposed, designed, approved, and implemented CCT programs have enjoyed considerable leeway to enact their preferred policies. Focusing on the creation of CCT programs in Brazil and Mexico, this section examines the role of individual actors who seized the opportunities created by a convergence of social, political, and economic contextual factors to push forward their pet projects.

A fourth section assesses the impact on CCTs of various dimensions of democracy, including freedom of information, freedom of assembly, electoral incentives, and the development of a sense of entitlement. Particularly through the channels of freedom of information and freedom of assembly, democracy contributed not only to putting CCT programs on the policy agendas of Latin American governments, but also to shaping program design and influencing decisions about program adoption. There is also some evidence that electoral incentives factored into national political actors' decisions to adopt CCT programs. A fifth, related section analyzes civil society involvement, including professional associations, interest groups, and issue networks, in CCT program adoption. Issue networks are found to be particularly important for getting CCT programs on the policy agenda, and for designing and promoting CCT programs at the policy design and political approval stages.

The sixth section of the chapter evaluates the impact of international factors on CCTs, focusing especially on international financial institutions (IFIs), international norms, and learning from foreign models. Both IFIs and foreign models appear to have played a significant role in the diffusion of CCT programs across Latin America.<sup>111</sup> A seventh and final section draws some conclusions about the factors involved in the proposal, design, political approval, and implementation of CCT programs in Latin America.

### 3.1. Preceding Waves of Social Policy

Research on policy feedback shows that policies not only result from the volitions of policymakers, but also generate new incentives and resources for government elites, interest groups, and mass publics, and serve as sources of new information and meaning.<sup>112</sup> As Paul Pierson argues, “major policies frame the choices of political actors both by creating resources and incentives and by influencing the efforts of individuals to interpret the social world.”<sup>113</sup> The policy feedback mechanism sheds light on the way in which preceding waves of social policy have influenced CCT programs. This section addresses the role of previous social programs and supply-side interventions in CCT program adoption and implementation, with special attention to the decline in social insurance coverage across Latin America in the 1980s and 1990s. This decline, it will be argued, helps to explain the willingness of governmental actors to seek out new forms of social assistance.

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<sup>111</sup> This set of factors draws heavily on McGuire 2010a: 278-310.

<sup>112</sup> Pierson 1993: 611.

<sup>113</sup> Pierson 1993: 628.

In Brazil, investments in education facilitated the implementation of Bolsa Escola at the national level. An amendment to Brazil's Constitution, passed in 1996, created the Fund for Primary Education Development and for Enhancing the Value of the Teaching Profession (FUNDEF), which was a new finance system that set criteria for the distribution of resources for education. FUNDEF channeled additional education resources to poor regions, provided teacher training, and increased teacher's salaries; it was considered to be one of the most successful reforms in the 1990s in Brazil.<sup>114</sup> FUNDEF was implemented shortly after the first experiments with CCT programs at the sub-national level in Brazil, and provided some of the crucial supply-side interventions that were needed in order to make an education-related cash transfer program feasible at the national level. The political approval of Bolsa Escola at the national level is also directly linked to the success and promotion of CCT program experiments at the municipal level. After being introduced in 1995 in the Distrito Federal and in Campinas, CCT programs spread quickly across Brazil. By 2001, when the national Bolsa Escola program was inaugurated, more than one hundred municipalities had already implemented local Bolsa Escola programs.<sup>115</sup> Municipal experiments provided an important opportunity for learning, and made policymakers more confident that an analogous program could succeed at the national level.

The Mexican government also took several steps on the supply side toward reducing educational disparities in the 1990s. In 1996, the National Council for Education Development (CONAFE) distributed school supplies to more than 4

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<sup>114</sup> Yonemura 2005: 42.

<sup>115</sup> Lindert, et al 2007: 11.

million students, and local governments actively promoted the introduction of information technology.<sup>116</sup> On the demand side, the program Niños en Solidaridad, which formed a part of the National Solidarity Program (PRONASOL), offered cash transfers to a limited number of students, chosen by their classmates. There was a maximum of 24 scholarships for each school, and no family was allowed to have more than one scholarship at a time. The number of scholarships covered only 4.3 percent of primary school students.<sup>117</sup> Niños en Solidaridad included more than just a cash transfer component; in addition to a monthly cash stipend, families received a monthly food basket and medical and nutritional assistance from health centers.<sup>118</sup> Impact evaluations found that Niños en Solidaridad raised school completion rates and diminished dropout rates among beneficiaries.<sup>119</sup> In addition to learning from Niños en Solidaridad, policymakers gained further evidence about the potential benefits of CCT programs from a local pilot program within Progresía (later renamed Oportunidades). The Finance Ministry implemented a pilot program in 1996 in the state of Campeche that transferred cash to 31,000 households, and the government commissioned an external evaluation. The pilot project provided assurance to the government that the Progresía program was not “unduly risky.”<sup>120</sup>

Previous social assistance policies and advances in the provision of education services thus facilitated the adoption and implementation of CCT programs. Social insurance policies also contributed to CCT program adoption, albeit in a different way. The sharp decline in social insurance coverage in Latin America in the decade

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<sup>116</sup> Levy and Rodríguez 2005: 46-47.

<sup>117</sup> Levy and Rodríguez 2005: 46-48.

<sup>118</sup> Cordera Campos 1999: 17.

<sup>119</sup> Levy and Rodríguez 2005: 47.

<sup>120</sup> Levy 2007: 35.

preceding the emergence of CCT programs helps to explain the creation of new forms of social assistance. During the “truncated welfare state era” (1920-1980), public pension systems – which relied on employment-based contributions and were designed to cover the risks associated with old age, disability, and survivor’s benefits – made up the backbone of social protection.<sup>121</sup> Contributory social insurance programs excluded everyone who was not in the formal sector.<sup>122</sup> Dramatic increases in unemployment and informal employment in the 1980s pushed the public pension systems into serious financial trouble because fewer people were contributing to the system.<sup>123</sup> High rates of informal employment also meant that the existing social insurance system excluded large proportions of the population. The increasing informality of the labor market thus called for serious reforms of social assistance.<sup>124</sup> CCT programs emerged as a viable form of social assistance in the context of low social insurance coverage. Preceding waves of the three forms of social protection policy – social assistance, social insurance, and the provision of basic services – thus contributed to the introduction of CCT programs in Latin America in the 1990s and 2000s.

### 3.2. Economic Forces

The debt crisis of the 1980s is crucial for understanding the trajectory of social protection policies in Latin America. Although the social security systems that had been developed since the 1920s were facing serious financial problems by 1980,

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<sup>121</sup> McGuire 2010b: 1-4; see also Mesa-Lago and Márquez 2007: 356.

<sup>122</sup> McGuire 2010b: 1-4.

<sup>123</sup> Teichman 448.

<sup>124</sup> Mesa-Lago and Márquez 2007: 356.



the economic crisis of the 1980s “greatly aggravated these problems and forced adjustments.” As a result of the debt crisis, Latin American governments implemented austerity and structural adjustment measures, which resulted in severe recessions, rising unemployment, and high poverty rates across the region.<sup>125</sup> According to James McGuire’s periodization of Latin American social policy, the debt crisis of the 1980s can be viewed as a critical point separating “truncated” welfare state policies from “reinvigorated” welfare state policies. Whereas the “truncated welfare state” era (1920-1980) was characterized by regressive social insurance schemes that included most formal-sector workers, but excluded everyone else, the “reinvigorated” welfare state era (1990-2011) was characterized by market reforms to social insurance and a new focus on pro-poor social policies.<sup>126</sup> CCT programs were a good fit with the free-market reforms of the 1990s and 2000s: they were relatively cheap,<sup>127</sup> incorporated measures to ensure co-responsibility among beneficiaries and the state,<sup>128</sup> and tended to be highly targeted. Cash transfers, as opposed to in-kind transfers or subsidies, allow families to choose what to consume, and are thus consistent with the theory that individuals know how to maximize their own utility.<sup>129</sup> As Rawlings and Rubio argue, “conditional cash transfer programs are

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<sup>125</sup> Huber 2005: 78-79; Lustig 2001: 3.

<sup>126</sup> McGuire 2010b: 1-4.

<sup>127</sup> The largest two programs – Mexico’s Oportunidades and Brazil’s Bolsa Familia cost only about 0.4 percent of GDP in 2005 and 2006 respectively. Valencia Lomeli 2008: 476.

<sup>128</sup> In exchange for receiving benefits from the government, poor families had to comply with specific conditions (outlined in Chapter 1). Conditioning the programs on particular behaviors was seen by some as a way of gaining political support for from sectors of society that opposed “government handouts.”

<sup>129</sup> Minujin et al. 2007: 125.

part of a growing policy emphasis on the use of market-oriented demand-side interventions to directly support the poor.”<sup>130</sup>

According to Merilee Grindle and John Thomas, a moment of crisis presents an opportunity for bringing about significant changes in public policy.<sup>131</sup> Just as the debt crisis of the 1980s helped to explain important social policy changes, Mexico’s major macroeconomic crisis of December 1994 set in motion high-level discussions about the appropriate social policy response. It had become apparent that the food subsidies that were in place at during the mid-1990s were not adequately doing their job, and thus could not act as a safety net for the poor during the crisis. According to Santiago Levy, one of the policy entrepreneurs behind Mexico’s Progresa program, “the economic crisis created the immediate motivation for change.”<sup>132</sup> Major economic downturns thus facilitated change by opening a policy space for reform initiatives to take hold.

### 3.3. Bureaucratic Initiative

Although historical, cultural, and international contexts mold the opinions and actions of decision-makers, policy elites have a significant range of options when deciding how to solve problems. Nevertheless, the term “political will” can be a “catch-all culprit.”<sup>133</sup> For the purpose of this paper, the concept of bureaucratic initiative is employed with sensitivity to the pervasive structural constraints on individual agency. Moreover, bureaucratic initiative depends on policy elites’

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<sup>130</sup> Rawlings and Rubio: 29.

<sup>131</sup> Grindle and Thomas 1991: 73.

<sup>132</sup> Levy 2007: 14.

<sup>133</sup> Grindle and Thomas 1991: 122-124.

perceptions, professional expertise and training, ideological leanings, personal attributes and goals, memories of similar policy experiences, power resources, and political and institutional commitments and loyalties.<sup>134</sup>

In Brazil's Federal District, Cristovam Buarque was the leader of a group of academics at the Contemporary Brazilian Study Center at the University of Brasília who reportedly introduced the idea of a minimum income program linked to education in 1986. During his 1994 gubernatorial campaign in the Federal District, Buarque promised that this conditional cash transfer program, later termed Bolsa Escola, would be at the top of his policy agenda if he were to be elected. After being elected governor, Buarque put his words into action and implemented Bolsa Escola in 1995. As Yonemura argues, Buarque was a "policy entrepreneur" behind Bolsa Escola. Throughout his academic and political career, Buarque devoted time and resources to his vision of creating a program that linked income transfers to education.<sup>135</sup>

Eduardo Suplicy was another policy entrepreneur who helped to get a minimum income program on the national agenda in Brazil. In 1991, Suplicy's proposed project to institute a minimum income program was approved by the Senate but not by the Chamber of Deputies. At the time, Suplicy's idea was considered to be too radical.<sup>136</sup> Suplicy's dedication to instituting a minimum income program does not appear to come from electoral incentives, but rather from some combination of personal goals, professional training and connections, and ideological leanings. Arguably, if the proposal did not come from Suplicy it would have come from

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<sup>134</sup> Grindle and Thomas 1991: 32-37.

<sup>135</sup> Yonemura 2005: 197.

<sup>136</sup> Yonemura 2005: 114-122.

someone else, but agency cannot be entirely ignored. Significant contextual changes in the political, economic, and social environment of Brazil in the 1990s (e.g., the 1988 constitutional reforms; improved supply-side intervention in education)<sup>137</sup> created favorable conditions for initiating demand-side interventions, and a window of opportunity was created for policy entrepreneurs like Buarque and Suplicy to put their ideas into action.

In Mexico, economic crises and neoliberal reforms weakened labor and popular groups, giving policy makers a “fairly free reign (sic) in...social policy development, particularly in the formulation of the new conditional cash transfer programs.”<sup>138</sup> Three names are mentioned in the literature on the origins of Mexico’s Progres-a-Oportunidades: Santiago Levy, José Gómez de León and President Ernesto Zedillo. Levy was an undersecretary in Mexico’s Finance Ministry in 1995, when President Zedillo asked him to lead a team to create a plan to address extreme poverty. Gómez de León came into the policymaking process after the launching of the pilot CCT programs in the state of Campeche. Gómez de León was invited to serve as a technical advisor, and “ultimately had a broad influence in shaping Progres-a.”<sup>139</sup> President Zedillo was also a strong supporter of Progres-a. According to Levy, “presidential leadership was essential to the implementation and success of the program.”<sup>140</sup> In both Mexico and Brazil, favorable social and economic conditions encouraged the adoption of CCT programs, but it was policy entrepreneurs who took advantage of these conditions.

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<sup>137</sup> Yonemura 2005: 92.

<sup>138</sup> Teichman 2007: 449.

<sup>139</sup> Bate 2004.

<sup>140</sup> Levy 2007: 15.

### 3.4. Democratic Factors

Democracy has the potential to affect each of the four stages of the policy-making process. The principal channels through which democracy might affect CCT programs are freedom of information, freedom of association, electoral incentives, and social rights. Freedom of information could help CCT programs make it onto the policy agenda. Freedom of association could impact the policy design stage by enabling participation of issue networks or experts in the early stages of CCT program development. Electoral incentives might encourage legislators or executives to authorize the implementation of a CCT program. Finally, democracy's role in generating expectations of certain services and rights could encourage citizens to demand broader and continued coverage during the implementation and sustainability stages.<sup>141</sup>

Freedom of information appears to play a pivotal role in the agenda-setting stage of policy-making in Latin America. Interviews with Brazilian business, government, and non-profit elites strongly suggest that the media helped to put Bolsa Escola on the agenda. NGOs coordinated with media outlets such as the Agencia de Noticias de Direitos da Infancia (ANDI, the News Agency for Children's Rights), to spread information about Bolsa Escola.<sup>142</sup> The dissemination of such information contributed to the rapid proliferation of CCT programs across Brazil, which in turn, as noted earlier, served as a catalyst for the adoption of Bolsa Escola at the national level in 2001.

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<sup>141</sup> McGuire 2010a: 296.

<sup>142</sup> Yonemura 2005: 91, 142.

Democratic regimes permit issue networks to influence public policymaking. NGOs like Asesorías para el Desarrollo in Chile and Missão Criança in Brazil furnished resources and support for fledgling CCT programs and provided spaces within which academics, elected officials, and other policy elites could come together to discuss their ideas about social assistance. Buarque, the aforementioned policy entrepreneur from the Brazil's Federal District, established Missão Criança in 1998 and used it as a means to promote the concept of Bolsa Escola and to provide support for other regions interested in implementing the program.<sup>143</sup> The Programa Gestão Pública e Cidadania (Public Management and Citizenship Program) was also an influential source of information for professionals in Brazil.<sup>144</sup> Although some authoritarian regimes in Latin America allowed for organizations and networks to form and develop, it was the transition to democracy that gave such organizations relevance to the policymaking process.

CCT programs establish a direct and regular link between the national government and beneficiaries, and thus have the potential to be used to retain or win votes for the governing party.<sup>145</sup> In Brazil, there is some evidence that national politicians were driven by electoral concerns during the policy adoption and implementation stages of the policy cycle. Launched in February 2001, the national Bolsa Escola program operated in 5,470 municipalities, and reached almost five million households by the beginning of 2002.<sup>146</sup> At the time of the national introduction of Bolsa Escola, the minister in charge of its implementation was viewed

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<sup>143</sup> Palma and Urzúa 2005: 20; Yonemura 2005: 91.

<sup>144</sup> Sugiyama 2010: Chapter 3 p. 13.

<sup>145</sup> Britto 2008: 186.

<sup>146</sup> Aguiar and Araújo 2002: 44.

as a potential presidential candidate. The proximity of the 2002 election seems to explain the speed with which Bolsa Escola was implemented.<sup>147</sup> Melo corroborates the claim that electoral incentives played a role in CCT program adoption and implementation in Brazil.<sup>148</sup> There is also evidence that electoral incentives affected the performance of Bolsa Escola at the local level; first term mayors achieved greater program impact as compared to mayors in their final term.<sup>149</sup> Electoral concerns thus appear to have factored into the implementation of Bolsa Escola in Brazil.

Democracy can also contribute to the introduction of CCT programs by extending legal rights that raise the capacity of the public to demand such programs. Brazil's 1988 Constitution established new social rights, including the rights to education and health, and emphasized the objective of universality of coverage and service.<sup>150</sup> The Constitution "embraced social inclusion as a social right," making it easier for CCT policy entrepreneurs to frame the production and operation of social protection policies and programs as public responsibilities.<sup>151</sup> Thus, the transition from authoritarian rule in 1985 and the corresponding emphasis that political elites placed during this era on social rights and education paved the way for social assistance programs with links to education and health. Across Latin America, the consolidation of democracy allowed for citizens to express demands for greater coverage and better access to high-quality social services.<sup>152</sup>

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<sup>147</sup> Britto 2008: 184.

<sup>148</sup> Melo 2008: 167-169.

<sup>149</sup> De Janvry, et al. 2010: 25-26.

<sup>150</sup> Draibe 2004: 71.

<sup>151</sup> Fenwick 2009: 110.

<sup>152</sup> Mesa-Lago and Márquez 2006: 355.

### 3.5. Civil Society

Interest groups, social movements, and issue networks often have the political clout and resources to drive or block reform. The concept of “issue networks” was developed by Hugh Heclo to describe the many actors whose “webs of influence provoke and guide the exercise of power.” According to Heclo, an issue network “is a shared-knowledge group having to do with some aspect (or, as defined by the network, some problem) of public policy.”<sup>153</sup> Members of issue networks – academics, interest groups, professional associations, members of the media, state officials – participate in various ways: by circulating information, organizing and participating in policy-relevant seminars, and drafting legislation and policy proposals.<sup>154</sup> Particularly under democratic regimes, issue networks are capable of elevating policies to national agendas.

The history of Brazil’s Bolsa Escola reveals the influence of issue networks at all stages of policymaking: from the program’s conception and placement on the policy agenda, which began with a group of academics at the University of Brasília; to political approval of the program, overseen by prior academic-turned-governor, Cristovam Buarque; to diffusion to other regions, which was supported by journalists and by the NGO Missão Criança. The example of Bolsa Escola thus demonstrates the way in which academics, elected officials, and members of the media work together to achieve a common policy goal.<sup>155</sup> The degrees of influence of each actor at each

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<sup>153</sup> Heclo 1978: 102-103.

<sup>154</sup> Htun 2004: 75-76.

<sup>155</sup> Yonemura 2005: 109-110.



stage reveals a process of policymaking in which representatives from a variety of sectors contributed to making Bolsa Escola a reality.

Non-governmental organizations also played a large role in the policy design stage of Chile Solidario. In Chile under President Ricardo Lagos (2000-2006), an agency within the planning ministry designed an integrated strategy for poverty relief led by a Task Force formed by experts from governmental and nongovernmental sectors. During the agenda-setting stage, the NGO Asesorías para el Desarrollo held a workshop to debate social protection and poverty that included experts from the planning ministry and the Budget Office. The “Chilean Task Force” that emerged from this meeting helped to conceptualize and design Chile Solidario, which was approved by the President in 2002.<sup>156</sup>

Rather than actively promoting CCT programs, some actors in civil society used their resources and clout to reject other social policy reform proposals, thereby contributing to the adoption of CCT programs as a redistributive compromise. In both Mexico and Chile, business interests resisted tax increases, which made the relatively cheap CCT programs a viable form of social protection policy. In Mexico, union interests also resisted social security reforms that would have been more progressive than existing social insurance schemes. Interest groups played a role in distributive struggles over social policies by constraining the policy space available to policymakers. In Mexico and Chile, business and labor interests pushed certain policy options off of the agenda, leaving CCT programs as a compromise solution.<sup>157</sup>

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<sup>156</sup> Palma and Urzúa 2005: 20.

<sup>157</sup> Teichman 2008: 452.

### 3.6. International Factors

Although the first CCT programs date from the late 1980s, their proliferation throughout Latin America occurred during a fairly short span of time, approximately from 1997 to 2010. The apparent spread of such programs across the region in a relatively delimited period suggests that external actors, models, and ideas may have had simultaneous effects on internal policymaking decisions in a wide range of countries. This section examines the respective roles of international financial institutions (IFIs), processes of learning from foreign models, and the diffusion of international norms, in the adoption and implementation of CCT programs in Latin America. Kurt Weyland's theory of policy diffusion guides the analysis of the international factors that contribute to domestic policy decisions.<sup>158</sup>

#### 3.6.1. *International financial institutions*

As Weyland argues, international financial institutions can reshape preferences by helping to limit reforms to a certain range of options.<sup>159</sup> International financial institutions seem to have exerted considerable influence on program design and the timing of implementation of CCT programs in Latin America. The Inter-American Development Bank (IDB) supplied not just loans, but also trained personnel to facilitate CCT program implementation. The World Bank also provided

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<sup>158</sup> Weyland 2006: 30-68.

<sup>159</sup> Weyland, ed. 2004: 244.

technical support and advice to Latin American policymakers at various stages of the policymaking process.<sup>160</sup>

International pressure and leverage help to explain the replication of CCT programs across Latin America.<sup>161</sup> In Mexico, IFIs reinforced powerful technocrats' concerns for "leakages' and 'inappropriate' subsidies," encouraging policymakers in most countries (with the notable exception of Bolivia, which is discussed in Chapter 4) to adopt targeted rather than universalistic cash transfer programs.<sup>162</sup> Similarly, in Brazil, the World Bank facilitated the creation of Bolsa Família by persuading the national government to pursue targeted CCTs rather than unconditional social assistance programs, according to interviews conducted by Morais de Sá e Silva.<sup>163</sup> The IDB was influential in CCT program replication because it had the capacity to disseminate information about CCT programs to top officials in Latin America and to provide financial support to governments that had decided to implement CCT programs.<sup>164</sup> The IDB worked with officials of the Nicaraguan government to design Red de Protección Social I (RPS I) in 1999, and reportedly encouraged officials of the incumbent Alemán administration (1997-2002) to borrow much of the program's framework from Mexico's Progresa-Oportunidades.<sup>165</sup> In El Salvador, the IDB and the World Bank were closely involved in the initial design of Red Solidaria, whose administrators also received advice from experts and program managers of other Latin American CCT programs.<sup>166</sup> The IDB also provided technical and financial

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<sup>160</sup> Johannsen 2009: 4.

<sup>161</sup> Britto 2008: 190.

<sup>162</sup> Teichman: 452.

<sup>163</sup> Interviews with Brazilian policymakers reported in Morais de Sá e Silva: 157.

<sup>164</sup> Johannsen 2009: 4.

<sup>165</sup> Moore 2008: 3.

<sup>166</sup> Soares and Britto 2007: 6.

support to the Paraguayan team that designed a CCT program that was implemented in 2003.<sup>167</sup> Whereas large-scale health and education reforms were primarily domestic stories,<sup>168</sup> CCT program design and implementation demonstrate the more significant role of international organizations and international learning.

### 3.6.2. *International norms and ideological diffusion*

A possible partial explanation for the adoption of CCT programs is what Weyland calls a “concern for appropriateness and legitimacy,” which prompts countries to rush to keep up with trends.<sup>169</sup> Weyland argues that the normative appeal framework cannot account for model diffusion in areas that face significant political opposition, such as pension privatization, but that the “concern for appropriateness and legitimacy” may influence pro-poor initiatives that do not require major redistribution. According to Weyland, redistributive struggles, like pension privatization, “were driven by clashing interests, leaving little room for symbolic and normative concerns.” Weyland, however, acknowledges that pro-poor initiatives like CCT programs do not face the same degree of political opposition as more structural reform. Normative developments thus may exert significant influence on the adoption of CCT programs.<sup>170</sup>

Section III of the United Nations Millennium Declaration calls for a global commitment to poverty eradication and human development.<sup>171</sup> The government of Paraguay signed the Millennium Declaration in 2000, and soon after drafted a

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<sup>167</sup> Soares and Britto 2007: 6.

<sup>168</sup> Kaufman and Nelson 2004: 14.

<sup>169</sup> Weyland 2006: 41.

<sup>170</sup> Weyland 2006: 9.

<sup>171</sup> United Nations Millennium Declaration 2000.

National Strategy for Fighting Poverty. Initially, some segments of the government and civil society in Paraguay resisted the implementation of a CCT program due to a feeling that the program could have a negative impact on labor supply, but after a government-organized international conference in July 2004, the idea of a CCT program gained support among local elites.<sup>172</sup> International norms, pressures, and influence do indeed appear to play a significant role in CCT program adoption. As Britto argues, CCT programs were introduced and replicated across Latin America partly because they fit mainstream discourse on poverty reduction.<sup>173</sup>

### 3.6.3. *Learning from foreign models*

The existence of foreign models can draw attention to possible solutions to shared problems, thereby influencing the agenda-setting phase of policymaking. Foreign models also provide crucial inputs during the policy design process.<sup>174</sup> Policymakers utilize the information they acquire about foreign policies and programs through a process of learning, which refers to “a change of beliefs...or the development of new beliefs, skills or procedures as a result of the observation and interpretation of experience.”<sup>175</sup> Rational-learning theorists propose that policymakers operate according to comprehensive rationality, and are thus capable of weighing the costs and benefits of specific policy options. In practice, however, important cognitive limitations may prevent strict cost-benefit analysis, and policymakers may

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<sup>172</sup> Soares and Britto 2007: 6.

<sup>173</sup> Britto 2008: 185.

<sup>174</sup> Nelson 2004: 51.

<sup>175</sup> Levy 1994: 283.

instead operate according to bounded rationality.<sup>176</sup> The theory of bounded rationality, it is argued, most accurately captures the process of learning from CCT program models.

Diffusion research illuminates the mechanisms that drive the spread of new ideas and policies.<sup>177</sup> Kurt Weyland's analysis of pension and health reform diffusion through the lens of bounded rationality is applicable to CCT program diffusion across Latin America. According to Weyland, policymakers and experts use heuristic shortcuts to determine which specific proposal among a range of options will make it onto the agenda. These cognitive heuristics are: the heuristic of availability, which refers to the tendency to place excessive importance on information that has special immediacy and is attention-grabbing; the representativeness heuristic, which induces people to draw excessively confident and firm inferences from a small data sample; and the heuristic of anchoring, which induces people to attach undue weight to an initial value and makes them therefore reluctant to diverge radically from that starting point.<sup>178</sup>

Heuristic shortcuts help to explain the patterns by which innovative policies spread. Most diffusion events follow a logistic (S-shaped) pattern. After starting slowly with a few regions or countries, the rate of adoption rises quickly, before finally leveling off. Moreover, innovations tend to spread first to neighbors and nearby regions, resulting in geographic clustering. Finally, diffusion involves the spread of similar programs and policies to diverse regions with distinct problems.<sup>179</sup>

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<sup>176</sup> Simmons, Dobbin, and Garrett, eds. 2008: 31-34; Simon 1991: 132.

<sup>177</sup> Sugiyama 2010: Chapter 2, p. 8.

<sup>178</sup> Weyland 2006: 47-49.

<sup>179</sup> Weyland 2006: 8-11, 19, 198; Sugiyama 2010: Chapter 1 p. 4.

The three heuristics (availability, representativeness, and anchoring) help to explain each of these characteristics of diffusion<sup>180</sup>

Policy diffusion occurs when prior policy choices made by other governing bodies increases the likelihood that policymakers will adopt a new policy.<sup>181</sup> The classic instances of diffusion involve the wavelike spread of a policy model, such as Chilean pension privatization and the Bangladeshi Grameen Bank. According to Kurt Weyland, “In these cases, a growing number of emulators import a neat, concrete, well-defined blueprint, largely replicating the original model.” Weyland argues that for a program to be a model, it must prescribe “an integrated solution to a perceived problem.” Models also have several common features: they tend to arise in the wake of a general shift in policy paradigms; to originate in a country of high status; and to influence policy adoption elsewhere even in the absence of evidence of success in the initial context.<sup>182</sup>

The spread of CCT programs across Latin America exemplifies model diffusion. First, CCT programs gave a specific prescription to solve problems that exist across the region – short-term poverty, under-use of health and education services, high rates of child labor, and the inter-generational transmission of poverty.<sup>183</sup> Secondly, CCT programs started in countries of relatively high status in Latin America (Mexico and Chile). Third, the temporal pattern of CCT program implementation followed the typical S-shaped distribution; CCT programs spread slowly at first, then much more rapidly, until by the early 2000s, seventeen countries

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<sup>180</sup> Weyland 2006: 51.

<sup>181</sup> Weyland 2006: 17.

<sup>182</sup> Weyland 2004: 11-18.

<sup>183</sup> Weyland 2004: 11-18.

had implemented CCT programs. At this point, there being only 20 Latin American countries, the rate of new adoption leveled off.

Figure 3.1 presents a frequency distribution that illustrates the number of CCT programs that were first put into effect each year.<sup>184</sup> Many countries implemented multiple CCT programs from 1989 to 2010; the name of each program, along with the year in which it was started, can be found in Table 3.1. The short bars in 1989 and 1990 represent the early start dates of Mexico's Niños en Solidaridad and Chile's Subsídío Único Familiar (SUF), which are excluded from most of the literature on CCT programs. Several factors may help to explain why those early CCT programs did not become models for other countries. Niños en Solidaridad was very small in scope, and operated more like a scholarship program (only a few students were accepted from each school) than the programs that are now classified as CCTs, in which benefit delivery is more systematized.<sup>185</sup> Furthermore, it was part of the larger PRONASOL program, which was largely discredited because of its ineffectiveness at reaching its goals.<sup>186</sup> Hence, Niños en Solidaridad lost potential appeal abroad because of the unattractiveness of the large program that housed it. Chile's SUF, a conditional cash transfer program created in 1990, targeted children under 18 years old, pregnant women, mothers of young children, and people with mental and physical disabilities.<sup>187</sup> Program goals were not as explicit as in later CCT programs, nor were conditions as clear. Some groups were targeted for pure social assistance reasons, while others fit in with the goal of enhancing human development. Niños en

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<sup>184</sup> See Figure 3.1 in the Appendix. Many countries adopted multiple CCT programs from 1989 to 2010. The name of each program, and the year in which it was started can be found in Table 3.1.

<sup>185</sup> Levy and Rodríguez 2005: 48.

<sup>186</sup> Levy 2007: 4-7.

<sup>187</sup> Arenas de Mesa and Salazar 2003: 79, 258.



Solidaridad and SUF did not diffuse as models because they did not grab the attention of other policymakers. Correspondingly, large-scale Progresa and Bolsa Escola programs had higher cognitive availability than the smaller and less-defined Niños en Solidaridad and SUF.

Evidence from Mexico, Ecuador, El Salvador, Paraguay, Colombia, and Brazil corroborates the proposition that learning from foreign models contributed to CCT program adoption and program design a number of Latin American countries. The Mexican Government sent a delegation to Brazil in 1996 to learn from the experiences of several municipalities that had implemented Bolsa Escola programs. Mexican policy-makers subsequently launched Progresa, a federal-level CCT program, which was later renamed Oportunidades in March 2002.<sup>188</sup> Consultants from “older” CCT programs had significant influence on the conception of new programs in countries with institutional and financial constraints.<sup>189</sup> Policymakers designing El Salvador’s Red Solidaria and Paraguay’s Tekporá looked to Chile Solidario as a model. In Paraguay, a cash transfer program emerged within the National Strategy for Fighting Poverty in part because of missions that members of the technical team that designed the initiative had undertaken to study CCT programs in Brazil, Chile, Colombia, and Mexico.<sup>190</sup> Santiago Levy, a policy entrepreneur behind Mexico’s Oportunidades, reportedly influenced the decision of Brazilian policymakers to unify existing CCT programs into Bolsa Familia and to import family follow-up and case management design features from Chile Solidario.<sup>191</sup>

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<sup>188</sup> Lindert 2007: 12.

<sup>189</sup> Soares and Britto 2007: 5.

<sup>190</sup> Soares and Britto 2007: 6.

<sup>191</sup> Morais de Sae Silva: 156.

Likewise, Mexico's Oportunidades program has been singled out as a model for the design of Colombia's Familias en Acción.<sup>192</sup>

The case of Ecuador's Bono de Desarrollo Humano underscores the importance of interactions among international and domestic factors in shaping the design and implementation of CCT programs. In 1999, UNICEF and the Inter-American Development Bank invited personnel from *Missao Criança*, a Brazilian NGO created by Cristovam Buarque to advocate the adoption of Bolsa Escola-type programs in other contexts, to travel to Ecuador to consult about the introduction of an education-focused CCT program in that country.<sup>193</sup> In this case, civil society organizations, international organizations, and processes of learning from foreign models came together to encourage the diffusion of CCTs from one Latin American country to another.

### 3.7. Conclusion

This chapter has explored the casual mechanisms that led to the adoption and implementation of CCT programs in Latin America, highlighting the role of six groups of determinants. Important political and economic developments in Latin American countries in the 1980s and 1990s set the stage for a targeted, conditional social assistance program to make it onto the policy agenda. In the political realm, transitions from authoritarian rule allowed issue networks, in particular, to elevate CCT programs to national agendas. In the economic sphere, the debt crisis of the 1980s and the subsequent spread of free-market reforms exacerbated already-low

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<sup>192</sup> Nuñez and Cuesta 2006: 52.

<sup>193</sup> Aguiar and Araújo 2002: 45.

levels of social insurance coverage, as rising rates of informal employment made larger shares of the population unable to participate in contributory social insurance schemes. In this context, adopting a CCT program was a politically viable response to rising under-coverage by social insurance because the programs, being relatively inexpensive, do not require a vast reallocation of resources from other uses. Furthermore, CCT programs fit into the prevailing economic model, characterized by free-market ideology.

Learning from foreign models is a particularly salient explanation for CCT program diffusion across Latin America. Foreign models appear to have increased the speed of policymaking at the agenda-setting stage, leading to characteristic patterns of diffusion. For many countries, the existence of prior CCT program models streamlined the process of policymaking by eliminating many of the policy design steps. High-level governmental policymakers, non-governmental organizations, and IFIs exported the neat, well-defined CCT program blueprint across Latin America in the late 1990s and early 2000s. Policymakers' bounded rationality helps to explain why so many diverse countries adopted the same program with minimal changes.

More research is needed on the topic, but four broad factors seem to have contributed to the emergence and diffusion of targeted (as opposed to universalistic) CCT programs everywhere in Latin America except Bolivia. First, the free-market economic model created favorable conditions for the proposal of targeted, conditional, demand-side solutions to human development problems. Second, domestic business interests, which restricted the ability of the government to raise taxes, and labor interests, which resisted any shift in spending away from regressive

social insurance schemes, resulted in the adoption of the cheapest possible (i.e. targeted) forms of social assistance. Third, policymakers' bounded rationality contributed to the implementation of CCT programs with minimal changes from the initial model in so many diverse countries. Fourth, the World Bank and the Inter-American Development Bank invested in helping policymakers to design and implement targeted and conditional programs, as opposed to universalistic and unconditional programs.

#### **Chapter IV: Universalistic Cash Transfer Programs: The Case of Bolivia**

Latin American CCT program designers have consistently favored targeting over the universal provision of benefits. One reason for this preference is a perception that universal cash transfer programs and non-contributory (“social”) pensions are unaffordable for low-income countries. The case of Bolivia calls this perception into question. In Bolivia, one of Latin America’s poorest countries,<sup>194</sup> the Evo Morales government has recently implemented two universalistic cash transfer programs: the Bono Juancito Pinto (2006), a cash transfer to primary public school children; and Renta Dignidad (2008), a pension for all elderly Bolivians. In 2009 the Bono Juancito Pinto reached more than 1.7 million children, while Renta Dignidad reached approximately 730,000 men and women over the age of 60.<sup>195</sup>

This chapter begins by reviewing the debate over universalism versus targeting, and applies some empirical evidence from the Bolivian experience to the theoretical cost-benefit analysis of targeting. It then describes the Renta Dignidad (also known as Bono Dignidad) and Bono Juancito Pinto programs. A third section evaluates the effects of these programs on poverty and on human capital development; a fourth explores the origins of the two programs. A concluding section argues that Bolivia’s experience shows that universalistic cash transfer programs are feasible as well as desirable alternatives to targeted cash transfer programs in poor countries.

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<sup>194</sup> See Table 4.1

<sup>195</sup> Gray Molina and Yañez 2010: 20. Bolivia. Ministerio de Educación 2011.

#### 4.1. Targeting versus Universalism

A major debate about CCT programs has focused on the issue of targeting versus universalism.<sup>196</sup> To some degree, every poverty-relief policy requires selection: by age, region, gender, etc. As Amartya Sen explains, “Cogency of policy requires a concern with the identification of beneficiaries and some discrimination. The important issues lie elsewhere – to wit, in how far to push the discrimination and where to stop.”<sup>197</sup> Universal welfare systems are ones in which “all citizens are endowed with similar rights, irrespective of class or market position.”<sup>198</sup> Universalistic social assistance programs provide benefits to all members of a certain group (e.g., pregnant women, school-age children, or elderly citizens) regardless of income or other needs-based indicators. In contrast, targeting in social assistance is defined, for the purpose of this study, as a strategy to identify potential recipients based on their level of need. There are various forms of targeting, including the use of administrative criteria based on observable indicators of deprivation or need (e.g., geographical location); intervention at the level of the market (e.g., by subsidizing food prices); and reliance on self-selection in order to discourage privileged groups from receiving aid (e.g., the requirement to work in exchange for benefits).<sup>199</sup> These three categories often overlap: administrative selection methods “almost invariably imply an element of self-selection as well” because recipients usually have to subject themselves to socially stigmatizing situations in order to be eligible for aid.<sup>200</sup> Self-selection also plays a role in determining who receives benefits in universal schemes.

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<sup>196</sup> Teichman 2007: 448.

<sup>197</sup> Sen 1994: 15.

<sup>198</sup> Esping-Andersen 1990: 109.

<sup>199</sup> Drèze and Sen 1989: 108.

<sup>200</sup> Drèze and Sen 1989: 108-109.

In Bolivia, for example, all children in first through eighth grades who attend public schools are eligible to receive the Bono Juancito Pinto benefit, but not all primary school-age children go to public schools.<sup>201</sup> Because there is no restriction on enrollment in the public school system, children who attend private schools practice a form of self-selection by exempting themselves from the program.<sup>202</sup> Other children who attend public schools might also exempt themselves from receiving the benefit if the transfer amount is too low in relation to their families' incomes to make it worth it to them to go through the process of getting the benefit.

With the exception of Bolivia's Juancito Pinto program, every CCT program in Latin America employs means-based targeting strategies as part of program design. It is often argued that fiscal imbalances make universal programs infeasible in poor countries.<sup>203</sup> As this chapter reveals, however, universal cash transfer programs and social pensions are cheap enough to be implemented even in the poorest countries of Latin America. Furthermore, despite conventional wisdom, universal programs often outperform targeted programs in helping the poor without incurring some of the potentially large social and political costs associated with targeting. Effective targeting is not an end in itself, but rather an attempt to achieve more fundamental outcomes. This section demonstrates that the consequences of targeting quite often differ from the original intent.

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<sup>201</sup> Bolivia. Decreto Supremo Numero 28899: Article 2, Section 1.

<sup>202</sup> In 2008, for example, 8 percent of primary school-going children attended private schools. This eight percent exempted themselves from the Bono Juancito Pinto program. The 8 percent figure was calculated by subtracting the total enrollment in public primary school in 2008 (1,385,945) from the total enrollment in both public and private primary schools (1,508,389) and dividing by the total enrollment in primary schools. UNESCO Institute for Statistics 2011.

<sup>203</sup> Teichman 2007: 448.

A commonly held view is that Latin American countries have scarce resources to devote to social assistance programs, and that these scarce resources will be more effective if they are targeted to the persons and households in greatest need.<sup>204</sup> Proponents of targeting argue that means-based targeting is the most cost-effective method for channeling scarce funds to poor families. If the budget were, in fact, fixed, as traditional models assume, then targeting would result in the provision of more benefits for the recipients most in need. As Gelbach and Pritchett argue, however, “the size of the pie is unlikely to be fixed,” and a program that includes the middle and upper classes may enable administrators to raise the size of the budget available for redistribution, and thereby increase the absolute size of the benefit going to poor households. Once politics is incorporated into a model, Gelbach and Pritchett find that targeting makes the poor worse off than they would have been had the transfer been universal. The only case in which targeting produces the optimal result is “in the special case when political considerations do not matter.”<sup>205</sup> Otherwise, social welfare is maximized when all revenues are spent on universal transfers as opposed to targeted ones. As Gelbach and Pritchett argue:

Where conventional wisdom says that targeting should benefit the poor, have ambiguous effects on the middle income, and redistribute from the rich, we show that targeting redistributes from the poor, makes the middle income worse off, and benefits the rich in political equilibrium.<sup>206</sup>

Additional evidence for the proposition that universalism promotes higher quality services and enhances the redistributive effects of social policies comes from Walter Korpi and Joakim Palme’s analysis of social insurance models. These writers

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<sup>204</sup> Hanlon, Barrientos, and Hulme 2010: 92.

<sup>205</sup> Gelbach and Pritchett 2002: 1-3.

<sup>206</sup> Gelbach and Pritchett 2002: 22-23.



identify what they call a “paradox of redistribution.” According to Korpi and Palme, “The more we target benefits at the poor only...the less likely we are to reduce poverty and inequality.”<sup>207</sup> As long as the total amount of funding available for redistribution is variable rather than fixed, “the greater the degree of low-income targeting, the smaller the redistributive budget.”<sup>208</sup> Gøsta Esping-Anderson and Amartya Sen likewise argue that universalistic programs give the middle classes a stake in the quality and development of services. According to Esping-Anderson, universalism promotes higher quality services for all because it provides incentives to state bureaucrats to upgrade services and benefits to the demanding standards of the politically articulate middle classes.<sup>209</sup> Similarly, Sen argues, “Benefits meant exclusively for the poor often end up being poor benefits.”<sup>210</sup> Confirming the importance of political considerations, Evelyne Huber argues that the middle classes should be included in benefits that the poor receive “in order to garner their political support for the social policy regimes and associated taxation.”<sup>211</sup> In short, support from the middle classes, which can be achieved by implementing a universal rather than targeted social assistance program, both enhances the program’s prospects for sustainability and increases the likelihood that the government will prioritize raising the level of benefits.

Not only do universal programs have better chances of survival than targeted ones, but they also avoid some serious costs of targeted programs. Prominent among such costs are: potential errors of inclusion (including non-poor households) and

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<sup>207</sup> Korpi and Palme 1998: 681-682.

<sup>208</sup> Korpi and Palme 1998: 672.

<sup>209</sup> Esping-Anderson 1990: 27.

<sup>210</sup> Sen 1994: 14.

<sup>211</sup> Huber 2009: 149.

errors of exclusion (excluding poor households); disincentives to work; adverse social and psychological effects; loss of privacy; and high administrative costs.<sup>212</sup> As was previously discussed, targeting results from the goal of limiting the extent to which the program's funds leak to the non-poor.<sup>213</sup> As Sen warns, however, "In trying to prevent the type II error of including the nonpoor among the poor, some type I errors of not including some real poor among the listed poor would undoubtedly occur."<sup>214</sup> Samson, van Niekerk and Mac Quene argue that errors of exclusion are much more serious than errors of inclusion:

An unwarranted social transfer (inclusion error) is at best an inadvertent tax rebate (with the associated costs) and at worst a waste of money. On the other hand, depriving poor households of a source of social investment (exclusion error) can trap generations in poverty, with a social cost many times the unutilized fiscal expenditure.<sup>215</sup>

The evidence from Latin American CCT programs reveals that the programs do tend to exclude many of the extremely poor – a topic that received more analysis in Chapter 2. When implemented correctly, universal programs avoid errors of exclusion and prevent policymakers from having to draw an arbitrary and potentially stigmatizing line between non-poor and poor.

A second potential drawback of targeted programs is that they give recipients an incentive to stay out of the formal-sector labor force in order to continue to qualify for benefits. As Sen argues, "the prospect of losing the subsidy if one were to earn too much can be a deterrent to economic activities."<sup>216</sup> Although most CCT programs find that adults do not opt out of work in order to qualify for benefits, some studies

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<sup>212</sup> Sen 1994: 12.

<sup>213</sup> Barrientos and DeJong 2006: 539.

<sup>214</sup> Sen 1994: 13.

<sup>215</sup> Samson, van Niekerk, and Mac Quene 2006: 35.

<sup>216</sup> Sen 1994: 13.

have discovered evidence that CCT programs do indeed reduce formal labor and force participation by adults.<sup>217</sup> Universal programs are less susceptible than targeted schemes to this potential disincentive effect.

Means testing creates a possibility of adverse social and psychological effects. As Sen and many before him have argued, targeting may foster a sense of personal failure and “the stigma of a public burden.”<sup>218</sup> In his classic discussion of “universalism versus selection,” Richard Titmuss argues that persons eligible for social welfare benefits may feel a sense of personal fault if they accept support, to the extent that some may choose not to receive the benefit.<sup>219</sup> The stigmatizing effect of means-tested programs may cause the eligible poor to opt out of receiving benefits. In Thailand in 1975, fewer than 10,000 out of an eligible 1.4 million people enrolled in a free public Low Income Card Scheme introduced partly because they wanted to avoid “a stigma...attached to labeling themselves as poor.”<sup>220</sup> Targeting could also have adverse effects on social relations by undermining community cohesion.<sup>221</sup> Studies show that means testing generates envy and feelings of exclusion by those not chosen.<sup>222</sup> Thus, means testing may potentially have adverse social and psychological effects, which a universal program avoids.

According to Sen, an additional social cost is incurred when the administrators of targeted programs, in trying to ascertain a family’s level of need, violate individual privacy and autonomy. As Sen argues, “there is no way of targeting specific

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<sup>217</sup> See Chapter II for a full discussion of the effects of CCT programs on adult labor supply.

<sup>218</sup> Sen 1994: 14; See also Titmuss 1968: 45.

<sup>219</sup> Titmuss 1968: 45.

<sup>220</sup> World Bank Thailand Office 1999: 21; Mills 1991: 1246.

<sup>221</sup> Britto 2008: 190; Hanlon, Barrientos, and Hulme 2010: 94.

<sup>222</sup> Molyneux 2006: 435.

deprivations without a corresponding informational invasion.”<sup>223</sup> Targeting also increases the percentage of program costs that go to administration. It is expensive not only to conduct the means tests themselves, but also to expand the administrative capacity needed to carry them out.<sup>224</sup> Administrative costs for Bolivia’s universalistic Bono Juancito Pinto program constitute only 2.5 percent of total program costs, as compared with the much higher administrative costs for such means-tested programs as Mexico’s Oportunidades (9 percent of program costs), Paraguay’s Tekoporâ (10 percent of program costs), and Panama’s Red de Oportunidades (20 percent of program costs).<sup>225</sup>

As compared with targeted cash transfer programs, universal benefit schemes avoid exclusion errors, disincentives to participate in formal employment, adverse social and psychological effects, and high administrative costs. Nevertheless, universal social programs still face opposition on the charge that they are luxuries that only rich countries can afford.<sup>226</sup> Holzmann et al. (2005), after praising universal noncontributory basic pensions as being “probably the best way to provide poverty relief to the elderly” due to the “difficulty of identifying who among the elderly is poor,” go on to argue that “the principal merit of [a universalistic] program is that its universality avoids the targeting issue. However, its principal merit is also the principal problem: fiscal affordability, especially in low-income countries.”<sup>227</sup>

Bolivia’s universalistic Renta Dignidad and Bono Juancito Pinto schemes call into question the claim that poor countries cannot afford to implement universal

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<sup>223</sup> Sen 1994: 14.

<sup>224</sup> Hanlon, Barrientos, and Hulme 2010: 150.

<sup>225</sup> Fiszbein and Schady 2009: 269, 274, 276.

<sup>226</sup> Willmore 2006: 44.

<sup>227</sup> Holzmann et al. 2005: 126.

programs. As was previously mentioned, Renta Dignidad costs only 1.4 percent of Bolivia's GDP, and Bono Juancito Pinto costs only 0.3 percent of GDP. Placing the cost of Renta Dignidad in perspective, the Bolivian government spent an amount equal to 4.8 percent of GDP in 2006 for subsidies for contributory pensions, which benefit 11 percent of the country's labor force.<sup>228</sup> Renta Dignidad requires only 1.4 percent of GDP and benefits the entire older population.<sup>229</sup> Bono Juancito Pinto is even less expensive. To provide a basis of comparison for how little the program costs, Wesleyan's endowment in 2009 was 477 million US dollars, or about nine and a half times the cost of Bono Juancito Pinto for the same year.<sup>230</sup> In short, universal CCT programs should not be dismissed as fiscally impossible for impoverished developing countries. As the case of Bolivia shows, such programs can be cheap, easy to implement and monitor, and less socially invasive and costly than targeted CCT programs.

#### 4.2. Characteristics of Renta Dignidad and Bono Juancito Pinto

Renta Dignidad, the only universal non-contributory old-age pension in Latin America, has its roots in a previous pension program, Bono de Solidaridad (Bonosol), which was introduced in 1996 under President Gonzalo Sánchez de Lozada.<sup>231</sup> In 2008, the leftist Movement toward Socialism (MAS) administration of Evo Morales replaced Bonosol with a more generous pension, Renta Dignidad, which provides a

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<sup>228</sup> Willmore 2006: 45.

<sup>229</sup> Willmore explains that high spending on pension systems that tend to exclude the poor is a common problem: "governments spend large sums on minimum pensions for contributory systems and provide generous tax relief for retirement saving, policies that do nothing for the poor and benefit those who are relatively well-off." Willmore 2006: 46.

<sup>230</sup> Wesleyan University (2010).

<sup>231</sup> Bonosol will be discussed in more detail in the section 4.4.1. Barrientos, Gideon, and Molyneux 2008: 766-767.

benefit of 2,400 bolivianos (about US\$ 343) annually to Bolivians who are over sixty years old and who do not receive any income from a contributory pension.<sup>232</sup> Renta Dignidad offers reduced benefits (75 percent of the regular amount, or 1,800 bolivianos) to those who already have contributory old-age pensions.<sup>233</sup> According to estimates in 2010, 600,000 Bolivians received the full benefit and an additional 130,000 got the reduced benefit.<sup>234</sup> Thus, the annual amount paid in benefits in 2010 was 1.67 billion bolivianos, or 239 million USD, which equaled about 1.4 percent of Bolivia's GDP in 2009.<sup>235</sup>

The Bono Juancito Pinto is a CCT program that provides benefits to children who attend public primary schools.<sup>236</sup> When the program first started in 2006, it targeted children in grades one through five. In 2007, the government extended it to children in sixth grade, and in 2008, to children up to eighth grade.<sup>237</sup> In contrast to other CCT programs, all public school children in the designated grade levels are eligible, regardless of family income.<sup>238</sup> The decree that created Bono Juancito Pinto established that the funds for the Bono would come from Yacimientos Petrolíferos

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<sup>232</sup> Bolivia. Ley Numero 3791. See also in Muller 2008: 167.

<sup>233</sup> Muller 2008: 167.

<sup>234</sup> Gray Molina and Yañez 2010: 20.

<sup>235</sup> This total comes from my own calculations, using the exchange rate on March 20, 2011 (1 USD = 7.01 Bolivianos) and the GDP measurement for 2009 from WDI World Development Indicators accessed March 20, 2011. The cost of Renta Dignidad was determined by first summing the product of the number of beneficiaries receiving the full benefit (600,000 people) and the full transfer amount (2,400 bolivianos), and the product of the number of people receiving the reduced benefit (130,000 people) and the reduced transfer amount (1,800 bolivianos). This sum (1.674 billion bolivianos) was then divided by the exchange rate (7.01) to produce the total cost of the program in USD: 239 million dollars. Finally, the cost of Renta Dignidad as a percentage of Bolivia's GDP (1.4 percent) was attained by dividing the total program cost (239 million dollars) by Bolivia's GDP in 2009 (17 billion dollars).

<sup>236</sup> Bolivia. Decreto Supremo Numero 28899: Article 2, Section 1. See also Morales 2010: 19.

<sup>237</sup> Medinaceli and Mokrani 2010: 245.

<sup>238</sup> Grigoli and Sbrana 2011: 4.

Fiscales Bolivianos (YPFB, the state-owned petroleum company),<sup>239</sup> from the national Treasury, and from the Corporación Minero de Bolivia (COMIBOL), a large state-owned mining corporation.<sup>240</sup> The Bono Juancito Pinto benefit is an annual payment of 200 bolivianos per child (about US\$29), subject to the condition, certified by teachers, principals, and the school board, that the child is attending school.<sup>241</sup> The cash is distributed to children in nationwide ceremonies conducted by the armed forces.<sup>242</sup> In 2008, 1,681,135 children received the benefit at a total cost of about 336 million bolivianos, or 48 million US dollars. The preliminary estimates for 2009 reveal program expansion: 1,748,381 children received the benefit at a total cost of 350 million bolivianos.<sup>243</sup> Thus, in 2009, the Bono Juancito Pinto program accounted for 0.29 percent of Bolivia's GDP.<sup>244</sup>

#### 4.3. Consequences of Renta Dignidad and Bono Juancito Pinto

Impact evaluations of Renta Dignidad are scarce, but there is some evidence that its predecessor, the Bonosol program, had positive effects on household consumption for beneficiaries and their families. One study found that Bonosol program increased significantly the food consumption of poor households in rural

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<sup>239</sup> The YPFB, through its Office of the Vice President for Management and Oversight, is authorized to administer and sign oil and gas contracts and for overseeing production, and its Office of the Vice President for Operations is responsible for operating and participating in "all activities of the chain of production." Mayorga and Tapia 2006: 165.

<sup>240</sup> Gray Molina and Yañez 2010: 20-21.

<sup>241</sup> Gray Molina and Yañez 2010: 20; UNDP Informe 2010: 115

<sup>242</sup> Grigoli and Sbrana 2011: 4.

<sup>243</sup> Bolivia. Ministerio de Educación 2011.

<sup>244</sup> Based on my own estimates, using the exchange rate on March 20, 2011 (1 USD = 7.01 Bolivianos) and the GDP measurement for 2009 from WDI World Development Indicators accessed March 20, 2011. The cost of Bono Juancito Pinto is calculated by dividing the program cost in 2009 in bolivianos (350 million bolivianos) by the exchange rate (7.01) to get the program cost in USD: 50 million USD. The cost as a percentage of GDP (.29%) is found by dividing the total program cost (50 million USD) by Bolivia's GDP in 2009 (17 billion USD).

areas.<sup>245</sup> Bonosol also had a positive impact on the number of elderly Bolivians with identification cards. In order to receive Bonosol benefits, citizens were required to present their I.D. cards – a stipulation that convinced many older Bolivians to apply for documents for the first time in their lives. Bonosol thus enhanced the citizenship of older Bolivians.<sup>246</sup>

Preliminary evidence suggests that Bonosol, despite going to adults over the age of 60, has had “positive spillovers for children in beneficiary households in the form of increased school enrollment.”<sup>247</sup> In numerous studies, old-age pensions have been found to benefit younger generations. Willmore argues that elderly pensioners in developing countries almost always share their income with the rest of the household by helping to finance the health care or education of their grandchildren.<sup>248</sup> This claim is supported by evidence from Brazil and South Africa, where grandchildren benefited from the pensions of grandparents.<sup>249</sup> Old-age benefits received by rural workers in Brazil had the effect of increasing school enrollment of children living with old-age beneficiaries, particularly girls ages 12-14.<sup>250</sup> In South Africa, old-age pensions in the hands of women led to improvements in the health and nutrition of girls.<sup>251</sup> Thus, there is significant evidence that old-age pensions benefit not just the elderly, but children as well. These findings suggest that Renta Dignidad may well have had positive effects on poverty and human development going well beyond the elderly recipients who receive its transfers.

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<sup>245</sup> Martinez 2004: 1-5.

<sup>246</sup> Muller 2008: 166.

<sup>247</sup> Martinez 2004: 1-5.

<sup>248</sup> Willmore 2007: 45.

<sup>249</sup> de Carvalho Filho 2008: 17; Duflo 2003: 24.

<sup>250</sup> de Carvalho Filho 2008: 17.

<sup>251</sup> Duflo 2003: 24.



There is little systematic data on the effects of the Bono Juancito Pinto program on school enrollment and attendance, and such studies as have been conducted reveal conflicting results. In one forthcoming study, Grigoli and Sbrana determine that children who benefited from the Bono Juancito Pinto in 2006 did not increase their attendance in 2007.<sup>252</sup> In contrast, Medinaceli and Mokrani find that the probability of attending school increased when a child received the Juancito Pinto benefit.<sup>253</sup> Accordingly, more research is needed to determine Bono Juancito Pinto's overall impact on enrollment and attendance, the specific outcomes that the program was designed to improve.

Bono Juancito Pinto is a highly progressive program in terms of benefit incidence. In 2006 the poorest 10 percent of the population received 16.4 percent of the benefits, and the richest only 3 percent. Expanding the comparison, the poorest 30 percent received 44.8 percent of the benefits and the richest only 11.1 percent. Because the program is universal, the progressive benefit incidence probably has to do with a combination of poorer families having more children and richer families opting out of the benefit.<sup>254</sup> In 2006 the average per capita monthly household income of families receiving the Bono Juancito Pinto transfer was 373.2 bolivianos, as compared to 668.6 bolivianos for families who did not receive the benefit.<sup>255</sup> Thus, the Bono Juancito Pinto program, although universal, seems to favor the poor.

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<sup>252</sup> Grigoli and Sbrana 2011: 15.

<sup>253</sup> Medinaceli and Mokrani 2010: 259-260.

<sup>254</sup> Medinaceli and Mokrani 2010: 255.

<sup>255</sup> Medinaceli and Mokrani 2010: 255. For a family of four (two children receiving BJP benefits) with a household income equal to the national poverty line in 2010, the Bono Juancito Pinto benefit accounted for 3 percent of the family's annual income. This calculation used the national poverty line in 2010 of 293.1 bolivianos per capita monthly to determine the ratio of benefit to household income. Barja et al.: 2004: 25.

#### 4.4. Causes of Renta Dignidad and Bono Juancito Pinto

The impetus for the adoption of a universal, non-contributory social pension in Bolivia was the government's attempt to appease the population during the controversial and politically costly privatization of the pension system and partial privatization of state-owned enterprises. In 1996 the government of President Gonzalo Sánchez de Lozada created Bonosol, the precursor to Renta Dignidad, in an effort to gain support for (or at least to ward off massive protests against) the “capitalization” of state-owned enterprises and pensions.<sup>256</sup> Under the capitalization initiative, private investors acquired a 50 percent stake and management control of formerly public enterprises. In return, they committed themselves to “undertake capital expenditure at least equivalent to the enterprise's original net worth.” The other 50 percent of the shares were distributed through Bonosol to older Bolivians. In contrast to Chile, where pension privatization was enacted under the military dictatorship of Augusto Pinochet,<sup>257</sup> Bolivia was a democracy in 1996 and citizens had the right to assemble and to speak out.

The factors that caused pension privatization in Bolivia are thus among the most important underlying determinants of Bonosol's creation. Prior to pension reform, Bolivia's public pension system had run into serious financial problems, and a change was necessary. As von Gersdorff argues, “The old pension system was financially unsustainable.”<sup>258</sup> By the late 1980s, Bolivia's pension system needed

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<sup>256</sup> Muller 2009: 164; see also Barrientos, Gideon, and Molyneux 2008: 766.

<sup>257</sup> Mesa-Lago and Muller 2002: 688.

<sup>258</sup> Von Gersdorff 1997: 3.

special subsidies from the government budget.<sup>259</sup> The accumulated deficit of the public agency that administered the public pension system was calculated to reach \$400 million by 2002, or almost 5 percent of GDP.<sup>260</sup> In the context of a failing pension system, Bolivian experts and policymakers chose to enact pension privatization, inspired by learning from the Chilean model. If the financial problems of Bolivia's old pension system explain why it was changed, however, a foreign model helps to explain what it was changed to. At the agenda-setting and design stages of policymaking, the Chilean model of pension reform provided an example for Bolivian policymakers. Privatization of the pension system (i.e. the replacement of the previous public defined-benefit "pay as you go" system with a new private defined-contribution "fully funded" system) was not the only option available, but the Chilean experience grabbed the attention of Bolivian policymakers and pushed other possibilities for reform off of the policy agenda. As Weyland argues, "The striking availability of the Chilean model was decisive for the emergence of privatization proposals in Bolivia."<sup>261</sup>

The Bolivian Finance Ministry's budget director, Helga Salinas, first perceived pension privatization as a possible solution to Bolivia's pension problems after hearing José Piñera, the architect of Chile's pension reform, speak at a conference in 1991. According to Weyland's interviews, Salinas considered this experience to be the starting point of the privatization project, which drew on the advice of Chilean experts over the next few years. The face-to-face encounter between Salinas and Piñera alerted Bolivian decision-makers to the Chilean model

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<sup>259</sup> Weyland 2006: 93.

<sup>260</sup> Von Gersdorff 1997: 3.

<sup>261</sup> Weyland 2006: 96, 100.

and helped them to see its potential as a solution to Bolivia's problems. Although Argentina and Colombia were also designing new pension systems in the early 1990s, Bolivian pension reformers clearly looked to Chile as the principal point of reference because "bounded rationality discouraged wide-ranging, proactive information gathering."<sup>262</sup> Bolivia's pension reform thus reflects a process of learning from the Chilean model and represents a case of policy diffusion resulting from the bounded rationality – the use of heuristic shortcuts as opposed to full cost-benefit analysis – of policymakers, experts, and politicians.

Bonosol underwent a series of changes before it was replaced with Renta Dignidad in 2008. Initially in 1996, Bonosol had provided a pension of around US\$230 annually to all citizens over the age of sixty-five who had turned twenty-one by the year 1995. (The reasoning underlying the age restriction was that the group of citizens who had turned twenty-one by 1995 had "contributed – as workers or taxpayers – to Bolivia's state-owned enterprises, which had ceased to exist after 1995."<sup>263</sup>) The program was financed by the returns of the collective privatization fund, which was projected to earn an 11 percent rate of return.<sup>264</sup> The Hugo Banzer administration (1997-2001) suspended the Bonosol pension, calling it unsustainable, and replaced it in 2000 with "Bolivida," which reduced the amount of benefits to approximately 25 percent of their original value.<sup>265</sup> Bonosol was reinstated in 2002 at its original value when Sánchez de Lozada returned to power.<sup>266</sup> The administration reportedly

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<sup>262</sup> Weyland 2006: 101-102, 105.

<sup>263</sup> Muller 2008: 166.

<sup>264</sup> Barrientos, Gideon, and Molyneux 2008: 766.

<sup>265</sup> Muller 2008: 165; Rofman 2006: 369.

<sup>266</sup> Muller 2008: 166.

reinstated Bonosol in response to large-scale mobilizations and protests.<sup>267</sup> Thus, democracy, working through the channel of popular participation, encouraged the reinstatement of Bonosol. As was discussed in Chapter 3, policies generate incentives and resources for various groups, which in return produce policy outcomes.<sup>268</sup> In Bolivia, elderly pensioners rallied to reclaim the benefits that they had become accustomed to receiving and the government responded.

Evo Morales in 2008 replaced Bonosol with Renta Dignidad. As compared to Bonosol, Renta Dignidad offered more benefits to more people: the value of the transfer was higher, and the age to begin receiving transfers was sixty instead of sixty-five.<sup>269</sup> The source of financing of the two programs also differed: Renta Dignidad was paid with hydrocarbon taxes and royalty payments to the regions as opposed to revenues from capitalized companies, which were the source of payment for Bonosol.<sup>270</sup> Morales's renationalization project required that the government change the universal pension's source of financing, which under the previous law was set to expire upon the death of the last beneficiary.<sup>271</sup> However, changes to the name, age requirement, and benefit level of Bonosol reflect a desire to enhance political support. Morales rebranded the universal social pension so that he could claim credit for the scheme, and increased both the size of the transfer and the number of beneficiaries in order to create an even larger base of support for the program.<sup>272</sup>

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<sup>267</sup> Barrientos, Gideon, and Molyneux 2008: 766.

<sup>268</sup> Pierson 1993: 628.

<sup>269</sup> Barrientos, Gideon, and Molyneux 2008: 767.

<sup>270</sup> Gray Molina and Yañez 2010: 20-21.

<sup>271</sup> Muller 2008: 167-168.

<sup>272</sup> Muller 2008: 167.

Among Morales's potential reasons for expanding Renta Dignidad might have been a desire to retain or regain support of the middle classes, who were crucial to his majority win in 2006 but whose support for him subsequently waned. According to Kohl, after Morales came to power, his strong pro-indigenous rhetoric alienated many urban Bolivians.<sup>273</sup> Another reason for Morales's decision to retain and expand Renta Dignidad might have been a desire to maintain legitimacy with grassroots supporters. Although poorer (and particularly indigenous) Bolivians were strong supporters of Morales in the Presidential election of 2006, popular groups also had high expectations for once he was in power. Bolivia is famous for its contentious social movements, which brought down two governments between 2000 and 2005.<sup>274</sup> There is reason to suspect that the changes that Morales made to the Bonosol program had political motivations, but more research is needed to determine which factors, specifically, encouraged the retention and expansion of Renta Dignidad.

Renta Dignidad thus originated in a long process of policymaking, dating back to the privatization of Bolivia's pension system in 1996. The failure of the previous pension system opened a policy space that policymakers, operating under the constraints of bounded rationality, filled with the Chilean model of pension reform. The timing, proximity, and availability of the Chilean pension privatization model encouraged Bolivian policymakers to replicate the model. President Sánchez de Lozada created the Bonosol program in order to make his pension privatization possible. Political considerations, it has been argued, were the paramount motives

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<sup>273</sup> Kohl 2010: 109.

<sup>274</sup> Kohl 2010: 115.

behind the reinstatement of Bonosol in President Sánchez de Lozada's second term, and behind the expansion of the program under Evo Morales as Renta Dignidad.

The Bono Juancito Pinto program was modeled on the Bono Esperanza program, which was an education-focused CCT implemented by the municipal government of El Alto in the Department of La Paz from 2003 to 2005.<sup>275</sup> As was the case with Brazil's Bolsa Escola program, learning from sub-national experiments contributed to the policymaking process for Bono Juancito Pinto at the agenda-setting and policy design stages. One potential reason why Bolivia implemented a universalistic CCT program as opposed to a targeted one was its relative insulation, in terms of policymaking, from the influence of international financial institutions. At the time of the implementation of Bono Juancito Pinto (2006), World Bank and Inter-American Development Bank were actively promoting and funding targeted CCT programs in lower-income countries in Latin America. Because of the Hydrocarbon Tax that Morales imposed, Bolivia was freer from the influence of IFIs in its social policymaking than were other lower-income Latin American countries. Kohl explains that IFIs have less influence on Bolivian policy decisions now than they have ever had as a result of the "gas-charged budget surplus."<sup>276</sup> Further research on the origins of the Bono Juancito Pinto program would help to illuminate the reasons why Bolivian policymakers strayed from the targeting trend in social assistance provision.

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<sup>275</sup> United Nations Economic Commission for Latin America and the Caribbean (2010).

<sup>276</sup> Kohl 2010: 118.

#### 4.5. Conclusion

Universal cash transfer programs and social pensions have many advantages over targeted programs, but relatively few governments in Latin America have chosen to implement them. The main arguments put forth for targeting – that it allows for more benefits to go to the most in need, and that universal programs are too expensive – are difficult to sustain. The claim that a targeted program will provide more benefits for the poor than a universal scheme assumes an apolitical world in which social spending budgets are fixed. The proposition that such programs are too expensive for poor countries is inconsistent with evidence that universal cash transfer programs and social pensions are far cheaper than contributory social insurance schemes, which tend to reach only the better-off. As *Renta Dignidad* and *Bono Juancito Pinto* demonstrate, universal programs are affordable even for lower-income countries in Latin America. In fact, lower-income countries with high poverty rates can benefit greatly from universal programs, which do not require costly targeting mechanisms or administrative oversight, and which have a far lower chance of excluding the poorest. Furthermore, universal programs are more likely than targeted schemes to win the support of the middle classes, which is crucial for program survival. In short, universal cash transfer programs are more affordable and sustainable, as well as easier to implement and monitor than targeted programs.



## Conclusion

From 1990 to 2011, CCT programs transformed the landscape of social assistance in Latin America. CCT programs were found to increase school enrollment and attendance, raise household consumption, reduce income poverty, and expand the utilization of health services. The proliferation of impact evaluations of CCT programs is evidence that international interest in the programs is far from waning. This thesis has summarized the findings of such studies about the impact of CCTs on explicit program goals, but has paid special attention to important unintended consequences of the programs, and has focused explicitly and systematically on discovering the political origins of CCT program emergence and diffusion in Latin America.

In addition to improving the education and health of children, CCT programs contributed toward enhancing citizenship and improving the lives of female beneficiaries. Evidence suggests that CCT programs that transferred benefits to women increased female bargaining power within the home and contributed to women's empowerment in the public sphere. CCT programs encouraged adults (especially women) to obtain identification cards, which enhanced citizenship and gave cardholders greater visibility as consumers. Furthermore, despite claims of political and policy-related problems with the programs, CCTs have been less susceptible than previous social assistance schemes to political corruption or patronage, and complementary rather than antagonistic to supply side social policies. A principal contribution of the present study has been to show that CCT programs

have had generally positive, albeit not explicitly intended, gender-related and political consequences, and have achieved their intended goals of improving the uptake of education and health services.

Targeting is a weak point of CCT programs. In several cases, targeted CCT programs appeared to undermine social cohesion by dividing communities between beneficiaries and non-beneficiaries. Targeting also excluded many poor families who could have benefited from the small cash transfers. Perhaps even more importantly, targeted CCT programs show signs of being politically unsustainable because they exclude the middle classes. Nicaragua's RPS, for example, was highly successful at enhancing human development among beneficiaries, but it was discontinued because the narrow targeting of the program resulted in a loss of support of the middle and upper classes. The targeted as opposed to universalistic provision of CCT programs thus poses problems for the future of CCT programs in Latin America.

Of the seventeen countries in Latin America that have implemented CCTs, Bolivia is the only one to host a universalistic rather than targeted program. Bolivian policymakers also bucked the trend by implementing a universalistic social pension for older citizens. Bolivia's social pension *Renta Dignidad* and CCT program *Bono Juancito Pinto* show dramatically that universalistic programs are cheap, particularly in relation to the contributory social insurance schemes that have benefited a much smaller fraction of the population. The case of Bolivia demonstrates that even poor countries can afford universalistic programs.

In addition to analyzing these consequences of CCTs, this thesis has attempted to identify the causal pathways that led to the implementation of targeted, conditional

cash transfer programs in sixteen countries in Latin America, and of universalistic cash transfer programs in Bolivia. More research is needed on the topic, but four broad factors seem to have contributed to the emergence and diffusion of targeted (as opposed to universalistic) CCT programs everywhere in Latin America except Bolivia. First, the prevailing economic model, characterized by free-market ideology, created favorable conditions for the proposal of targeted, conditional, demand-side solutions to human development problems. Secondly, powerful domestic business interests, which constrained the ability of the government to raise taxes, and entrenched labor interests, which resisted the diversion of social spending away from regressive social insurance schemes, resulted in the adoption of the cheapest possible (i.e. targeted) forms of social assistance. Third, policymakers' bounded rationality, or dependence on heuristic shortcuts in decision-making, contributed to the implementation of CCT programs with minimal changes from the initial model in so many diverse countries. Fourth, the World Bank and the Inter-American Development Bank invested resources and support into helping policymakers to design and implement targeted and conditional programs, as opposed to universalistic and unconditional programs.

Why, then, did the Morales government in Bolivia opt for universalistic rather than targeted cash transfer programs? First, a deteriorating political situation marked by strife between the left and the right led Bolivian policymakers to implement universalistic programs as a way of garnering broader political support. Secondly, the Bolivian government's budget surplus insulated policymakers from the pressures of international financial institutions, which stress that targeted programs are more cost-

effective. Although Bolivia experienced many of the same economic and political conditions as other Latin American countries in the 1980s and 1990s (debt crisis; free-market reforms; transition from military authoritarianism to democracy), Bolivian policymakers arguably had stronger political incentives to implement universalistic programs, as well as less dependence on IFIs that generally favored targeted programs.

Some might argue that it is not possible to extrapolate from the Bolivian experience because the Bolivian government funds its universalistic programs with hydrocarbon taxes and not all countries are resource-wealthy. There is a large literature, however, that indicates that hydrocarbon resources are actually inimical to the well-being of the poor.<sup>277</sup> Theories of the so-called “resource curse” suggest that when governments gain most of their resources from external sources, such as resource rents, “they are freed from the need to levy domestic taxes and become less accountable to the societies they govern.”<sup>278</sup> In light of the potential resource curse, it is thus even more impressive that Bolivia implemented Renta Dignidad and Bono Juancito Pinto. The Bolivian government acted in the best interest of the poor by implementing two universalistic cash transfer programs in spite of (and not because of) hydrocarbon wealth.

Universalistic programs are socially optimal and financially feasible even in a poor country like Bolivia. As policymakers look toward implementing universalistic programs, one important challenge they will face is determining the size of the benefit. The transfer must be large enough to make a difference to the poor, but small

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<sup>277</sup> Ross 1999: 297.

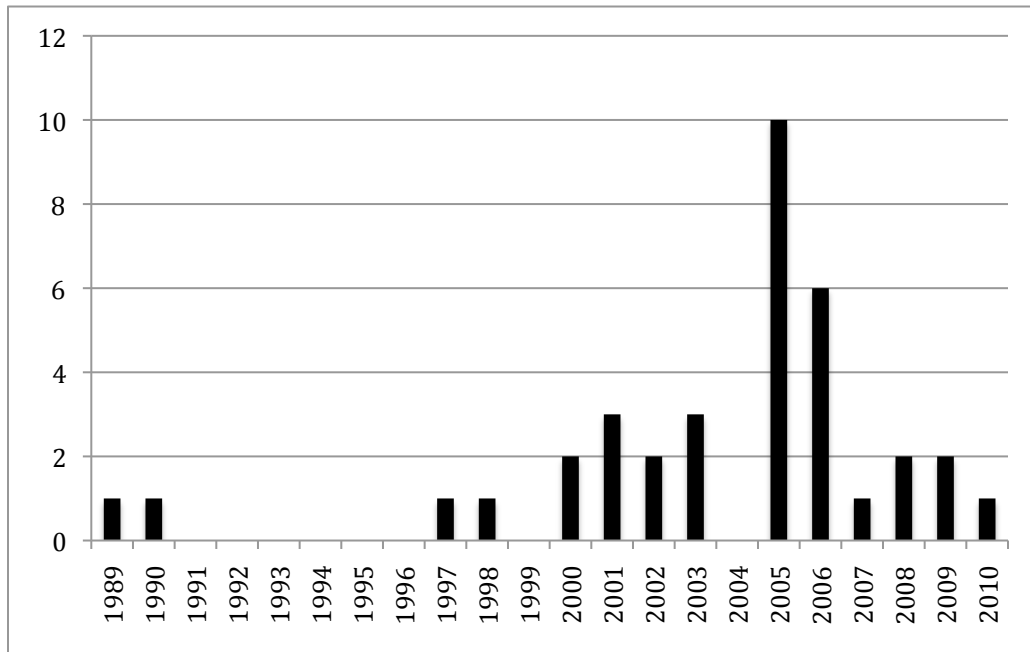
<sup>278</sup> Ross 1999: 312.

enough that the not-so-poor face offsetting transaction costs in taking advantage of the universal benefit. Considering the global popularity of CCT programs, it is imperative to examine the implications of targeting, a design feature that the majority of countries have employed.

## Appendix

### Figures

Figure 3.1: The Number of CCT Programs Introduced Each Year in Latin America by Year of Introduction



## Tables

Table 2.1: Public Spending on Education (% of GDP) in Countries with CCT Programs

| Country     | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Year of CCT introduction | (+) <sup>a</sup> or (-) <sup>b</sup> |
|-------------|------|------|------|------|------|------|------|------|------|------|--------------------------|--------------------------------------|
| Argentina   | 4.04 | 4.52 | 4.6  | 4.83 | 4.01 | 3.54 | 3.77 |      | 4.51 | 4.93 | 2002 (PJJ)               | +                                    |
| Bolivia     | 5.52 | 5.66 | 5.47 | 5.9  | 6.23 | 6.38 |      |      | 6.31 |      | 2006                     |                                      |
| Brazil      | 4.87 | 3.88 | 4.02 | 3.88 | 3.78 |      | 4.01 | 4.53 | 4.95 | 5.21 | 2001 (BE)                | +                                    |
| Chile       | 3.43 | 3.84 | 3.91 |      | 4.23 | 4.05 | 3.67 | 3.39 | 3.19 | 3.4  | 2002                     | -                                    |
| Colombia    | 3.93 | 4.44 | 3.73 | 3.92 | 4.50 | 4.46 | 4.20 | 4.05 | 3.90 | 4.05 | 2001                     | +                                    |
| D. Republic |      |      | 1.91 | 2.02 | 1.97 | 1.88 |      |      |      | 2.19 | 2001                     | +                                    |
| Ecuador     | 2.64 | 1.82 | 1.32 | 0.98 |      |      |      |      |      |      | 2003                     |                                      |
| El Salvador | 2.32 | 2.32 | 2.55 | 2.55 | 2.87 | 2.76 |      | 2.74 | 3.00 | 3.01 | 2005                     | +                                    |
| Mexico      | 4.21 | 4.41 | 4.86 | 5.16 | 5.30 | 5.28 | 4.87 | 5.02 | 4.83 | 4.83 | 1997                     | +                                    |
| Nicaragua   | 2.89 | 3.79 | 3.89 |      | 3.10 | 3.14 |      |      |      |      | 2000                     |                                      |
| Panama      | 4.84 | 4.84 | 5.04 | 4.35 | 4.44 | 4.41 | 3.79 |      |      |      | 2006                     |                                      |
| Paraguay    | 4.91 | 5.13 | 5.30 | 5.05 | 4.86 | 4.69 | 3.97 |      |      | 4.00 | 2005                     |                                      |
| Peru        | 3.21 | 3.35 |      | 2.93 | 2.97 | 2.81 | 2.83 | 2.72 | 2.55 | 2.50 | 2005                     | +                                    |

Notes: The final column is left blank for countries in which trends are difficult to ascertain due to a lack of data.

a. Increase (+) in spending from start date to 2007.

b. Decrease (-) in spending from start date to 2007.

Source: World Bank 2011.

Table 3.1: Year of CCT Program Introduction

| Country     | Program  | Year Introduced |
|-------------|--|-----------------|
| Mexico      | Niños en Solidaridad   | 1989            |
| Chile       | Subsidio Único Familiar                                      | 1990            |
| Mexico      | Oportunidades (ex Progresa)                                  | 1997            |
| Honduras    | PRAF II  | 1998            |
| Costa Rica  | Superémonos  | 2000            |
| Nicaragua   | Red de Protección Social                                     | 2000            |
| Brazil      | Bolsa Alimentacao  | 2001            |
| Brazil      | Bolsa Escola   | 2001            |
| Colombia    | Familias en Acción   | 2001            |
| Argentina   | Jefas y Jefes de Hogar Desocupados                           | 2002            |
| Chile       | Chile Solidario  | 2002            |
| Brazil      | Bolsa Familia  | 2003            |
| Brazil      | Cartão Alimentacáo   | 2003            |
| Ecuador     | Bono de Desarrollo Humano                                    | 2003            |
| Argentina   | Familias por la Inclusión Social                             | 2005            |
| Argentina   | Programa de Ciudadanía Porteña                               | 2005            |
| Colombia    | Subsidios Condiionados a la Asistencia Escolar               | 2005            |
| El Salvador | Comunidades Solidarias Rurales (ex Red Solidaria)            | 2005            |
| Nicaragua   | Sistema de Atención a Crisis                                 | 2005            |
| Panamá      | Bonos Familiares para la Compra de Alimentos                 | 2005            |
| Paraguay    | Red de Protección y Promoción Social                         | 2005            |
| Peru        | Juntos (Programa Nacional de Apoyo Directo a los más Pobres) | 2005            |
| Domin. Rep. | Programa Solidaridad   | 2005            |
| Uruguay     | Plan de Atención Nacional a la Emergencia Social (PANES)     | 2005            |
| Bolivia     | Bono Juancito Pinto  | 2006            |
| Costa Rica  | Avancemos  | 2006            |
| Honduras    | PRAF/BID Fase III  | 2006            |
| Panama      | Red de Oportunidades   | 2006            |
| Paraguay    | Tekoporá / PROPAIS II  | 2006            |
| Uruguay     | Tarjeta Alimentaria  | 2006            |
| Colombia    | Red Juntos para la superación de la pobreza extrema          | 2007            |
| Guatemala   | Mi Familia Progresá  | 2008            |
| Uruguay     | Asignaciones Familiares                                      | 2008            |
| Argentina   | Asignación Universal por Hijo para Protección Social         | 2009            |
| Bolivia     | Bono Madre Niña-Niño Juana Azurduy                           | 2009            |
| Honduras    | Bono 10,000 Educación, Salud y Nutrición                     | 2010            |

Notes: Several of the programs might better be classified as "integrated poverty reduction programs." These include: Chile's Chile Solidario; Colombia's Red Juntos para la Superación de la Pobreza Extrema; Uruguay's PANES.

Sources: United Nations Economic Commission for Latin American and the Caribbean 2010; Barrientos et al. 2010; Teichman 2007: 452.



Table 4.1: GDP per capita (2009) of Latin American Countries with CCT Programs, descending order

| <b>Country</b> | <b>GDP per capita, PPP (constant 2005 international \$)</b> |
|----------------|---|
| Argentina      | 13,202  |
| Chile          | 13,057  |
| Mexico         | 12,429  |
| Uruguay        | 11,977  |
| Panama         | 11,857  |
| Costa Rica     | 10,085  |
| Brazil         | 9,455   |
| Colombia       | 8,136   |
| Peru           | 7,836   |
| Ecuador        | 7,508   |
| El Salvador    | 6,020   |
| Guatemala      | 4,286   |
| Paraguay       | 4,107   |
| Bolivia        | 4,013   |
| Honduras       | 3,488   |
| Nicaragua      | 2,398   |

Source: World Bank 2011.

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