



The role of rules and norms in conditional cash transfer programs – Latin American experience

 Marta Sordyl¹

Abstract

The most important element of conditional cash transfer (CCT) programs is conditioning the social transfer on some pre-defined requirements concerning healthcare and education. The conditioning (co-responsibility) is justified by the belief that higher accumulation of human capital will allow the beneficiaries to be permanently lifted out of poverty. The literature on the subject is ample, focused mostly on the cost effectiveness of CCTs and their impact on poverty rates and income inequalities. However, what is usually ignored are the rules and norms – important from the institutional perspective – that affect the behaviour of participants as well as non-participants and influence their attitudes towards work, childcare, social responsibility, etc. The aim of the paper is twofold. First, to identify rules and norms that matter for the effects and efficiency of CCTs. Second, to define the channels through which they impact the behaviour of economic agents. The research hypothesis assumes that conditionality of transfers increases the efficiency of public social spending. To verify the hypothesis, extensive literature research was performed. The initial conclusions suggest that CCTs could be successfully used both in developed countries as well as in poorer regions.

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Keywords

- conditional cash transfers poverty
- poverty Latin America
- Latin America

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¹ Krakow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland,
sordylm@uek.krakow.pl

Introduction

Since their introduction in the 1990s in Latin America, conditional cash transfer (CCT) programs have gained popularity, especially in developing countries. They are used as substitutes for or complements to traditional social support. Their most important element is conditioning the transfer on fulfilling some pre-defined requirements, usually concerning healthcare and education. The conditioning (co-responsibility) is justified by the belief that higher accumulation of human capital will allow the beneficiaries to be permanently lifted out of poverty.

The effects of the CCT programs are well studied and the literature is ample, yet sometimes inconclusive². Most studies and meta-studies assess the cost-effectiveness of CCT programs (Caldés et al., 2010; Cecchini & Atuesta, 2017; Dávila Lárraga, 2016; Izquierdo et al., 2018), their direct impact on poverty reduction, the indirect impact on poverty prevention (Amarante & Brun, 2016; Araújo et al., 2017; Molina-Milan et al., 2016; Yaschine & Orozco, 2010), and the labour market prospects of beneficiaries (de Brauw et al., 2015; Del Boca et al., 2021; Gerard et al., 2021; López Mourelo & Escudero, 2016; Nazareno & de Castro Galvao, 2023). What they usually ignore are the rules and norms – important from the institutional perspective³ – that affect the behaviour of participants as well as non-participants and influence their attitudes towards work, childcare, social responsibility, etc. Two aspects seem of importance for the programs' effects: formal rules (regulations) that create the CCT and their interaction with individual and social norms among beneficiaries and non-beneficiaries.

The aim of the paper is twofold. First, to identify rules and norms that matter for the effects and efficiency of CCTs. Second, to define the channels through which they impact the behaviour of economic agents. The paper contributes to the literature by studying the formal and informal institutional aspects of the programs and their consequences for the beneficiaries and communities. It finds that the proper set of formal rules makes it possible to achieve the program's goals, but informal (social, communal and individual) norms of conduct are very

² In Polish literature, however, the CCTs are not well researched. Any mentions were rare until recently – an increase in interest was inspired mostly by the unconditional programs for families with children introduced in Poland in recent years. A few papers on the subject include an analysis of the *Bolsa Familia* program by Duranowski (2013); Goćłowska-Bolek (2017) looks for general conclusions from previous studies and tries to evaluate the impact of CCTs on poverty and disposable income, as well as their role among other tools of social policy in Latin America. Szarfenberg's (2014) main focus is the role of conditionality in social assistance and social security.

³ Institutions are defined following North (1990, p. 3) as “the rules of the game in the society”, imposing constraints on human interactions. “Rules” indicate formal regulations (laws), and norms are meant as informal limits on behaviour (i.e. without official sanctions for breach).

important as well. Informal channels serve to disseminate information, form attitudes towards childcare, employment and social responsibility, prevent breach and support rule enforcement among participants. The paper also aims to assess whether some version of conditionality in social transfers would be applicable in developed countries.

The research hypothesis assumes that conditionality of transfers increases the efficiency of public social spending. To verify the hypothesis, an extensive analysis of available studies was performed⁴. Initial results suggest that imposing certain conditions on social spending could be used by developed countries to improve efficiency and help achieve important social goals. In spite of obvious differences in terms of development and income level, as well as divergent cultural and regulatory features, there are still valuable policy lessons to be learned from Latin America's experience.

1. Conditionality in cash transfers

In developing regions of the world, a significant number of households live in poverty or extreme poverty. They suffer inadequate income and living conditions, lack of access to health care, education and other public services, such as sanitation or drinking water. Poor households also face liquidity constraints and cannot borrow against future profits from the human capital of their children (Araújo et al., 2017). They are unable to effectively insure against most individual and global risks. This results in an inter-generational poverty trap in which children of poor parents are significantly more likely to be poor in adulthood. Long experience in many countries suggests that households are not able to break away from the vicious circle by themselves and require social assistance⁵. One of the most impor-

⁴ At this stage, the hypothesis can only be supported by theoretical arguments and anecdotal evidence rather than rigorously verified by empirical tests. It would be very difficult to disentangle the effects of CCTs from other phenomena that have an impact on poverty rates, employment and income: the general state of the economy, growth rates, exogenous shocks, other (unconditional) forms of social support and other policies influencing the level of disposable income (e.g. minimum wages). Furthermore, data for developing regions is scarce and often incomparable.

⁵ Broadly speaking, social assistance (protection) involves a range of tools allowing individuals, households and communities to better face risks and mitigate the effects of shocks that affect their livelihoods, as well as giving support for people who – for all kinds of reasons – are not capable of providing basic subsistence for themselves or their families. The same factors that increase the risk of poverty – low qualifications, poor health, regional features – also make private income insurance impossible, hence the need for public intervention.

tant policy tools in this context is direct income redistribution, in particular transfers to poor or vulnerable households.

CCT programs provide social assistance in the form of cash transfers (sometimes supplemented by in-kind transfers), dependent upon fulfilment of some pre-defined requirements (Adato & Hoddinott, 2010). The programs are usually aimed at poor (extremely poor) families with children; sometimes other groups are included as well. CCTs were first introduced in Latin America in the 1990s. Their initial success as an anti-poverty tool led to increased popularity, mainly in poor and developing countries⁶.

The main goal of CCTs is to reduce poverty, both directly and immediately – through higher disposable income – and indirectly, in the long term, by providing beneficiaries (especially children and youth) with more human capital. Breaking up the inter-generational poverty transmission would allow the programs' participants to become independent of social assistance in the future. Whether or not the goal can be reached depends on two main aspects: 1) the details of the program construction (formal rules written in the law) and the impact of the rules on the participants' behaviour as well as 2) the normative stance (informal norms). An important element of the program's efficiency is the interplay of formal and informal institutions which can either support or undermine each other (see, for example Pejovich, 1999).

The minimum requirements to set up a CCT are similar to other transfer programs (Fischbein & Schady, 2009). It is necessary to establish the eligibility criteria and enrolment methods, provide a mechanism to pay the benefits, create a monitoring and evaluation system and construct channels to monitor compliance with requirements and enforce them when necessary. The conditions included in a CCT program are usually related to the households' consumption (income or assets), nutrition, health and education, as well as activity and employability. In the long-term, they lead to human capital accumulation and potentially higher employment and better wages. Higher earnings, in turn, should make the families independent of social support, thus limiting public spending in the future.

There is a lively debate in the literature whether or not the transfer should be conditional. Pero and Szerman (2010) explain the social importance of conditionalities from different viewpoints. A liberal standpoint assumes that poverty results from choices made by the poor. As a consequence, potential beneficiaries must undertake certain obligations leading to positive social returns in order to “de-

⁶ The nature of conditions, related mostly to 'primary health care' and basic education, suggests that this policy tool is inappropriate for developed countries, where the requirements are fulfilled by other means. It seems, however – as argued later in the paper – that the conditional construction of social programs (and other public spending programs) can be used much more widely, if properly defined.

serve” aid. From the social-democratic perspective, conditionalities pave a way to universal access to basic education and healthcare. Seen in this light, conditions are an entitlement rather than a burden. The right to education and healthcare is strengthened and extended to groups previously excluded (Cecchini & Madariaga, 2011). In any case, imposing some conditions on benefits tends to encourage social support for the program.

The main argument supporting the introduction of conditionalities is their effectiveness in breaking up the intergenerational transmission of poverty (Amarante & Brun, 2016). Fischbein and Schady (2009) claim that CCT programs constitute a new form of social contract between the state and beneficiaries, introducing *co-responsibilities* (not just conditions to be fulfilled). It means that all the interested parties – poor households, the government, taxpayers and donors – share the responsibility for achieving the program’s goals. In their somewhat strong words, “[w]hen conditions are seen as co-responsibilities, they [the programs] appear to treat the recipient more as an adult capable of agency to resolve his or her own problems. The state is seen as a partner in the process, not a nanny” (Fischbein & Schady, 2009, p. 10)⁷.

The most general difficulty with the concept of CCTs is the fact that they may mis-identify the proper response to poverty. Structural poverty exhibits low variation in time and requires strategic, long-term intervention (Stampini & Tornarolli, 2012) focused on its many sources and dimensions. It probably should not be based on demographic characteristics of a household, such as having children in a given age. Unconditional transfers can be designed to support all poor households (or households in need of help for reasons other than poverty), regardless of their individual features. Proponents of unconditional transfers argue that designing, monitoring and enforcing conditionalities create much higher costs – in terms of administrative and organisational capacities as well as direct expenditure – in comparison with other social programs (Caldés et al., 2010). Those additional costs siphon out a part of social spending away from those in need.

From the perspective of household’s decision-making, there are several problems with attaching conditions to social transfers. First of all, for some of the poorest households the requirements might be too costly or too difficult to fulfil; they might not be able to provide the expected documents, etc. (Fultz & Francis, 2013). Moreover, trying to comply with the conditions might lead to costly or unproductive behaviour, e.g. buying school uniforms or cutting working hours in an effort

⁷ A similar sentiment is expressed by Behrman and Skoufias (2010, p. 146): “If those who receive public welfare experience a stigma because of it, fulfilling conditionalities or co-responsibilities may lessen such a stigma by making the recipients active participants in the process, in some important sense ‘earning the transfers’ rather than passively receiving handouts from other members of society. Such an effect might offset part of the welfare loss due to the conditionalities”.

to stay “poor enough” (Izquierdo et al., 2018). Households may also spend time on meeting the criteria instead of working, leading to a reallocation of time away from work (de Brauw et al., 2015).

CCTs (or, more precisely, the imposed conditions on behaviour) have been criticised as unjust and paternalistic (Standing, 2002). “Policymakers, experts, or the general populace may think that they know better than the poor what is best for the poor and therefore make resource transfers conditional on the use of the resources transferred for particular desirable ends – that is, education, health, and nutrition, not alcohol, cosmetics, and leisure time” (Behrman & Skoufias, 2010, p. 145). The paternalistic stance assumes that the poor are unable to make correct decisions and need additional incentives to do “what is good for them”. On the other hand, paternalistic policies may be justified if the beliefs or information on which individuals base their decisions are persistently incorrect, if there is some conflict of interest, or if the agents behave myopically (Fischbein & Schady, 2009).

Further critique of conditionalities can be based on social and political grounds. Most CCTs tend to reproduce traditional gender roles and increase the burden on female heads of households with additional unpaid work (Fultz & Francis, 2013). Conditionalities create a divide between the “deserving” and “undeserving” poor⁸. Targeting mechanisms leave some of those in genuine need outside the program and undermine the universality principle. CCTs can be used as a political tool in elections; corruption might also be a problem (Cecchini & Atuesta, 2017). Overall, co-responsibilities make income redistribution towards the poor more socially acceptable and efficient at the cost of some welfare loss among the beneficiaries.

2. Rules and norms in CCTs

The most important feature of CCTs – as well as any other policy intervention – might seem trivial but still merits an explicit formulation: regulations (laws, formal rules) that create a CCT program are crucial in determining its scope, results and costs. They should be carefully designed, subject to public debate, constantly analysed in terms of results and effectiveness, and revised when needed. Two focal elements of program design are selection criteria and measures aimed at human capital accumulation and employability. The chosen targeting criteria and selection methods should be clearly justified to gather support for the programs both

⁸ The same factors that make people poor (e.g. lack of education or even basic skills, health problems, living in an under-developed locality) might prevent a family from fulfilling the required conditions, exacerbating the problem rather than solving it.

among the beneficiaries and among the taxpayers. The main problems in this regard are exclusion and inclusion errors⁹, limited resources, and the need for exit mechanisms. Importantly, there exist interactions between formal rules of the programs and informal, social and individual norms of behaviour.

Cecchini and Madariaga (2011) point out that the scarcity of resources makes selection and targeting of social support programs necessary. In their words, “[t]he use of targeting mechanisms in CCTs should not be seen as an end in itself, but as a tool of social policy to ‘do more with less’ and make social investment more progressive by targeting public efforts on the most needy” (Cecchini & Madariaga, 2011, p. 37). According to Adato and Hoddinott (2010), two main factors justify the selection of beneficiaries in social programs. First, marginal social returns of any transfer decrease with the household’s income – targeting the poorest maximises total welfare gain at a given level of spending. Second, targeting saves limited resources and increases efficiency by providing support to those who need it the most. From the practical perspective, including selection rules is based on previous experience with various poverty-alleviating programs and is also considered one of the sources of the success of CCTs (Fischbein & Schady, 2009).

Most CCTs use some kind of means test to define eligibility. Selecting an efficient targeting method, as well as setting cut-off points, is an important challenge. The targeting process usually consists of two steps: 1) identifying geographic units with the highest poverty rates and 2) selecting households (families) that fulfil pre-set criteria in terms of income or the standard of living. The targeting rules vary among countries, but usually they are aimed at families living in poverty or extreme poverty, sometimes also indigent families or families facing a “social risk”, such as disability, severe illness, domestic violence or sexual abuse (Cecchini & Madariaga, 2011)¹⁰. Some programs contain an additional step of consulting with the community which is assumed to possess the best knowledge of local conditions and needs. Community targeting tends to decrease the problem of incomprehension of the program’s rules and conflicts between beneficiaries and non-beneficiaries. A much easier way of targeting is categorising families based on some simple and evident criterion, e.g. having children in a certain age or living in a given locality. On the other hand, this method potentially creates significant selection errors.

In practice, the participation requirements include several types of activities: (a) aimed at the children’s health (regular health check-ups for pregnant women, lactating mothers and school-age children, obligatory vaccinations, participation

⁹ An exclusion error reflects the percentage of households that are not beneficiaries even though they fulfil the criteria; an inclusion error is the percentage of actual beneficiaries who do not fulfil the criteria (Goćłowska-Bolek, 2017, p. 8).

¹⁰ Selection criteria for programs targeted at school-age children depend on the organisation of school systems.

in courses on nutrition and health, etc.), (b) increasing skills of children and youth (school enrolment and regular attendance), and (c) supporting employability of adult participants (vocational training, community work, self-employment). Fultz and Francis (2013) mention an important positive externality of CCTs, operating at the intersection of formal and informal rules: knowledge and good practices tend to spread to non-participants, improving the overall results.

A significant aspect of school enrolment in developing countries is a fall in the incidence of child labour. Fischbein and Schady (2009, p. 114) stress that “a reduction in child work is often seen as a good in its own right”. The negative consequences of child labour are both short and long term. They include an immediate adverse impact on the physical and mental health of children, as well as reduced educational achievements and lower future earnings. CCTs limit the frequency and amount of work among school-age children through several mechanisms. First, the conditionality of regular school attendance leaves less time for work. Second, the transfer directly compensates for the loss of income¹¹. Third, the formulation of conditions might increase the parents’ awareness of the problem and affect their stance towards child labour. Again, the positive results are not limited to participants only; other families often imitate the example of their neighbours.

Most CCT programs assign the mother as the transfer recipient in a household. Research shows that women are more likely to spend money on food, health, education and other services than men. Fischbein and Schady (2009) claim that mothers’ objectives align more closely with those of their children, especially their daughters. Being assigned the transfer strengthens the position and bargaining power of women. If the programs achieve the goal of higher school enrolment, it benefits girls as well (Cecchini & Madariaga, 2011). On the other hand, added responsibilities might decrease the women’s labour supply and perpetuate traditional roles in the household (Fultz & Francis, 2013).

An important, yet too rarely mentioned, feature of CCT targeting is identifying success stories (or unavoidable failures) and designing proper reactions. Exit mechanisms devise rules of eliminating from the program those families that no longer fulfil the criteria (or breach the conditions). What is often lacking is a graduation strategy – identifying beneficiaries that are no longer in need of public help, even if formal criteria are still met (Cecchini & Madariaga, 2011). Most families stay in the program for a limited time only (usually as long as they have school-age children; sometimes other thresholds are introduced). In the absence of other forms of support, this could leave them in the same or worse condition than before the intervention. On the other hand, unlimited and un-conditioned participation could decrease activity and develop benefit dependency, which undermines the long-

¹¹ In some CCTs a deliberate effort is made to estimate the income loss and direct costs of schooling, and to calculate the amount of the benefit accordingly (Adato & Hoddinott, 2010).

term objectives of the programs. Activation measures are an important element to devise appropriate graduation strategies. Exiting from CCTs should mean exiting poverty and joining other forms of (preferably contributory) social protection schemes. The best way to a permanent escape from poverty leads through productive and well-remunerated employment (López Mourelo & Escudero, 2016) – and for that goal the construction of CCTs is often problematic.

Theoretically, the effectiveness of activation measures towards the CCT beneficiaries depends on two main factors: their willingness to participate in employment-related programs and the efficacy of labour market policies in actually improving the employability and wages. Some experts (Araújo et al., 2017) expect CCTs to reduce the households' labour supply for several reasons. One reason, which has already been discussed above, is lower incidence of child labour, but the number of working hours supplied by adults can decrease as well (Izquierdo et al., 2018). If leisure is a normal good, additional income will shift time allocation towards more leisure and less work. An important potential disincentive is a desire to appear “poor enough” to still qualify for CCT if the program is means-tested. Fulfilling the conditionalities (taking children to school or to a doctor) is time consuming. The same is true for additional formalities, meetings, taking part in obligatory courses, etc. CCTs might also encourage informality – hiding income is easier when working informally (de Brauw et al., 2015).

On the other hand, empirical evidence does not suggest significant decreases in labour supply among the beneficiaries of CCTs (Foguel & Paes de Barros, 2010) and sometimes even notes a slight increase in activity (Del Boca et al., 2021). There can be several explanations for this phenomenon. Income elasticity of leisure is probably quite low among the very poor – additional cash from the transfer is not enough to affect the allocation of time (Fischbein & Schady, 2009). For many households the transfer barely makes up for lost income from child labour and the additional expenditures on healthcare and schooling. If households treat the transfer as a temporary benefit rather than a permanent entitlement, the labour supply is not likely to be affected. Additional income can allow poor households to overcome liquidity constraints and look for a (better) job. Gerard et al. (2021) study the potential labour market disincentives that might be caused by cash transfers on the example of Brazil's *Bolsa Familia* and find that participation in the program actually increased local formal employment rates. They claim, however, that the effect is mostly due to an increase in labour demand and they “find no evidence that benefits increase formal labour supply” (Gerard et al., 2021, p. 4).

Introducing conditions to social transfers requires the government to invest in making the fulfilment of those conditions possible – it is one of the reasons for the “co-responsibility” label that more and more often replaces the “conditionality” in the CCT acronym. It means expanding the supply and accessibility of social services, as well as improving their quality. More active social work may be needed

to support families in the new situation. The practical problem in many countries is poor infrastructure, inadequate resources and low quality of public services. All of those can seriously limit the effectiveness of CCTs. The government's active involvement enforces higher efficiency of administration – selection, registration and supervision of the program's performance.

Many countries try to increase participation of social actors in the design, implementation and evaluation of CCTs, treating them as a universal citizen right that can be demanded by all. Citizen involvement takes an indirect form (complaints and grievances, requests and suggestions) or a direct form of participation in commissions or other collective bodies affecting the functioning of the program, ranging from advisory capacity only to active control of the management. Cecchini and Madariaga (2011, p. 158) conclude quite strongly that “well-defined accountability mechanisms that establish responsibilities and functions of the relevant public and private actors make it easier to view the CCTs in terms of entitlement and rights, instead of as instruments of patronage that can be manipulated by the various political actors”.

Some CCTs (most notably the *Progresá* in Mexico) provided resources for a full and rigorous evaluation of the program's impact on poverty, school attendance and health. Impact evaluation was included in the program design from the very beginning, with experimental methodologies to identify the consequences and attribute them precisely to the program's components (Yaschine & Orozco, 2010). Quantitative evaluations of CCT programs measure the change in the indicators that the program aims to influence (nutrition, health, school enrolment and attendance). Qualitative methods are used in order to provide explanation for these changes, or lack thereof.

Most of the empirical evidence on the effects of CCTs comes from country studies, and comparative analyses are relatively scarce (Amarante & Brun, 2016). The main problem with any quantitative evaluation is the lack of a natural control group. If beneficiaries are qualified to the program based on pre-defined criteria, then non-beneficiaries are by definition significantly different in some respects (relative poverty, demographics, skills, assets). Missing out on those differences might cause a selection bias. A proxy for the counterfactual has to be constructed based on non-beneficiaries, which obviously is not an easy task because of targeting. Another solution is assigning individuals (households) to the program randomly from those fulfilling eligibility criteria (Ravallion, 2008), but it is highly questionable on ethical grounds. In practice, the effects of the programs are usually evaluated in experiments or quasi-experiments where beneficiaries (treatment group) are compared with a control group with similar socio-economic characteristics. Selective qualitative analyses are also undertaken to assess deeper impacts of program participation (changes in within-household relationships, attitudes towards public institutions, child labour, women empowerment, etc.). There is a general

agreement about the positive results of CCTs in terms of increasing consumption, improving living standards at the bottom of the distribution, and reducing poverty and inequality (Nazareno & de Castro Galvao, 2023). On the other hand, direct assessments of cost-efficiency and macroeconomic results remain elusive due to complex inter-correlations between poverty rates and many other variables, both economic and political. Brazil’s experience in the last several decades provides an illustration of the problem.

3. CCTs in Latin America

Figure 1 shows some significant changes in poverty rates that might be tied to social support programs, but the relationship is far from clear. For example, in 1988, new Constitution was passed in Brazil that confirmed access to social protection as a universal citizen right, increasing both the scope and generosity of transfers. The expected fall in poverty did not materialise; on the contrary, all poverty gaps were on the increase in the next few years. Introducing CCTs in mid-1990s seems to have reversed the trend and helped reduce poverty indicators over the next decades. Careful examination shows, however, a very strong negative correlation between these indicators and real GDP per capita: -0.922 , -0.937 and -0.955 for the \$2.15, \$3.65 and \$6.85 poverty lines, respectively. Apparently, strong economic growth

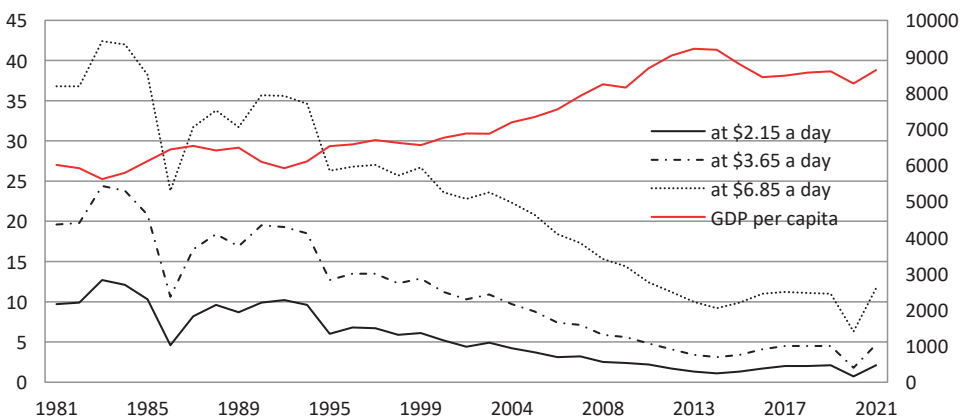


Figure 1. Poverty gap* (% , left axis) and real GDP per capita (2017 USD, PPP, right axis) in Brazil, 1981–2021

* A poverty gap is the mean shortfall in income or consumption from the poverty line (drawn at 2.15, 3.65 and 6.85 in 2017 USD a day, respectively), expressed as a percentage of the poverty line. The non-poor have zero shortfall.

Source: own elaboration based on (The World Bank, n.d.).

is the best way to lower poverty and improve income distribution. Still, it seems that precise streamlining of scarce resources makes it somewhat easier to achieve the desired results with more efficiency and in a way that is socially acceptable. Before the advent of CCTs, social protection in Latin America – insofar as it existed – tended to rely on contributory benefits (health care, old-age pensions, unemployment insurance) linked to formal employment. It was problematic in the context of widespread informality in most countries. The lack of access to social protection created a vicious circle, with the poor and vulnerable forced to take up informal, low-quality and low-wage jobs, preventing them from human capital accumulation or savings that would enable social advancement. Children in poor families lacked access to good quality education (or any education at all) and had to work for their sustenance since an early age, thus staying in low-quality, low-paid informal jobs and completing the circle. Severe economic crises that hit the region in the 1980s and 1990s exacerbated the problems of unemployment, inequality and poverty, leading finally to the creation of the first CCT programs in Brazil and Mexico.

The impulse to design an innovative policy tool was twofold. Firstly, and most importantly, there was widespread poverty and income inequalities, higher than in other regions with similar development levels, despite relatively high social spending. Visible inefficiencies called for improvement of social safety nets (Pero & Szerman, 2010). The second reason was market-oriented economic reforms and pressure from globalisation. Yaschine and Orozco (2010) discuss the case of Mexico in the 1990s and the pressing need to increase competitiveness – in the context of NAFTA – through human capital development that would be accessible even to the poor. Similar neo-liberal reforms were undertaken in Argentina since the beginning of the 1990s, with the country facing a huge challenge to reorient the economy after the post-war period of import substitution. Brazil was burdened by the world's largest income inequalities.

In Latin America, the anti-poverty programs became part of a model of “shared development” (*modelo de desarrollo compartido*). In Mexico, special integrated development policies have been targeted to the poor since the 1970s (Yaschine & Orozco, 2010). Over time a tendency became apparent to shift from broad social support programs with lax targeting towards those with strict targeting, based on direct transfers conditioned on specific behaviour of the beneficiaries. Another novelty was the payment in cash instead of previously widespread in-kind support (e.g. food baskets) under the assumption that households themselves are better equipped to diagnose and fulfil their immediate needs than public administration (Stampini & Tornarolli, 2012). Transfers were usually paid to mothers who provide most of the direct child-care and tend to spend relatively more income on the children's needs.

The first cash-transfer programs targeted at families living in extreme poverty, conditional upon educational achievements, were introduced in the 1990s

in Brazilian municipalities (Cecchini & Madariaga, 2011)¹². The *Bolsa Escola* and *Programa de Garantia de Renda Mínima* covered initially the federal district and Sao Paulo, respectively, providing transfers conditional on school attendance. They were soon extended to other cities and regions. Brazil was also one of the first countries in Latin America to introduce a classic CCT (*Bolsa Família* in 1997).

Mexico introduced the *Progresa* (*Programa de Educación, Salud y Alimentación*, Education, Health and Food Program) in 1997, renamed later (2001) *Oportunidades*; it was the first nationwide CCT program. It was created in the aftermath of a severe economic crisis that hit the country in 1994–1995. At the time, around 20% of the population lived in extreme poverty, with the numbers higher in rural regions (Dávila Lárraga, 2016, p. 7). The goal was, at first, to provide the poorest families with income necessary to overcome food poverty, at the same time introducing co-responsibility requirements in the form of preventive medical check-ups for all household members and school attendance of minimum 85% for children and adolescents (Cecchini & Atuesta, 2017, p. 15). Yaschine and Orozco (2010) list several main features of *Progresa* that became the basis for other CCT programs: targeting the extremely poor, using objective selection mechanisms, cash instead of in-kind transfers, an integrated, multi-sectoral design, participation conditional on co-responsibility, emphasis on the demand-side in the usage of public services, as well as regular impact evaluation. Following a series of severe economic crises at the turn of the century, a new wave of CCTs was introduced in the region in the 2000s.

The growing coverage of CCTs, coupled with good economic conditions in the 2000s, allowed many households to lift out of poverty; by 2006, the number of beneficiaries of CCTs exceeded the official numbers of the poor. An important supporting element took the form of extending access to education and healthcare in sub-regions and localities previously neglected. Still, many of the programs do not manage to reach even those living in extreme poverty. Another problem lies in the fact that worsened economic conditions (like the very low average GDP growth in the region after 2014) usually quickly affect social and labour market indicators (Vegh, et al., 2019).

Long-term experience with CCTs in the region suggests that monetary transfers themselves are not enough to bring most families out of poverty or reduce their vulnerability; hence the increasing importance of activation measures in the construction of the programs (Cecchini & Madariaga, 2011). Stampini and Tornarolli (2012) point out that most of the beneficiaries – despite their educational achievements and health improvement – are still unable to gain stronger positions in the

¹² Honduras started PRAF (*Programa de Asignación Familiar*) back in 1990, but at first the transfers were unconditional; conditions concerning health and education were added in 1998 (Stampini & Tornarolli, 2012).

labour market. They postulate focusing on a new generation of CCT programs, centred on high quality of public services, mostly in education. These new solutions should also include vocational training, supporting self-employment, labour-market intermediation, as well as direct and indirect job creation, preferably in the formal sector.

Some studies show higher effectiveness of CCTs if they include provisions supporting equality in terms of gender, ethnicity, etc. (Molina-Milan et al., 2016). In most programs in the region the designated recipient of the transfer is the female head of the household. It serves to empower women and strengthen their role in decision-making (Fultz & Francis, 2013); it also gives them greater visibility and participation in the community (Cecchini & Madariaga, 2011). On the other hand, being responsible for fulfilling the conditions may reinforce the traditional social role of women and keep them out of the labour market.

CCTs are an important building block in the creation of universal social protection that has been lacking so far in the region. They provide a steady stream of cash so they may help cushion the impact of systemic or idiosyncratic shocks, on both the micro and macro scale. The importance of efficient social safety nets becomes paramount during crises, which have been quite common in recent years. One of the examples is the role of CCTs during the COVID-19 pandemic. Specific features of the crisis caused by COVID-19 led to predictions of increased income disparities (as well as increased poverty) both within and across countries (The World Bank, 2022). At least in developed countries for which there is much more research, the effects of the pandemic tended to increase inequalities, with women, youth and minorities being the most negatively affected. The situation was even more dire in developing regions. Those living in poverty usually could not comply with safety measures, especially if they worked informally and lacked access to social insurance. In Latin America, the asymmetric impact of the COVID-19 pandemic on income distribution was expected to exacerbate income inequalities and increase poverty for the first time in two decades (Decerf et al., 2021). Countermeasures undertaken by countries differed in scale and efficiency, with the richest countries providing the most support.

In Latin America, CCTs allowed the governments to quickly reach the poorest households – they were already providing support for the lowest quintile of the population. During the pandemic Brazil launched one of the world's largest emergency-aid (EA) programs. The program was successful in targeting those who were most in need and reduced both income inequalities and poverty rates, even compared to the pre-pandemic levels (Nazareno & de Castro Galvao, 2023). The EA used the pre-existing structure of social support to quickly transfer cash even to most remote areas of the country; almost 40% of the population received the aid. Estimates show that without the EA, extreme poverty rates in Brazil would increase by 5–14%; after EA poverty rates actually fell to 4% (Nazareno & de Castro

Galvao, 2023, p. 21), inequality measures decreased as well. Interestingly, the indicators connected with the labour market (activity or employment rates) were not significantly affected.

4. Concluding remarks

As shown above, the empirical evidence clearly indicates significant improvements in economic and social indicators among the beneficiaries of CCT programs. They achieve higher consumption, better living standards, lower poverty rates and less pronounced income inequalities. They also usually acquire more human capital, which unfortunately does not translate into proportionately higher wages. Possible explanations for the last shortcoming include (1) low quality of public services, most notably education (especially in structurally poor regions), (2) lack of effective labour demand in the formal sector that would allow the beneficiaries to undertake productive, well-remunerated employment, (3) sub-optimal design of the programs (i.e. excessive resources spent on fulfilling or enforcing the conditionalities instead of income-generating activities), (4) other individual or local factors that have so far not been included in the available data and thus bias the results.

Permanent exit from poverty requires good-quality employment, decent wages and access to social insurance; human capital accumulation is an important precondition but in itself is not enough. Further improvements on the supply side are necessary, making the governments responsible for the provision of widely accessible, good-quality public services. The conditionalities should focus on results rather than mere efforts; education and training should be more oriented at the needs of local labour markets.

One of the most important advantages of CCTs is reaching out to groups previously excluded from social protection systems: the inactive or unemployed and the informal workers. Changes that are taking place in many regions, including developed countries, indicate that the need for non-standard social protection would increase: precarisation of work, deregulation and globalisation, population ageing, mass migration, fiscal pressures will combine to undermine the traditional, contributory social insurance based on formal employment contracts.

In this context, the prioritisation in spending limited resources through careful targeting seems an obvious necessity. It increases the efficiency of public spending and allows the government to focus on intended goals, thus supporting the research hypothesis. The goals themselves should be subjected to open and pertinent discussion, involving all the interested parties. Such wide involvement not only increases support for social support programs but also facilitates achieving

the goals through better information and more cohesion. In designing the formal rules one should not ignore the informal context of individual, community and social norms.

An important field for further study is analysis of the construction and functioning of social-support programs in high-income countries as well as examination of the potential for introducing conditionalities or co-responsibilities. In developed regions, education is often compulsory and tends to be universal; wide access to healthcare is also usually possible. Therefore, the goals – and hence the conditions of CCTs – should differ from those imposed in developing countries. This suggests another research avenue – to identify conditionalities applicable at higher income levels, helping developed countries to better deal with future challenges and hazards. Possible co-responsibilities include details of childcare (e.g. enforcing obligatory vaccination, dental care), actual progress in education (achievements instead of simple attendance) as well as parent activation (conditions pertinent to labour market participation).

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