

Conditional Cash Transfers: A Vaccine against Poverty and Inequality?

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Conditional Cash Transfers (CCT) have been regarded worldwide as the latest 'silver bullet' to fight poverty and inequality. This reputation is largely based on the positive evaluations of the Latin American experiences, such as *Progresá* in Mexico, *Bolsa Escola* and *Bolsa Alimentação* in Brazil (now unified into *Bolsa Família*), and *Familias en Accion* in Colombia. Defenders of such programmes emphasize that their virtues consist in attacking both long- and short-term poverty and inequality.

The short-term strategy is based on cash transfers to poor families with an immediate effect on poverty, depending on the level of the benefit and the efficiency of the targeting strategy. The long-term effect depends on the effectiveness of the conditionalities attached to the transfers, both in terms of their enforcement and their real power in boosting human and social capital. Conditionalities include compulsory children's attendance at school, mandatory visits to health centres, and monitoring of nutrition and immunisation. In general, these conditionalities focus on children in order to break the intergenerational transmission of poverty.

Some specialists argue that the conditionalities are not necessary since cash transfers already address the credit constraints faced by poor families. Thus, their increased incomes help improve education, health and nutrition achievements. However, conditionalities can also have other relevant effects. For instance, they can help to change some cultural features that jeopardize the chances of children of poor families from getting out of poverty. For example, there is evidence in Brazil that families whose heads worked while they were children are more likely to send their children to work. In cases like this, conditionality might prompt a cultural change that would protect these children from an early entry into the labour market.

In the real world, specific CCT programmes differ in design, implementation and goals. Examining the Brazilian experience can be informative. During the 1990s, there were several municipal and state-level programmes whose design inspired the Federal *Bolsa Escola*, which started in 2000. The only Federal programme in place in the late 1990s in Brazil was the *PETI* (*Programme for the Eradication of Child Labour*). Whereas the main direct goal of the municipal and state-level *Bolsa Escola* programmes was to increase school enrolment and attendance,

the chief goal of *PETI* was to reduce child labour in hazardous activities by means of increases in school enrolment and attendance.

The evaluations of these two programmes show that they were successful with regard to their objectives. *Bolsa Escola* increased both enrolment and attendance rates, but had no effect on child labour (Cardoso and Souza, 2004), whereas *PETI* increased enrolment and attendance rates as well as reduced child labour (Soares and Pianto, 2003). None of them had a substantial impact on poverty, due to the small value of the cash transfers.

Why, unlike *PETI*, did *Bolsa Escola* not have the side effect of reducing child labour, despite increasing both enrolment and attendance rates? A distinguishing characteristic of *PETI* was that it provided resources to participant municipalities to offer extra-curricular activities in order to keep children busy during the whole day. There is evidence that where these after-class activities were widely used, child labour declined more sharply. Moreover, since *PETI* was a smaller programme and more clearly focused, it could more easily achieve its goals.

A large-scale programme, such as the new Federal programme, *Bolsa Família*, certainly faces problems in enforcing its conditionalities, and therefore, in achieving positive externalities, such as reducing child labour. However, the problems in enforcement of conditionalities are not the only threat to the long-term goals of CCT programmes.

One of the main doubts hanging over CCTs is how their long-term goals will be achieved without improving the supply of quality education and health services for the targeted population. Besides enforcing conditionalities, it is necessary to improve the quality of social services so that the promises of a break in the intergenerational cycle of poverty can be fulfilled. Now that there is a mountain of evidence about the success as well as the limitations of CCTs (mainly in Latin America), it is certainly time to pay attention to the quality of public services so that the glowing promises of a long-term decline in poverty and inequality are not short-lived.

References:

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- Soares, S. and Pianto, D. M. (2003). "Use of Survey Design for the Evaluation of Social programs: The PNAD and the Program for the Eradication of Child Labor in Brazil", mimeo, Urbana-Champaign: University of Illinois.