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'Growing Pains': Key Challenges for New Conditional Cash Transfer Programmes in Latin America

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Conditional Cash Transfer (CCT) programmes have been established in more than a dozen Latin American and Caribbean countries in the past 10 years. As the original models have become widely disseminated, new programmes have had to confront unresolved issues. Primary among them are graduation rules or, as some prefer to call them, 'exit-door' strategies.

Mexico's *Progresa* (now *Oportunidades*) has been the most important source of inspiration for CCT programmes in the region. It is known for focusing on the long-term objective of human-capital accumulation, such as ensuring that children attend school. This emphasis has led to a very low percentage of 'graduations', i.e., only 0.11 per cent of beneficiaries, from the programme since its start in 1997. The justification is that since the programme's success depends on breaking the intergenerational transmission of poverty, beneficiary children should receive continuous support throughout their educational cycles.

Chile Solidario does not have such a strong focus on human-capital outcomes. Instead, it concentrates on families in extreme deprivation and provides, through its *Puente* component, intensive psycho-social support for two years, in addition to providing families with cash transfers.

Many analysts have considered this programme a role model because this intensive support is regarded as an 'exit-door' out of deprivation, in contrast to the cash transfer, which such analysts regard as potentially generating dependency. However, even when families leave the *Puente* component after two years, they can still become eligible for other cash transfers from the broader network of social-protection services, such as the *Subsidio Único Familiar*.[1]

How have such older programmes influenced the more recent CCT programmes in the region? Paraguay's *Tekoporâ* and El Salvador's *Red Solidaria*[2] are illustrative of the challenges faced by smaller countries with lower financial and institutional capacities. Like Mexico's *Oportunidades*, both programmes place a strong emphasis on conditionalities that ensure human-capital accumulation. However, beneficiary families can stay in the programmes for only three years. Afterwards, the programme should re-assess their poverty *status* and undertake some phasing-out or exit-related measures.

This brief time limit highlights the tensions between the two major objectives of most CCTs—namely, short-run poverty alleviation (through transfers) and breaking the intergenerational transmission of poverty (through health and education conditionalities). Is it reasonable, for instance, to 'graduate' families before the completion of the educational cycle (or even the immunization cycle) of beneficiary children?

Paraguay's family support activities, which are inspired by *Chile Solidario*, are designed to enable families to 'graduate' from poverty within a three-year period. But this feature is not consistent with the programme's human-capital objectives, which require a much longer period of coverage.

The shortage of financial and institutional support for the programme partly explains its short duration. This is also why there has been a shift from a focus on human-capital outcomes towards 'complementary activities' that could boost the productive capacities of families so that they could overcome poverty within three years. Moreover, the programme's hiring of 'family guides' to provide the needed intensive support has implied additional administrative costs that inhibit broadening the coverage of the programme among extremely poor households.

In such a context, one of the major challenges for these programmes is to secure enough political support to guarantee their continuance beyond their first three-year cycle. In Colombia's *Familias en Acción*, for example, the initial three-year limit was effectively jettisoned as the longer-term demands of its human-capital objective grew stronger over time.

It remains to be seen whether the three-year limit will be strictly enforced in Paraguay and El Salvador. If their programmes do gain broader political support, they could evolve, hopefully, into permanent features of each country's social protection strategy.

This could enable them to access larger budgets and achieve wider coverage. If not, they would remain, unfortunately, one-off experiments that could benefit some extremely poor families for at least a short period of time. But they would achieve only a negligible longer-term impact on extreme poverty.

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References:

1. For more details see the interview with Andrés Toro - Coordinator of Territorial Management for the Social Protection System in Chile at <http://www.undp-povertycentre.org/publications/cct/Interview_Andres_Toros.pdf>.

2. See Soares and Britto (2007) 'Confronting Capacity Constraints on Conditional Cash Transfers in Latin America: The Cases of El Salvador and Paraguay.' IPC Working Paper No. 38.

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