NOPOOR POLICY BRIEF

nopoor Enhancing Knowledge for Renewed Policies against Poverty

No.13

CONDITIONAL CASH TRANSFERS: PROS AND CONS

September 2016

Lena Lavinas, Institute of Economics, Federal University of Rio de Janeiro; lenalavinas@gmail.com

Before the 1990s poverty alleviation programs usually relied on donations in kind, but during the decade, thorough Latin American countries, there was a shift in favour of monetary income transfers tied to specific eligibility criteria or conditionalities. Generally speaking, however, their contribution to poverty reduction is relatively modest, and focuses on alleviating extreme poverty. In addition, although they continue to expand around the globe, these schemes fail to be shaped as an unconditional right and are unlikely to address resource inequality

INTRODUCTION

Prior to the 90s, poverty alleviation programs, when existent, usually provided punctual relief through milk programs and food baskets and served frequently as a political currency for electoral purposes, feeding clientelistic practices and backing populist coalitions. Given that poverty has been longtime assimilated as hunger and malnutrition, the common approach to poverty at that time was to alleviate food insecurity in contexts of dramatic shortages due to crisis in the supply side, high inflation, or humanitarian risks.

The shift in favor of monetary income transfers to fight poverty occurred in the context of liberalization reforms and in the light of the good outcomes brought about by the incoming assessments of decentralized local schemes conducted both in Mexico and Brazil[1,] two Latin American countries pioneers in extending, to a broader scale, minimum income support schemes in a developing country context.

Cash transfers tied to school attendance by poor children of school-going age were launched in Latin America in the mid-90s. They proved particularly attractive because in addition to reducing the intensity of poverty they were likely to increase educational attainment and contribute to the elimination of child labor. These conditional safety nets targeted to the poor turned out to be the big novelty in Latin America social policy, serving as a model to other countries in the developing world[2].

EVIDENCE AND ANALYSIS

One may say that three major pieces of evidence support the case for cash transfers conditional on school attendance in Latin America where they spread pretty fast: the intensity of extreme poverty dropped significantly with positive effects on the remodeling of poverty alleviation programs so far predominantly committed with unreliable donations in kind (food, medicine, and the like); social spending increased as a percentage of nationals GDP and finally reached those permanently excluded from contributory social protection schemes, improving to some extent social indicators relating to poverty; and social demands arose instituting a new relationship between the state and the destitute on the basis of new entitlements that were nonexistent beforehand. In Latin America in general, prior to the wave of conditional cash transfers, destitution was a matter of religious charity and voluntary welfare. The state acknowledged and assured entitlements merely in relation to regular occupational status.

It is worth recalling that almost all Latin American conditional cash transfers (CCTs) programs tackled to the poorest adopted a similar design in relation with some of the Millennium Development Goals, that is of guaranteeing a minimum income provided that school attendance was observed, and pregnant women, infants under 5, and children of school age would regularly pass medical visits in local community clinics in order to improve infant and maternal mortality rates and prevent the so called poverty diseases (diseases with higher incidence among the extreme poor).

Although paradigmatic, cash transfers directed at the poorest combine contradictory proposals. They present a residual profile and turn out to be dissociated from a policy of de facto income guarantee with anti-cyclical and redistributive effects – a constitutive, although far from exclusive, element of a system of universal social protection. They have been introduced at the margin of the social insurance schemes when existent, as a compensation for the consequences of the economic adjustment on the needy – not a right guaranteeing basic standards for all those who qualify but a residual safety net to compensate for market failures and promote some poverty relief.

No Latin American country actually transformed these schemes in rights to be claimed and entitled to all those eligible for income deficit. Moreover:

a) these programs are low cost, and never amount for more than 0.6% of GDP (the case of the Bolsa Família Program in Brazil) in general, therefore its impact in poverty

[1] In Mexico, *Progresa* was the first State-led experiment, tackling needy families in rural areas, whereas in Brazil the initial steps were taken by municipalities, in the course of the process of redemocratization. The format that prevailed was the Bolsa Escola scheme, with the benefit tied to school attendance of all schooling age children.

[2] In this respect, refer to the MISA Initiative, a joint UNCTAD-ILO project tailored to African Least Developed Countries in the early 2000. ILO-UNCTAD, Report of the Advisory Group, *Achieving International Development Goals in African LDCs: The Minimum Income for School Attendance (MISA) Initiative.* Geneva, April 2001, 61 pages.

reduction is inevitably of low magnitude. Only in Ecuador the spending with CCTs reaches 1% of GDP;

b) although these cash transfers programs show a small role in explaining "moderate" poverty reduction, they have a significant impact in reducing extreme poverty;

c) the criteria that apply for identifying the target group rely on absolute poverty and indigence lines established at extremely low levels, which tends to hide the real magnitude and severity of destitution;

d) none of these programs display a take-up rate of 100%, far from it, for they suffer from horizontal inefficiency due to inadequate targeting and means-testing.

e) these programs escape normative rules that would automatically adjust for inflation poverty lines and income benefits on an annual basis, reducing the income gap.

f) several schemes are funded through general taxation, often indirect, over consumption, which means that they are very likely to be regressive since improvements in consumption by beneficiary families contribute directly to its funding;

g) last but not least, all these welfare schemes are disconnected from a social mode of regulation, therefore separate from institutional structures that would contribute to enforce their provision for all those qualifying.

In sum, different modalities of programs apply, with specific eligibility criteria or conditionalities, aimed at distinct target populations, with varying models of administration. Some schemes appear more effective than others in reducing extreme poverty and alleviating poverty, and it depends primarily on the amount of the stipend or benefit. Generally speaking, however, their contribution to poverty reduction – one should insist - is relatively modest, their major impact consisting of alleviating the intensity of poverty (by narrowing the income gap).

In any case cash transfers targeted to the poor became a global issue, although appearing in several contexts as "simple handouts" (Leisering 2009). Leisering holds that conditional cash transfers help poverty relief be seen as a right, an argument that sounds unconvincing, given that all these schemes fail to be shaped as an unconditional right. Conditional cash transfer targeted to the poor are definitely not paving the road to more universalism or to a common status to be shared by all. Instead it renovates with old mechanisms of selectivity and residual welfare, in a process of individualization and broader self-responsibility of the poor, rather than of des-individualization to foster solidarity and social cohesion.

We argue that anti-poverty cash transfers are unlikely to address resource inequality (Therborn 2011) through market inclusion. These cash transfers targeted to the poor stand for a powerful mechanism to expand market societies, but are very much likely to compound vulnerabilities and exacerbate the market rationale with no clear benefit for the social protection system as a whole. These risk to be downsized on the name of the poor, whose needs have been very modestly addressed through target income programs.

The poor continue to be identified as poor, and stigmatized through selectivity and controls, with the difference that they now get some monetary reward to participate as consumers in the market society in times of global financialization. Market provision along with individualization have been strengthened at the detriment of universal and public provision.

Despite these flaws, conditional cash transfers continue to expand, notably in China, India, and throughout the developing world, well beyond Latin America. They are cheap, constitute a big push towards market incorporation and slightly contribute to poverty reduction. In times of fiscal austerity and growing inequality they come up as a role model "in the name of the poor" (Lavinas 2013).

POLICY IMPLICATIONS

To be effective in combatting poverty, CCTS should be implemented along with the provision of public services in areas such as education, healthcare, housing and urban infrastructure.

To each monetary unit allocated in conditional cash transfers, at least the same amount should be directed to the financing of public goods, with unconditional access and universal coverage.

Conditionalities and other eligibility criteria should be relaxed so as to avoid horizontal inequities, that may deepen differentiations among the potential recipients of such programs.

All poor children should be guaranteed an individual minimum monetary transfer so as to ensure that at least 2/3 of all calories necessary for them to survive and develop are made affordable

RESEARCH PARAMETERS

The methodology applied in the investigation consisted of assessing different CCTs schemes across Latin America countries, and comparing their design and mainly outcomes as regards poverty reduction. To this end, an extensive review of the literature has taken place. In parallel, the research carried out has also systematized how CCTs were linked to other public provisions, or complemented a large array of public services.

Objectives: the aim of this research was to examine to what extent CCTS contribute to enhance and consolidate social protection schemes or, conversely, dispute room, relevance, and resources.

FURTHER READINGS

Lavinas L. (2013) 21st Century Welfare. New Left Review, n. 84, November-December 2013, p. 5-40.

Leivering L. (2009) Are Social Cash Transfers to the Poor an Appropriate Way of Fighting Poverty in Developing Countries? Global Social Policy, 2009, 9, Sage, pp 246-272.

Therborn G. (2011). Inequalities in Latin America. From the Enlightenment to the 21t Century. desiguALdades.net. Working Paper Series n. 1, Berlin: desiguALDades.net. Research Network on Interdependent Inequalities in Latin America.

PROJECT IDENTITY

PROJECT NAME	NOPOOR – Enhancing Knowledge for Renewed Policies against Poverty
COORDINATOR	Institut de Recherche pour le Développement, Marseille, France
CONSORTIUM	CDD The Ghana Center for Democratic Development – Accra, Ghana CDE Centre for Development Economics – Delhi, India CNRS (India Unit) Centre de Sciences Humaines – New Delhi, India CRES Consortium pour la Recherche Èconomique et Sociale – Dakar, Senegal GIGA German Institute of Global and Area Studies – Hamburg, Germany GRADE Grupo de Análisis para el Desarrollo – Lima, Peru IfW Kiel Institute for the World Economy – Kiel, Germany IRD Institut de Recherche pour le Développement – Paris, France ITESM Instituto Tecnológico y de Estudios Superiores de Monterrey – Monterrey, Mexico LISER Luxemburg Institute of Socio-Economic Research – Esch-sur-Alzette, Luxemburg OIKODROM - The Vienna Institute for Urban Sustainability – Vienna, Austria UA-CEE Université d'Antananarivo – Antananarivo, Madagascar UAM Universidad Autónoma de Madrid – Madrid, Spain UCHILE Universidad de Chile – Santiago de Chile, Chile UCT–SALDRU University of Cape Town – Cape Town, South Africa UFRJ Universidade Federal do Rio de Janeiro – Rio de Janeiro, Brazil UNAMUR Université de Namur – Namur, Belgium UOXF-CSAE University of Oxford, Centre for the Study of African Economies – Oxford, United Kingdom VASS Vietnamese Academy of Social Sciences – Hanoi, Vietnam
FUNDING SCHEME	FP7 Framework Programme for Research of the European Union –SSH.2011.4.1-1: Tackling poverty in a development context, Collaborative project/Specific International Cooperation Action. Grant Agreement No. 290752
DURATION	April 2012 – September 2017 (66 months)
BUDGET	EU contribution: 8 000 000 €
WEBSITE	http://www.nopoor.eu/
FOR MORE INFORMATION	Xavier Oudin, oudin@dial.prd.fr Delia Visan, delia.visan@ird.fr
EDITORIAL TEAM	Edgar Aragon, Laura Valadez (ITESM) Heidi Dumreicher (OIKODROM) Xavier Oudin (IRD)

The views expressed in this paper are those of the authors and do not necessarily represent the views of the European Commission.