

# Conditional Cash Transfers (CCT)

## Potential for Development Cooperation?

### The Case of Bolivia



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## **Abstract**

Conditional Cash Transfers (CCT) programs have proven to be an effective tool to fight poverty with an approach based on monetary incentives rewarding certain behaviour. This paper looks at how different CCT programs in Latin America work, and how they fare in terms of evaluation. Emphasis is put on the case of Bolivia whose CCT programs are universal rather than means-tested and whose evaluations mechanism are subject to harsh criticism in research. Finally, ways for the Swiss Development Cooperation Agency to help improve CCTs in Bolivia are proposed: We argue that the Swiss should either support the launch of an additional, complementary CCT to make the payments more targeted, or support small pilot trials that strongly focus on a sensible evaluation and targeting.

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## List of Abbreviations

Bs	Boliviano
CCT	Conditional Cash Transfer
DEZA	Direktion für Entwicklung und Zusammenarbeit
MAS	Movimiento al Socialismo
NGO	Non-governmental Organization
PROGRESA	Programa de Educación, Salud y Alimentación
RPS	Red de Protección Social
SDC	Swiss Agency for Development and Cooperation
SFr	Swiss franc
USD	United States Dollar

# 1 Introduction

The idea of incentivizing people through financial inducements in order to encourage a certain desired behaviour is common in various arenas of our society. Incentives have been viewed as an appropriate instrument to steer behaviour in the right direction. State legislatures, corporations and individuals likewise make use of it. Hence, it does not come as a surprise that programs in the field of development cooperation pick up that idea. A specific type of program that has been frequently reproduced and bases its design on incentives is called Conditional Cash Transfer (CTT). In these, poor households get money in return for complying with predetermined conditions. This market-based approach has been heavily disputed in the academic world. Many scholars have praised existing programs and depicted them as a magic bullet in the fight against poverty. The other side of the spectrum speaks of a paternalistic and arrogant perception of knowing best what poor households are supposed to do in order to better their situation.<sup>1</sup>

This paper analyses this discrepancy of opinions and gives an account of the effectiveness and legitimacy of CCT programs. To further specify the scope of the assessment, we focus on the potential of CCTs in middle-income countries. Our analysis will be twofold, covering both theoretical and practical aspects of the topic.

In a first part we will explain how CCTs work and what their objectives are. Moreover, we will illustrate the distinct components that constitute such programs. This passage is followed by an evaluation that weighs up their advantages and disadvantages. To finalize the theoretical part, we take a look back on the experiences of landmark CCT projects in order to learn from its successes and mistakes. In the practical part of the paper, we will focus on Bolivia. Through a case study we will give an account of the evaluation of existing programs and the potential for further opportunities. Before we conclude our findings, we will illustrate how the Swiss Agency for Development and Cooperation (SDC) could engage and contribute to CCT programs in Bolivia.

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<sup>1</sup> Samson et al. (2006) p. 83

## 2 Theoretical Foundations of Conditional Cash Transfers

### 2.1 Definition

CCTs are financial transfers to individuals or households in return for compliance with predetermined conditions aiming on the accumulation of human capital. Since the first successful large-scale implementation in Mexico in 1997, numerous programs have been launched across the globe. Experts often describe these programs as a magic bullet against poverty and a true innovation in the field of development cooperation. The bipartite objective of CCT programs is on the one hand to redistribute capital in order to reduce inequality and on the other hand to encourage human capital investments for a higher return in the long run. CCTs are based on the assumption that in particularly poor households, parents invest too little in their own and especially their children's human capital. Reasons for this could be misinformation about the future return of these investments or significant opportunity costs. The administrative entities that are executing such schemes are predominantly state ministries. The means of CCTs are usually financed by the state as well. Although there are some pilot projects that have been managed independently by non-governmental organizations (NGOs) and foundations, privately financed projects remain a niche market.<sup>2</sup> The recipients of CCT programs are usually entire households and not individuals. The money transfer often goes directly to the mother. This is because experience has shown that this way the money will be spent more sustainably and, moreover, this could facilitate women's empowerment.<sup>3</sup> Conditions imposed on these households are usually concerned with investments in the areas of education and health. They could range from simply attending school or getting good grades onto undergoing medical check-ups or vaccinations.

Finally, CCTs encourage households to use the provided services more intensively. If the infrastructural foundation of these services is in fact underused, there will be no bottlenecks. But if the schools or clinics cannot serve this higher demand, a CCT will not lead to the desired outcome. In the case of issues on the supply side, a different approach should be chosen, namely to move capacities to the provisional entities of these services. Furthermore, there have been CCT

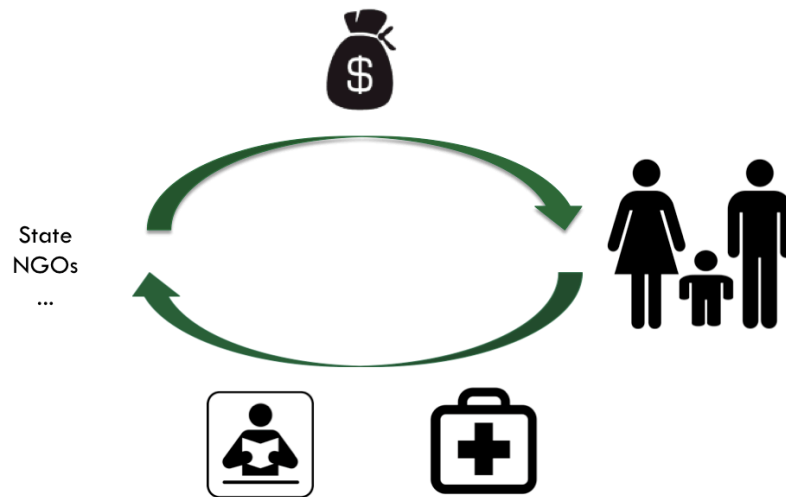
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<sup>2</sup> An example for a privately funded CCT program is Opportunity NYC (2007 – 2010)

<sup>3</sup> Bradshaw (2008) p.191

schemes that directly incentivised the supply side to improve the provision of services. An example for this could be the payment to teachers for a high graduation rate of their classes.<sup>4</sup>

**Figure 1: CCT program cycle**



Source: Own illustration.

## 2.2 Components

In order to understand the cycle of a CCT scheme, we need to split up the process into its individual components.

### 2.2.1 Targeting

The criteria according to which the recipients of CCT schemes are elected are to a large extent based on the place of residence or household targeting. In many countries, they use both. The targeting is mostly executed through a proxy means test.<sup>5</sup> With this approach, several factors are determined in order to evaluate the applicability of a household for a certain program. These factors should be difficult to manipulate in order to identify the households that in fact need assistance. Such indicators may be the number of family members, the participation in the labour

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<sup>4</sup> Rawlings (2003) p. 5

<sup>5</sup> Fiszbein et al. (2009) p. 68f



market, the size of property, the location or many more. Taking into account these parameters, the eligibility will be determined statistically. Since the targeting aspect of any CCT is crucial for the success of a program, the ambitions put into this process have had significant impact on targeting systems in general and even perpetuated an improvement of the state of the art.<sup>6</sup>

The challenge of designing suitable targeting mechanisms is to avoid the exclusion of the most vulnerable groups of the population. Since many of the poorest households live in rural areas, where the provision of education or health services is deficient, CCT schemes may exclude these households, because the costs of fulfilling the conditions would be too high for them. Therefore, minimal access to these services is necessary to set respective conditions. In cases where the journey to the next school or clinic is too costly, the cash transferal should be delivered without conditions attached to it.

Another issue that needs to be considered is the imperfect and sometimes scarce registration rate in developing countries. The UNICEF estimates that around 10% of all children under the age of five in Latin America and the Caribbean are not registered.<sup>7</sup> The percentage in the least developed countries is even higher. Since mostly vulnerable households in a country are not registered, this source of error needs to be taken into account when designing a CCT scheme.

### **2.2.2 Benefit**

One of the main questions addressed in the context of cash transfers is the appropriate amount of the benefit. Is it too low, households will have no incentive to comply with the conditions. Benefits that are too high could lead to a higher investment level in human capital than would be desirable. Reason for this are indirectly generated disincentive effects.

But not only the actual amount of the transfer needs to be decided upon. There could be the need for differentiations within payment structures between payees. Since the opportunity costs differ significantly between sending a five year old and a fifteen year old child to school, the cash transfer should in most cases be progressing by age. It needs to be assessed if there could be the necessity to differentiate the transfers based on other reasons, for example distance between the households to schools or clinics. The counterargument for such fine-tuning of benefit structures is additional administrative costs.

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<sup>6</sup> Fiszbein et al. (2009) p. 70

<sup>7</sup> UNICEF (2011)

### 2.2.3 Condition

The condition in CCT programs mostly tackle two areas of human capital accumulation, namely education and health. In the sphere of education, the conditions range from simply enrolling or attending school to rewarding high performing students. In respect to health issues, the variety of conditions is more diverse. Cash transfers for vaccinations, supervision during pregnancy and check-ups on infants are prominent examples of health conditioning. Another important aspect is the malnutrition of poor households because of the decreasing prices for junk food in relation to healthy meals. These schemes target not only children, but adults as well. Possible conditions in this respect could be cash for healthy nutrition.

When the area of interest is set, it needs to be determined how strict these conditions should be enforced. The question is whether to use ‘hard’ or ‘soft’ enforcement mechanisms. With ‘hard’ conditions, compliance is an absolute must, whereas with ‘soft’ conditions the payments may be submitted anyway under certain circumstances. It is again the most vulnerable part of a society that is most likely unable to fulfil all conditions on a regular basis. Therefore, the lowest income range should be handled with ‘soft’ – or unconditional – cash transfers.

### 2.2.4 Monitoring

CCT programs can only work when the managing institutions are able to verify compliance. This element of monitoring is what makes CCT programs much more expensive than other poverty reduction projects. Unlike infrastructural projects, CCTs are not a one-time investment that is self-sustaining after a certain amount of time. To properly verify compliance, an institutional basis is pivotal in order to guarantee effectiveness and transparency. Since many programs are decentralized, a multilateral approach is recommended. Additional to state supervision, the efforts of independent NGOs or community organizations could be useful not only in respect to verifying compliance, but as well to identifying eventual deficiencies in the design of the scheme.<sup>8</sup> Even if this inter institutional approach bears an enormous administrative challenge, it is an opportunity of overcoming information asymmetries between a centralized government and its rural communities.

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<sup>8</sup> Fiszbein et al. (2009) p. 90

### **3 Evaluation of CCT**

The assessment of the suitability of CCT programs in the context of poverty reduction is going to be twofold. The two elements of these schemes need to be evaluated separately in order to understand more thoroughly what the exact advantages and disadvantages of given CCT program are.

#### **3.1 Cash Transfer**

##### **3.1.1 Advantages**

The main advantage of giving cash to households instead of goods is the freedom to choose how to invest the means received and how to arrange expenditures. This independency facilitates a sense of individual responsibility and self-determination. Hence, the aspect of cash transfers is exactly contrary to the understanding that CCT are a form of paternalism. Even though households are partly restricted in the choice of how to accumulate human capital, they are completely free to decide on how to provide for their families. Therefore, CCT programs partly recognize that all households know themselves what is best for them. This form of self-determination is not usually given in other development cooperation projects. Another reason why transferring cash is better than transferring goods to vulnerable households, is the fact that local consumption stimulates local production. If consumer goods are externally brought into an economic system, there will be no succeeding beneficial effects for the local economy. Cash transfers, on the other hand, have lasting effects because they are beneficial for both the demand and the supply side.

##### **3.1.2 Disadvantages**

One disadvantage that follows from the self-determination of what to consume, is that it cannot be guaranteed that households will spend the money in fact according to the needs of all family members. However, this risk of misspending can be minimized by transferring the cash to those members of the family that are more likely to act responsibly, namely the parents or particularly the mother. Furthermore, financial incentives alone can never cause long-term change in behaviour. When the cash incentive is taken away after some time, the behaviour will constantly regress to the initial position. Another issue is the danger of corruption. The probability that parts of the transfers will not reach the households for whom they are bound for is higher in relation to commodity transfers. When money is involved, systems of low transparency are evidentially susceptible for possible inefficiencies. Lastly, CCT programs are expected to have distorting effects in form of reducing the incentive for labour market participation.

## **3.2 Condition**

### **3.2.1 Advantages**

The key objective of setting a condition for vulnerable households is to achieve long-term benefits through a higher level of investment in human capital. The cash transfer alone fails to effectuate a lasting change of behaviour. True change is only induced by the individual's awareness about the future return of sending their children to school or medical check-ups. Short-term compliance is supposed to demount information asymmetries that keep families from fulfilling the set conditions in the first place. Sending your children to school regularly for some time can help make recipients understand that education opens up opportunities that had not existed before. In the area of health, especially doctors can explain the importance of certain check-ups or vaccinations and thereby creating an enlightened understanding of the true future return of human capital investments. The desired outcome would be that after some time compliance will be self-evident and self-determined.

### **3.2.2 Disadvantages**

The main normative flaw of conditioning vulnerable households is the paternalism argument. The presumption that we know better what is best for these households is contrary to the rights-based approach of development. The feeling that incentivizing people and thereby trying to manipulate their behaviour will not foster self-awareness and self-consciousness, but rather perpetuates the idea of inferiority of poor households. If we want to live up to the essence of development cooperation, it should take place at eye level. Another issue with imposing conditions is the chance of excluding the most vulnerable parts of society. Since in many countries the poorest households live in remote rural areas without proper access to health or educational services, the compliance with a condition could be too expensive for the ones who would need the assistance the most. Lastly, there are the immense administrative costs associated with the monitoring and enforcement of compliance with the conditions.

## 4 Experiences

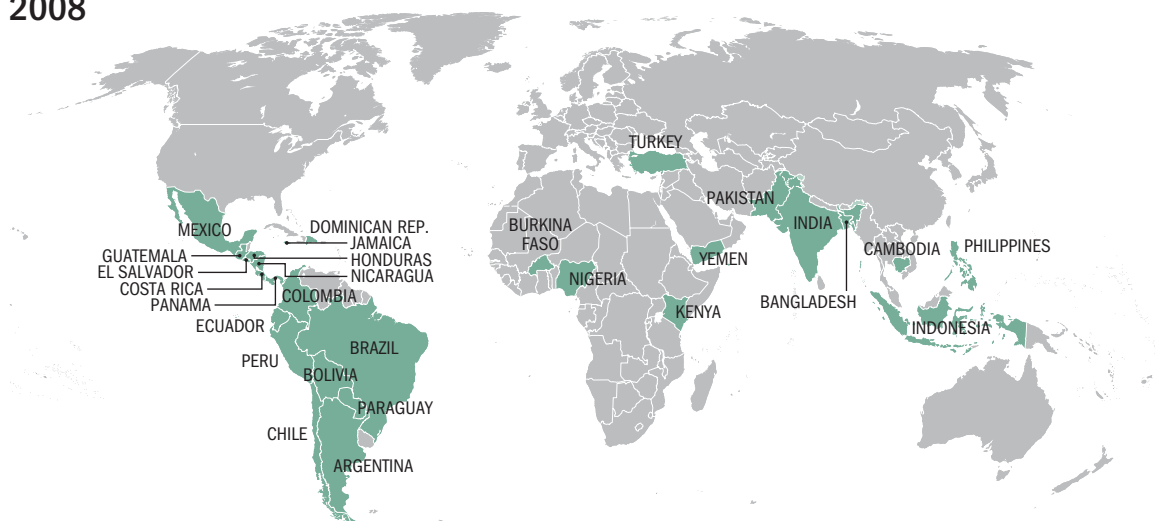
If we look at the map in Figure 2, we can see that since the first launch of the first national CCT project in Mexico, a wave of CCT schemes has stricken all over the world. If this map was drawn today, programs in Europe and the United States would appear on the illustration as well. The central aim of this paper, however, is to analyse if there is potential in middle-income countries for such programs. Since Latin America predominantly consists of countries in this income range, and, moreover, the empirical value is especially high in this region, we will look more closely at Latin American projects in order to understand the risks and opportunities for CCT programs in Bolivia more thoroughly.

**Figure 2: Dispersion of CCT programs**

**1997**



**2008**



Source: Fiszbein et al. (2009) p. 32

## 4.1 Mexico

The first national CCT program was launched in 1997 in Mexico. It went by the name PROGRESA (Programa de Educación, Salud y Alimentación). The project started out as an anti-poverty scheme that targeted only communities in remote rural areas. This small-scale approach was necessary in order to alter certain defects of the program's design on a regular basis during the process of scaling up. After five years the program's name was changed to Oportunidades, which is now serving nearly six million families all over Mexico. Since its initial launch the targeting of the program has been changed several times. Nowadays, not only rural areas households in rural areas are eligible for the scheme, but as well households in urban areas. The main managing institution of Oportunidades is the Ministry of Social Development (Secretaría de Desarrollo Social), but other state institutions are involved in the process as well (Ministry of Finance, Health, Education and Social Services). The reason for this is the strong presidential backing of the program.

The areas covered by the conditions are education, health and nutrition. The educational benefits are paid from primary school until the age of twenty-two. During this time, the amount is slightly progressing since the opportunity costs of going to school rise along with the age. Moreover, girls are paid slightly more, since the motivation of sending them to school tends to be smaller than for boys.<sup>9</sup> This is because of significant gender inequalities and misinformation about the future return of education for girls. In the area of health, the conditions range from simple medical check-ups until the attendance of courses that foster awareness of health distinctive health issues.

Since this CCT program is the oldest of its kind, substantial long-term impact analysis could be done. Findings show that Oportunidades had positive effects on general school attendance, reduction of child labour and higher employment of female graduates.<sup>10</sup>

## 4.2 Brazil

The biggest CCT program worldwide is Brazil's Bolsa Família. This project consolidated several regional schemes. The main predecessors were named Bolsa Escola and Bolsa Alimentação. Today, around twelve million families are targeted by the scheme, which makes more than a quarter

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<sup>9</sup> See Appendix Table 1

<sup>10</sup> Behrmann (2010) p. 93

of the entire Brazilian population. The program was initiated under the administration of Lula da Silva in 2003. Nowadays, the eradication of poverty is still one of the main objectives of the social policies of the government under Dilma Rousseff's leadership.

The targeting mechanisms in Bolsa Família are slightly different from the ones of Oportunidades. The chief distinction is that in Brazil extremely poor households (up to a monthly salary of \$33) get basic benefits unconditionally. This prevents the most vulnerable parts of the society from being excluded from the program. Furthermore, the design of the program incorporates several caps. For example, only families with a maximum monthly salary of \$66 are eligible. Moreover, the number of children that can go under the scheme is restricted to three.<sup>11</sup> This way, they try to avert distorting effects caused by the incentives. Another crucial difference to the targeting in Mexico is the fact that no proxy means test is applied to evaluate eligibility of the households. Instead, the resources of a family are estimated by means of geographical targeting and through self-declared statement about their income.<sup>12</sup> Although this method is way more efficient from a cost perspective, it is not necessarily better, since the accuracy of the targeting cannot be guaranteed anymore. Another issue that has been repeatedly addressed was the way in which the program has been scaled up. Contrary to Oportunidades, the Brazilian counterpart has expanded into regions regardless of local infrastructure and the availability of the provision of the relevant services. This imprudent growth could be the reason why Bolsa Família has had only minor or no influence at all on the vaccination rate of children.<sup>13</sup>

Apart from certain project design flaws and partially low impact rates, Bolsa Família can be viewed as a success. Especially with regard to general poverty reduction, the program shows strong impact rates. Ten years after its implementation, extreme poverty has more than halved from 9.7% to 4.3%. Moreover, the coefficient of the GINI index, the measurement for inequality in a society, has fallen by more than 15% since its initial launch.<sup>14</sup> In the educational sector, the program has had positive effects on both school attendance and drop out rates. However, this has led to more underachieving children in school, which caused more other children to fall behind.<sup>15</sup> This unfortunate effect shows how demand side intervention cannot solve the problem

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11 Fiszbein et al. (2009) p. 81

12 Soares et al. (2010) p. 174

13 Soares et al. (2010) p. 174

14 Wetzel & Econômico (2013)

15 Soares et al. (2010) p. 186

holistically, especially in the educational sector. Furthermore, this impact analysis challenges the greater question if setting conditions is in fact necessary for anti poverty programs.

### **4.3 Chile**

In relation to the previously described programs, Chile Solidario is considered to be a ‘niche’ project, since only 5% of the population go under this scheme. One of its distinct characteristics is the individual design of the targeting process. The main target group are only extremely poor households. Like in Oportunidades, they are identified through a proxy means test. However, in Chile Solidario, a distinct focus is laid on the multi-faceted aspects of poverty. This is done through an assessment of seven dimensions (identification, health, education, family dynamic, housing conditions, work and income) according to 53 minimum conditions for quality of life.<sup>16</sup> Even though this highly differentiated proxy means test bears a lot of organizational costs, the program’s aim to target the most vulnerable households of the country has proven very effective. Another feature that depicts Chile Solidario is personal contact to the families through the engagement of social workers. In a couple of sessions, the needs and capabilities of a family are being evaluated until a fixed action plan can be set in consensus with the recipients of the benefits. This individual action plan represents the conditions to comply with in order to get financial assistance. Another component of Chile’s CCT program is the dimension of an additional supply side support. Through the contact and exchange with the social workers, every family receives psychological support in the first two years after entering the program. The approach of setting conditions individually and tackle poverty from both the demand and the supply side has proven very successful. However, it is hardly feasible to scale up this kind of project design indefinitely.

### **4.4 Nicaragua**

An especially well received CCT program was Nicaragua’s Red de Protección Social (RPS). Despite its positive reception, it was shut down in 2005 after only five years. Apart from being a small-scale project targeting only around 36’000 households in the end, the design of RPS closely resembled Mexico’s PROGRESA. However, one component was added to the benefit structure. Under RPS not only the demand side, namely the households, got incentivized, but as well the

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<sup>16</sup> Martorano (2012) p. 3



supply side, namely teachers and health service providers.<sup>17</sup> This multi-lateral approach effected a strengthening of the community because all parts of society were encouraged to engage in the program.<sup>18</sup> The quantitative effects on education and health were similar to other programs. Of particular note was the impact on the vaccination rate. It had risen over 30%. Before RPS was launched, the rate had been even declining. Hence, a clear causal effect of the program can be assumed.<sup>19</sup> Even though the performance and reception were positive, RPS has been suspended in 2005. The main reason for this was the lack of political will to maintain the project.<sup>20</sup> Therefore, the case of RPS clearly shows how important the orientation of a country's political economy is in the context of implementing lasting CCT programs.

## 5 Factors of Success

Through the analysis of these four landmark projects, we have identified four factors that are crucial for the success of a CCT program. First, as the example of Nicaragua has shown, the political will and support are vital in order to establish such a project in the long run. Moreover, CCT programs are typically very expensive compared to other anti-poverty schemes. Thus, not only devoted commitment matters, but the requisites and dispensable resources of a country's administration determine as well, if the implementation of a CCT program makes sense in a certain context.

A second critical factor to effect positive impact, is the necessity of a sufficient infrastructural basis. If low use of public services is not caused by information asymmetries or other issues on the household level, but rather by deficient provision of those services, CCT projects are clearly not the right instrument to apply. These deficiencies can be on a quantitative or qualitative basis. In this case, an intervention on the supply side is recommended. Furthermore, the example of Brazil has shown how scaling-up regardless of the infrastructural prerequisites of a region will lead to low or no positive impact. How both supply and demand side components can be successfully integrated in a single CCT program is illustrated in Chile Solidario and RPS.

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17 Moore (2009) p. 21

18 Moore (2009) p. 32f

19 Maluccio & Flores (2005) p. 57

20 Moore (2009) p. 33

The third factor that is pivotal in the design of a CCT program is efficient targeting. If the assessment and identification of the households is not done properly, it could lead to the exclusion of the most vulnerable parts of society. On the other hand, if too much effort is put in the targeting process, the immense cost could endanger the long-term feasibility of the program. These counter effects have to be balanced. Mexico's Oportunidades has shown an approach to minimize the risk of project failure by scaling up small successful pilot projects. This organic growth over time allows the managing institution to make necessary adjustments to the project design.

The last crucial factor is the institutional foundation. CCT programs need an immense administrative effort in order to work efficiently. The targeting process, the management of the payment systems and the monitoring of the compliance with the conditions bear the complex challenge of managing the project on a multi-lateral level. The inclusion of several ministries and community organizations can strengthen the efficiency and legitimacy of a program. Furthermore, transparency of the cash transfers needs to be guaranteed in order to prevent corruptive behaviour of both state officials and other associated organizations.

#### Critical Factors of Success

- Resources and political support
- Infrastructural basis
- Efficient targeting
- Institutional foundation

## 6 Case Study: Bolivia

The following case study looks at the application of CCTs in Bolivia and their context. The goal of this case study is to evaluate current CCT programs in Bolivia. Based on the results, action recommendations for the Swiss Development Cooperation Agency (SDC) will be given in the next chapter.

The section is structured as follows: We will start by giving an insight into the background of the still on-going transformation processes in Bolivia. This is crucial in order to understand how the current CCT programs have come into being. Then, we will present two of today's CCT programs in Bolivia and we will evaluate them according to the success criteria introduced before.

### 6.1 Background

In order to understand recent developments in the fight against poverty in Bolivia, one must take into account the shift transforming society and economy since Evo Morales's rise to power in 2005.

Neoliberal policies during the 1980s and '90s fundamentally transformed Bolivia's society and economy. The governmental administration that had used to shape the social and economic structure of the country had lost significance. This also applied to welfare state programs. However, the impact of neoliberal policies contributed to increasing tensions within society. These tensions became a driving force behind the new social movements that have become visible since the beginning of the new millennium and ultimately led to the election of Evo Morales in 2005. In retrospective, the takeover of Evo Morales and his MAS was the starting point of another profound transition. The role of the state in respect to the economy and society has immensely changed.<sup>21</sup>

As far as the economic policy is concerned, companies deemed to be 'strategically important'<sup>22</sup>, the mining industry as well as the oil and gas sector have been re-nationalized and their profits now flow into the public purse. While this has led to criticism from international development

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21 Webber (2011) p. 17

22 Companies in the fields such as communication, electricity, and transport

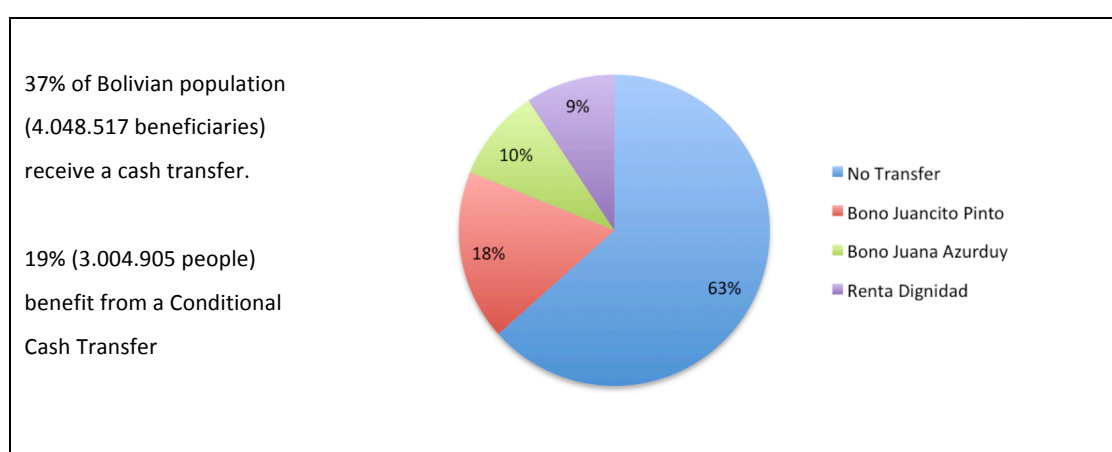
institutions like the World Bank and the International Monetary Fund, the state has – due to rising commodity prices – more funds than ever at its disposal to spend on welfare programs.<sup>23</sup>

Since 2005, Bolivia has undergone a period of relative political stability and economic growth. Democracy in Bolivia has become more representative and participatory.<sup>24</sup> However, indigenous people and women still remain largely marginalized. Bolivia still is among the poorest countries in Latin America and has a lot of catching-up to do in order for these groups to have a share in recent positive developments. This certainly is another reason why international development cooperation remains important.

## 6.2 CCTs in Bolivia

Cash transfer programs constitute an important part of Bolivia's welfare policy covering about 37% of the population: In 2013, this percentage amounted to almost 4.05 million beneficiaries (Figure 3). Two of them are transfers using a CCT approach and have been gradually introduced: The bono Juancito Pinto for schoolchildren, launched in 2006, and the bono Juana Azurduy for expectant and new mothers, running since 2009. These programs have mainly been founded by taxes imposed since the nationalization of the raw material sectors (Impuesto Directo a los Hidrocarburos).<sup>25</sup> In the following chapters, these CCT programs are being presented and evaluated.

**Figure 3: Population served with cash transfers, 2013**



Source: Ministry of Economy and Public Finance of Bolivia (2014)

<sup>23</sup> Neumann (2014)

<sup>24</sup> Collins (2014) p. 59-61

<sup>25</sup> Monterrey Arce (2013) p. 8

### 6.2.1 The bono Juancito Pinto – Boosting school attendance?

Education is provided for free. Nevertheless, not every child attends school. In order to reduce the number of children who do not receive school education, the state offers a monetary incentive: the bono Juancito Pinto. The program is named after a twelve year-old who participated in the Pacific War with Chile in 1879 as a drummer boy. Killed in combat, Juancito Pinto has since become a national hero in Bolivia.

The main objective of the bono Juancito Pinto program is to increase the number of those enrolled in school education. The program was introduced by executive decree in November 2006. According to President Morales, its funding was only made possible by the nationalization of hydrocarbons, while political motive played no part at all, claiming that it was only for the sake of the children.<sup>26</sup>

At first, the program mainly aimed at those in their first five years of primary education.<sup>27</sup> In the following years after its introduction, the program has been extended to more and more school years and since the beginning of 2013, all pupils up to the age of twelve (the last secondary school grade) are entitled to benefits.<sup>28</sup>

The benefit consists of an amount of 29 USD paid at the end of the school year and is transferred irrespective of the parents' income. In order to qualify for the program, the following conditions have to be met:<sup>29</sup>

- School children must be enrolled at public schools (primary, secondary, and alternative education);
- students in normal education must be under 19 years old in order to be entitled to the stipend, while students attending special education profit regardless of age;
- students must have been present at 80% of school lessons.

Figure 4 illustrates the number of beneficiaries and the total costs of the bono: The expenses of the program in 2008 amounted to a total of 50 million USD. In the same year, some 1.68 million children were benefitting from the bono. Despite these numbers, the target group could not fully

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26 McGuire (2013) p. 8–9

27 Monterrey Arce (2013) p. 18

28 Monterrey Arce (2013) p. 12

29 McGuire (2013) p. 13

profit from the program: In 2007, only 65% of the children entitled to the grant, have actually received payments.<sup>30</sup> In 2014, with the expanded coverage of the program, it is expected to reach 2.29 million beneficiaries amounting to costs of 457.6 Mio BS (66.3 Mio USD).

**Figure 4: Bono Juancito Pinto - Beneficiaries and costs**



Source: Ministry of Economy and Public Finance of Bolivia (2014)

### 6.2.2 The Bono Juana Azurduy - Improving the health of mothers and newborns?

According to the new Bolivian constitution that came into force in 2009, access to healthcare is a civic right. The constitution prescribes for a unified healthcare system and for the provision of healthcare services free of any charges.<sup>31</sup> Moreover, Bolivia is a signatory state to the Millennium Development Goals of the United Nations: Three out of eight goals are related to improving healthcare. The first goal is to reduce child mortality rates of under-five year-olds by two thirds compared to 1990. The second goal is to improve maternal health: The mortality ratio of expectant and new mothers is to be reduced by three quarters and access to reproductive health services shall be universal. The third health-related development goal aims at fighting diseases such as HIV and malaria.<sup>32</sup>

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30 Monterrey Arce (2013) p. 19

31 Asamblea Constituyente de Bolivia (2008) Art. 18

32 Molyneux & Thomson (2011) p. 195

The bono Juana Azurduy with its focus on improving the health of mothers and newborns can be seen as an important contribution towards Bolivia reaching these goals. The program is named after the mestizo guerrilla-commander Juana Azurday during the Bolivian war of independence. She was so determined to the cause that she fought while being pregnant. Soon after giving birth to her daughter, she returned to combat.<sup>33</sup>

The program has been launched in 2009 and aims at increasing the use of health services by (expectant) mothers throughout pregnancy, childbirth and two years after the child has been born. Beneficiaries are women who are eligible from the beginning of their pregnancy, and children up to two years old. The program is composed of three sections:

1. Before birth, four check-ups, which include medical advice and educational activities, are to be attended.
2. Birth is to be given either in public hospitals or health centres in the presence of qualified staff. Furthermore, mothers are obliged to have their baby registered in order to receive further payments.
3. After birth, the program provides incentives for undergoing comprehensive health checks, compliance with nutritional recommendations as well as following the vaccination plan and attending educational activities.<sup>34</sup>

Figure 5 shows that all mothers fully participating in the program and meeting all conditions can receive a maximum cash transfer of BS 1820 in total.

**Figure 5: The Programme Juana Azurduy**

Beneficiary	Condition	Amount in Bs	Total
Mother	1st prenatal control	50	320
	2nd prenatal control	50	
	3rd prenatal control	50	
	4th prenatal control	50	
	Institutionalized Birth	120	
Children under 2 years	Max 12 check-ups every 2 months	125 each	1.500
<b>Maximum Amount</b>			1.820

Source: Cepal (2014)

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<sup>33</sup> Lucero (2008) p. 2

<sup>34</sup> McGuire (2013) p. 17

### 6.3 Evaluation of CCTs in Bolivia

In research, evaluations of Bolivian CCT programs are rather scarce so far. James W. McGuire (2013) finds that Bolivia's CCT programs are overall not successful, especially when compared to Brazil's Bolsa Família or Mexico's Oportunidades.<sup>35</sup> He argues that measuring the impact of the Bolivian programs is difficult because the programs do not have any evaluation mechanisms built into their design: As no baseline survey was conducted before the introduction of the programs, randomized experiments cannot be used to measure their impact.<sup>36</sup>

As no baseline for later evaluation was created, both programs must be judged using other data. For the bono Juancito Pinto, it can be said that primary school enrolment has fallen from 84.5% to 82.1% since its launch.<sup>37</sup>

In his study evaluating both Bolivian CCT programs, John McGuire argues furthermore, that the bono Juancito Pinto has reached the wrong target group: Instead of starting off with primary school children, who cannot contribute much to the family income, a program of this kind should first and foremost be directed towards secondary school children in order to counteract child labour and increase school attendance. Studies conducted by the Planning Ministry of Bolivia have come to a different conclusion: School enrolment had risen, school attendance had increased by 2.6% and dropout rates had decreased thanks to the program. The methods used in the study, however, are not described, which makes the results questionable.<sup>38</sup>

In spite of being universal rather than means-tested, the bono Juancito Pinto has a progressive benefit incidence. This is for two reasons: Poorer families usually have more children and they only rarely send them to private schools. As a consequence, the poorest 30% of the population receive 45% of the total amount paid through the program, while the wealthiest 30% only get 11% of transfers. According to McGuire, the bono Juana Azurduy's numbers are almost as positive as the ones for the stipend paid to school children.<sup>39</sup>

The bono Juana Azurduy shows similar shortcomings: Between 2009, the year in which the bono had been launched and 2011, the proportion of mothers attending at least four antenatal exami-

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35 McGuire (2013) p. 8

36 McGuire (2013) p. 14

37 McGuire (2013) p. 2

38 McGuire (2013) p. 2

39 McGuire (2013) p. 14



nations fell from 59.1% to 58.6%. The reason for this is not the universality of the program (which sets it apart from its Latin American counterparts), but deficiencies from the part of the state: The state fails to provide effective healthcare provisions, education and documentation services and suffers from a 'low administrative capacity'. It is also argued by McGuire that the amounts paid are too low to effectively incentivize the attendance of medical examinations.<sup>40</sup>

## 6.4 Conclusion

When evaluating Bolivia's CCT programs according to the framework presented in chapter 5, it can be said that resources and political support for the programs certainly exist not only to implement CCTs but also to sustain them in the long term. Despite this, the funding stands on rather shaky grounds as it still entirely depends on the taxation of the depletion of non-renewable resources. This fact makes CCTs very susceptible to volatility of international market prices. Furthermore, the administrative capacities of the state apparatus receive criticism from many quarters.<sup>41</sup>

The infrastructural basis is too weak to run such programs successfully. The necessary infrastructure lacks in many parts of the country, especially in the more remote and secluded ones where generally more people live below the poverty line and transfer payments are needed most. Moreover, the country does not have sufficient numbers of qualified staff such as doctors or teachers.

For CCT programs to succeed, we have found efficient targeting to be a crucial factor. In Bolivia, both programs have been introduced on a broad scale from the very beginning. While this might have helped the beneficiaries, evaluating the programs scientifically becomes more difficult as the possibility to objectively assess the programs based on testing and analysing control groups is lost.

Finally, the institutional foundations can be considered as sound. While not being explicitly mentioned in the constitution, the programs enjoy indirect constitutional protection and have established themselves well into the landscape of Bolivian welfare policy. The weak spots lie in the political symbolism that accompanied the introduction of the programs and that is now linked with them which took precedence over effectiveness.

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40 McGuire (2013) p. 2

41 Kohl (2010) p. 107

## **7 Potential for using the CCT approach in Switzerland's development cooperation activities in Bolivia**

In this chapter, we will first briefly outline the strategy of the Swiss Development Cooperation Agency (SDC) in Bolivia for the years 2013–2016. Based on this, we will look at possible areas for action. Here, two approaches could be followed: Either the SDC focuses on supporting and improving existing state-run CCT programs or it creates its own CCT program.

### **7.1 Swiss Development Cooperation Agency in Bolivia**

The SDC has been active in Bolivia since 1969 – for more than 45 years. While today Bolivia is not as strongly relying on development aid as it was during the last decades, the share of Swiss development aid has grown. This is because many countries have reduced or withdrawn from development cooperation activities in Bolivia.<sup>42</sup>

From a strategic point of view, Swiss development cooperation in Bolivia for the years of 2013–2016 focuses on three topics: (i) consolidating the on-going democratization process, (ii) reducing the consequences of climate change, and (iii) strengthening economic productivity. The overall objective of the Swiss development cooperation is to contribute to a positive change process and to ensure that the poor profit above average from the growing public sector funds in order to significantly reduce poverty and inequality.<sup>43</sup>

In the context of democratization, decentralization and human rights, the SDC has on the one hand focused on strengthening the capacities and citizen participation in local municipalities with a special emphasis put on education and healthcare. Activities in this field happen in close co-operation and partnership with nine associations of municipalities, departamentos, and some local NGOs. On the other hand, development cooperation is active in promoting the rights of the vulnerable: It supports projects that enable women who have become victim of domestic violence to have access to advisory offices. To ensure that the fight against poverty remains on the political agenda on the local level, women who hold political offices are empowered in their

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42 Deza (2012) p. 18

43 Deza (2012), p. 25

function. In addition to these activities, the SDC contributes to projects that aim at facilitating access to the judiciary for the disadvantaged.<sup>44</sup>

As for the second objective of the SDC, the focus is threefold: In rural areas, programs enhancing better management of natural resources, namely sustainable land use and watershed management are supported. In urban areas, the Swiss focus on 15 middle-sized cities where they support the authorities with their expertise in waste management and disposal, air purification, and sewage treatment.<sup>45</sup>

In improving the occupation and income situation, Switzerland focuses on two points. Sharing its expertise and experience in the field of financial services and agricultural innovations in order for rural markets to develop faster. Switzerland also contributes know-how in the area of vocational training. Activities in this field focus on improving opportunities of disadvantaged groups such as young women in order to facilitate the combination of working and professional training by supporting the countrywide implementation of a framework for professional training.<sup>46</sup>

In addition to the activities outlined above, the SDC pursues so-called transversal topics in the areas of gender and governance. The gender dimension is fully integrated in activities and as for governance, all projects are expected to adhere to strict policies of non-discrimination.<sup>47</sup>

## **7.2 Supporting existing state-run CCT programs**

In the previous chapter, we have identified two major deficiencies partly withstanding success in the existing Bolivian CCT programs: targeting and infrastructure.

The programs have been launched on a broad scale without testing their targeting or creating a baseline. This fact makes it difficult to improve their efficiency retroactively. The amounts of the payments have been criticised in research for being too low to have a lasting effect. To counteract this, the government could introduce a supplementary transfer that is paid in addition to the existing CCT for targeted groups. For instance, to people from extreme poor backgrounds or people living in very remote areas who might have to burden high travel costs in order to go to school or to see medical professionals. The SDC could support this by providing expert

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44 Deza (2013) p. 26–27

45 Deza (2013) p. 28

46 Deza (2013) p. 29

47 Deza (2013) p. 29–30

knowledge on how to design and set up a more specific targeting. In addition to this, Switzerland could also share its expertise in the collection of data, evaluation, and good governance of welfare programs.

As for the second problem, we have spotted infrastructural weaknesses when it comes to the availability of qualified staff, and the facilities in remote rural areas. As for this, the Swiss Development Cooperation Agency could help increase the quality of services in peripheral areas. The SDC has already gained experiences in providing training in a Bolivian context. Between the years of 2009 and 2013, over 10,000 people received some form of vocational or specialist training and more than 5,000 people could attend to short training courses. Switzerland could concentrate its activities in this field in remote areas and specifically target the training of healthcare professionals, civil servants, and teachers. This kind of activities would have to focus on improving CCTs and reducing infrastructural deficiencies jointly with the government. Specific attention should be paid to training staff in remote areas and motivating this staff to continue working there. This way, a brain drain from peripheral to urban regions could be prevented.

Another issue of secluded regions is that they lack a strong political voice. Because of this, politics on the national level often fail to even acknowledge these regions' needs. To tackle this, the SDC could help in raising awareness in national politics and offer expertise – Switzerland has a longstanding track history of inclusion when it comes to balancing the needs of different regions, communities and cultures.

### **7.3 Conducting own projects**

Furthermore, the SDC could – in principle – design, initiate and carry out projects on its own. However, there are several caveats to be made: The agency's budget for activities in Bolivia is 28 million SFr and this amount is spent on various projects.<sup>48</sup> If the SDC wanted to maintain its current commitment to these activities, only few resources would be available to run CCT programs under own directive. As a consequence, the Swiss Confederation could only increase funding for the cooperation with Bolivia – which is unlikely, given the current financial prospective from the part of Switzerland. Alternatively, Switzerland could realign its activities in order to free financial resources to initiate CCT programs. If the Swiss Development Cooperation Agency decided to go ahead with setting-up its own program, several guidelines should be considered:

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48 Deza (2013) p. 51

Firstly, the program would have to be thoroughly targeted, for instance geographically. This would address one the weaknesses of current Bolivian CCT programs by allowing for a proper monitoring and evaluation of the program. Secondly, the program should have the character of a pilot trial because resources are scarce. Thirdly, good documentation is a key factor for any new program, if it is to be passed into other hands like the Bolivian state or NGOs later on, which would ensure the program's future in the long run.

## 8 Conclusion

In this paper, the theoretical groundings of CCTs have been analysed. From the experiences with CCTs made in Latin America, four factors of success for CCT programs have been carved out. Based on these factors of success, CCT programs in Bolivia could be evaluated.

It could on the one hand be demonstrated that CCT programs enjoy sufficient political support, do not suffer from a lack of financial resources, and that the institutional foundation can be considered as sound. On the other hand, we could show that there are also distinct weak spots. In the infrastructural basis, there are shortcomings in terms of facilities and sufficient numbers of qualified staff in remote areas. As far as the targeting is concerned, there are also deficiencies, namely having no baseline comparison group to perform an efficient monitoring and evaluation.

To tackle these issues, we proposed ways for the Swiss Development Cooperation Agency (SDC) to engage in new activities in Bolivia. On the one hand, the Swiss could support the improvement of current CCT programs in Bolivia in order to specifically address their weaknesses: Switzerland could help implement the introduction of a supplementary CCTs (in addition to the ones existing) that are more targeted by sharing its expertise and experiences. To strengthen the weak infrastructural basis, the SDC could focus their projects in vocational and specialist education on improving the training of staff needed for the successful operation of CCT programs such as medics, nurses, teachers, and civil servants.

On the other hand, the SDC could also initiate new projects. As financial resources from the part of Switzerland are hardly high enough to fund the introduction of such new programs on a broad scale, such projects would preferably have the characteristics of pilot trials that are addressed to carefully selected groups. Special note would have to be given to proper documentation and training of the program's staff in order to ensure its long-time future.

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## Appendix

Tables 1 – 4<sup>49</sup>

Mexico	
Program	Oportunidades (PROGRESA)
Duration	1997 -
Targeting	
Population	Poor households (initially rural areas, later urban areas as well)
Method	Geographic targeting and proxy means testing
Coverage	5 million households, approximately 18% of the country's total population
Cash	
Payment Structure	<ul style="list-style-type: none"> <li>• Education: primary school—\$12–\$23 per month; secondary—\$34–\$43 per month; middle/higher—\$57–\$74 per month</li> <li>• Education: \$336 in a savings account upon completion of high school (grade 12)</li> <li>• Health: \$17 per household per month</li> <li>• \$23 per month per adult over 69 years old who is part of a beneficiary family</li> </ul>
Additional Benefits	None
Condition	
Health	<ul style="list-style-type: none"> <li>• Compliance by all household members with the required number of preventive medical check-ups</li> <li>• Attendance of family member older than 15 years at health and nutrition lectures</li> </ul>
Education	<ul style="list-style-type: none"> <li>• School enrollment and minimum attendance rate of 80% monthly and 93% annually</li> <li>• Completion of middle school</li> <li>• Completion of grade 12 before age 22</li> </ul>
Monitoring	
Institutional Arrangement	• Secretariat for Social Development, national and state coordination agencies, education and health service providers
Costs	• Budget: \$3,181,214,484 in 2006 (1.75% of net total expenditure; 0.4% of GDP) / Administrative cost: 9.05% (\$288,007,275)

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<sup>49</sup> Information is based on Fiszbein (2009)

Brazil	
Program	Red de Proteccion Social
Duration	2000 - 2005
Targeting	
Population	<ul style="list-style-type: none"> <li>• Poor households with children aged 7–13 enrolled in primary school grades 1–4 (education)</li> <li>• Health care services are targeted to children aged 0–5</li> </ul>
Method	Geographic targeting
Coverage	<ul style="list-style-type: none"> <li>• 20,000 households during phase 1</li> <li>• 16,016 additional households during phase 2</li> </ul>
Cash	
Payment Structure	<ul style="list-style-type: none"> <li>• School attendance grant (bono escolar): \$17 per family every 2 months</li> <li>• School material support (mochila escolar): \$20 per child per year</li> <li>• Health and nutrition (bono alimentario): \$34 per family every 2 months</li> </ul>
Additional Benefits	Education: supply incentive (bono a la oferta)—C\$80 (\$6) per student per year, given to teacher/school
Condition	
Health	<ul style="list-style-type: none"> <li>• Bimonthly health education workshops (all households)</li> <li>• Attendance at prescheduled health care visits every month, adequate weight gain and up-to-date vaccinations</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Enrollment in grades 1–4 for children aged 7–13</li> <li>• Regular attendance of 85% (that is, no more than 5 absences without valid excuse every 2 months)</li> <li>• Grade promotion at end of school year</li> </ul>
Monitoring	
Institutional Arrangement	<ul style="list-style-type: none"> <li>• Funding and administrative oversight by the Emergency Social Investment Fund</li> <li>• Municipal planning and coordination by health and education ministries, representatives from civil society</li> </ul>
Costs	• Budget: \$3.7 million in phase I (10,000 households), (0.2% of GDP)

Chile	
Program	Chile Solidario
Duration	2002 -
Targeting	
Population	Extremely poor households
Method	Proxy means testing
Coverage	256,000 households
Cash	
Payment Structure	<ul style="list-style-type: none"> <li>• Decreasing monthly benefits for the first 24 months: \$21 per month for the first 6 months, \$16 per month for the second 6 months of the program, \$11 per month for the third 6 months, and finally \$8 for the last 6 months, an amount equivalent to the family allowance (SUF) adjusted yearly for inflation; these amounts are for 2006</li> <li>• After 24 months, “exit grant” equivalent to a monthly SUF for 3 years</li> </ul>
Additional Benefits	<ul style="list-style-type: none"> <li>• Psychosocial support in the form of intensive social worker accompaniment for the first 2 years</li> <li>• Preferential access to other social programs for which the household is eligible</li> </ul>
Condition	
Health / Education	Signature and compliance with a contract committing to participate in the activities identified, together with personalized assistance in 7 areas (health, education, employment, housing, income, family life, and legal documentation)
Monitoring	
Institutional Arrangement	Ministry of Planning and Cooperation, and Fondo de Solidaridad e Inversión Social, in cooperation with the municipalities
Costs	<ul style="list-style-type: none"> <li>• Budget: 0.3% of social protection spending (0.08% of GDP; 2005)</li> <li>• Administrative cost: 20% of program costs, half of that being the cost of the social worker accompaniment</li> </ul>

Nicaragua	
Program	Red de Protección Social
Duration	2000 - 2005
Targeting	
Population	<ul style="list-style-type: none"> <li>• Poor households with children aged 7–13 enrolled in primary school grades 1–4 (education)</li> <li>• Health care services are targeted to children aged 0–5</li> </ul>
Method	Geographic targeting
Coverage	<ul style="list-style-type: none"> <li>• 20,000 households during phase 1</li> <li>• 16,016 additional households during phase 2</li> </ul>
Cash	
Payment Structure	<ul style="list-style-type: none"> <li>• School attendance grant (bono escolar): \$17 per family every 2 months</li> <li>• School material support (mochila escolar): \$20 per child per year</li> <li>• Health and nutrition (bono alimentario): \$34 per family every 2 months</li> </ul>
Additional Benefits	<ul style="list-style-type: none"> <li>• Education: supply incentive (bono a la oferta)—C\$80 (\$6) per student per year, given to teacher/school</li> </ul>
Condition	
Health	<ul style="list-style-type: none"> <li>• Bimonthly health education workshops (all households)</li> <li>• Attendance at prescheduled health care visits every month, adequate weight gain and up-to-date vaccinations</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Enrollment in grades 1–4 for children aged 7–13</li> <li>• Regular attendance of 85% (that is, no more than 5 absences without valid excuse every 2 months)</li> <li>• Grade promotion at end of school year</li> </ul>
Monitoring	
Institutional Arrangement	<ul style="list-style-type: none"> <li>• Funding and administrative oversight by the Emergency Social Investment Fund</li> <li>• Municipal planning and coordination by health and education ministries, representatives from civil society</li> </ul>
Costs	Budget: \$3.7 million in phase I (10,000 households), (0.2% of GDP)