

Recent trends in the development agenda of Latin America: an analysis of conditional cash transfers*

Tatiana Britto
Ministry of Social Development, Brazil
tatib@brturbo.com.br

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Abstract

From the mid-90s onwards a fairly popular policy trend emerged in the development agenda of Latin America: the provision of cash transfers conditioned on certain behaviors of the recipients. These programs consisted in the provision of money subsidies to targeted households, provided they assured school attendance of their children and, in some cases, attended periodic health-related activities. Their alleged innovation was a capacity to address demand-side constraints for structural poverty reduction, through an incentive scheme which combined the short term objectives of safety nets with the long term goals of building human capital and breaking the vicious intergenerational circle of poverty traps. They have received substantial support from the international community and are highlighted as one of the 'best practices' of social protection in Latin America. Considerable funding has been given to the dissemination of program experiences, expansion of existing initiatives and replication of similar programs elsewhere in the region. On the one hand, the appeal of conditional cash transfers seems to have much to do with their potential to tackle key issues in the perpetuation of poverty in Latin America and their fit into the current mainstream discourse on poverty reduction. But, on the other hand, there might be high administrative requirements associated with the set up of conditional subsidies and significant issues that remain unresolved in their implementation experience. There can also be significant political economy issues and potential conflicts involved in these programs. In terms of impacts, conditional cash transfers are no panacea, but their potential seems undeniable. A contribution to understanding how and why these programs came about, what they can actually deliver and what are the issues they might arise are the primary objective of this paper. Based upon an analysis of the Mexican Program of Education, Health and Nutrition (Progresa) and the Brazilian Bolsa Escola, the paper discusses particular characteristics, selected implementation aspects and contextual factors that help explain the reasons behind the popularity and visibility of conditional cash transfers as a policy option among governments and multilateral donors.

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1. Introduction

Poverty and vulnerability are enduring problems in Latin America. Although some countries attained significant growth in the past, widespread inequalities in the distribution of income and opportunities have persistently excluded large proportions of the population from the benefits of economic development. These problems were exacerbated in the 1980s when the debt crisis led to a deep economic recession in the region and the beginning of structural adjustment programs. Income per capita declined in most countries, while cuts in public expenditure affected the provision of social services negatively, leading to an increase in poverty and inequality. The early 1990s saw slight recoveries, but the contagion effects of the Mexican crisis in 1995 and the Asian crisis in 1997 brought a new wave of recession.

After the devastating macroeconomic effects of these two financial crises, Latin America experienced the creation and dissemination of a new trend in social policies: the provision of cash transfers conditioned on certain behaviors of the recipients. This type of program was initiated in small-scale at the local level¹ and innovated by addressing demand-side constraints for structural poverty reduction. Its rationale was to provide an incentive scheme which combined the short term objectives of safety nets with the long term goals of building human capital and breaking the vicious intergenerational circle of poverty traps.²

The operation of conditional cash transfers (CCTs) consists in the provision of money subsidies to targeted households, provided they assure school attendance of their school-aged children and, in some cases, make periodic visits to health centers and attend

¹ Some municipalities in Brazil introduced conditional cash transfers as early as 1995, being followed by several local programs in that country before the first nation-wide program appeared in Mexico.

² A number of studies have identified schooling as the strongest correlated variable with poverty in Latin America (Fizbein and Psacharopoulos, 1995; CEPAL, 2002). This correlation has serious implications in a region where broad levels of access to basic education are counterbalanced by dramatic repetition and drop-out rates positively correlated with the socioeconomic status of students. Poorer students tend to repeat more grades and drop out earlier from school than their better-off colleagues. And the economic reasons associated with school drop-out can be particularly aggravated in periods of economic recession. Besides the direct costs of schooling, children's opportunity costs can be significant. Since the most abundant asset of the poor is labor, the usual coping strategy for economic shocks among poor households is the intensification of female and children's participation in the labor market. Both might end up leading to school drop-out, either because the child needs to engage in full-time income-earning activities herself or because, in the absence of adequate childcare services, older children must be pulled out of school to look after younger siblings. Thus, a vicious circle of poverty is established and children born in poor households might have few chances to escape this intergenerational trap.

other health-related activities. As such, CCTs aim at responding to two interrelated problems: the failure of universal social policies in reaching the poor (especially in the areas of education and health) and the failure of the social protection systems in place to provide effective cushion mechanisms during crises.

Although originated with domestic funding, this type of program has received substantial support from the international community. UN agencies and development banks are unanimous in highlighting CCTs as one of the ‘best practices’ of social protection in Latin America. This support is not only rhetorical, but also practical as considerable funding has been given to the dissemination of program experiences, expansion of existing initiatives and replication of similar programs elsewhere.³

A contribution to understanding how and why these programs came about, what they can actually deliver and what are the issues they might arise are the primary objective of this paper. Based upon an analysis of the Mexican Program of Education, Health and Nutrition (Progresa) and the Brazilian *Bolsa Escola*, the paper discusses particular characteristics, selected implementation aspects and contextual factors that help explain the reasons behind the popularity and visibility of conditional cash transfers as a policy option among governments and multilateral donors.

The remainder of this paper is organized as follows: section 2 depicts the policy analysis framework used. Section 3 describes briefly the cases of the Mexican Progresa and the Brazilian *Bolsa Escola*. Section 4 provides a critical assessment of CCTs and analyses the political economy factors related to the emergence of these programs in the context of the cases studied and their subsequent popularity in the region. Section 5 concludes with a summary of findings and some final remarks.

2. Analytical framework

2.1 Understanding policy options: the criteria approach

There is a myriad of criteria in the literature of policy analysis. They range from objectively quantified measures to more qualitative and subjective judgments. This paper adopts a framework adapted from Patton and Sawicki (1996) and Grosh (1995) to develop a

³ To date, there are records of at least nine countries with large-scale CCT programs in the region, either being formulated or already under implementation.

critical assessment of CCTs, taking into account the following elements:

a) political feasibility: dimension related to the distribution of costs and benefits of policies across different groups in society, as well as the motivations, values and relative power of the actors involved.

b) accuracy of targeting: extent of inclusion and exclusion errors, i.e. the undercoverage of the poor or the leakage of program benefits to the non-poor.

c) administrative operability: capability issues related to the implementing agency, as well as institutional commitment and support that relate to the actual prospects and bottlenecks for bringing a policy out of paper and into the real world.

d) adequacy: concerned with the extent to which a particular policy is in line with the problem to be solved, i.e. the fit between problem and proposed solution.

d) collateral effects: indirect impacts and externalities of the intervention, which can be negative, positive or neutral.

2.2 Understanding policy choices: factors that shape decision-making

This paper also uses the framework proposed by Grindle and Thomas (1991) to discuss the factors behind the popularity of CCTs as a policy choice in Latin America in the late 1990s. According to this framework, policy change is a continuous process affected by many intervening variables. Particularly relevant are the environmental context of the policy, its agenda-setting circumstances and specific characteristics.

Decision-making, although closer to a series of formal and informal steps than to a single moment in time, does not happen in isolation from the environment. Historical, political, institutional and bureaucratic contexts combine with the background characteristics and perceptions of decision-makers to create the boundaries of policy-making.

Within this environmental context, there are broadly two types of circumstances for the setting of policy agendas: crisis or 'politics as usual' situations. Crises are perceived as such when outside actions or events bring imperatives of immediate reaction, impinging 'pressing problems' upon governments. In contrast, policy-making in normal times is concerned with 'chosen problems', picked up by decision-makers because of their values and preferences. These two agenda-setting circumstances entail different dynamics in terms

of decision-making and implementation.

In any case, implementation, a crucial determinant of policy success or failure, does not follow automatically from decision-making. On the contrary, getting a policy out of paper involves communication, bargaining, clearance points, compliance and resources. Unexpected reactions may cause delays or even turn a policy into a symbolic initiative, with no practical effects whatsoever. When the stakes involved are high, reactions might have drastic political consequences.

But before implementation takes place, decision-makers shape their choices according not only to the environmental context and agenda-setting circumstances, but also to particular 'lenses' used to assess policy options:

a) political stability and support: explicit or implicit political criteria might help explain choices that do not conform easily to purely technical analyses.

b) bureaucratic implications: concerns in terms of power, prestige and budgets of the bureaucratic constituencies represented by decision-makers, leading to bargaining, rivalries and competition among government agencies and individual bureaucrats.

c) technical advice: a central element of the rational model of decision-making, which gained importance as the world of policy-making grew in complexity and interdependence, resulting in the increasing absorption of technocrats in middle and high-ranking bureaucratic positions, as well as the influence of consultancy services from universities, think tanks and international organizations.

d) international pressure and leverage: element that grew in importance after the introduction of structural adjustment programs in most of the developing world in the 1980s, allowing the conventional expertise power of international organizations and bilateral donors to be enlarged by the 'power of the purse' in terms of loans, access to credit and trade relations.

2.3 Linking options and choices

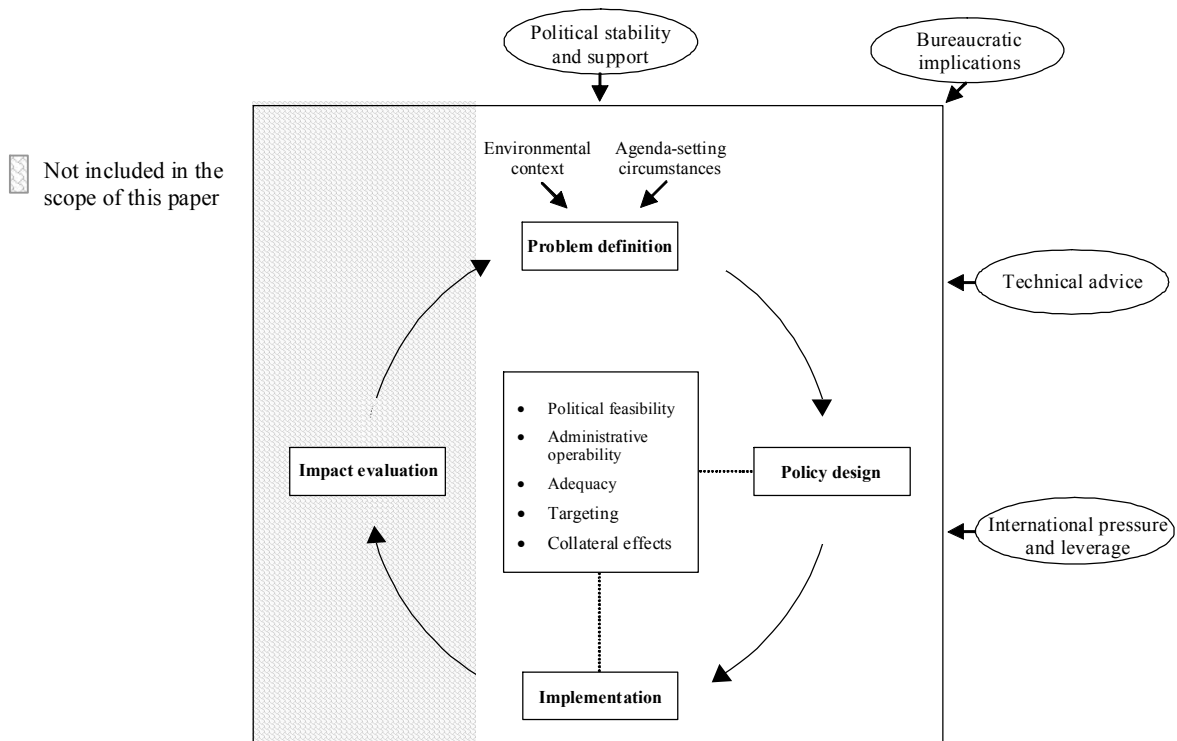
While the criteria framework provides a tool for assessing particular design and implementation aspects of CCTs, the lenses that shape policy-makers' choices bring a

dimension of process into this paper. The elements of these two sets of analytical tools are related in mutual reinforcements and overlaps.

For instance, the criterion of political feasibility is closely connected to the lenses of political stability and support. Underlying both concepts are the notions of constituencies and stakeholders. Administrative operability, in turn, is linked to bureaucratic implications, as organizational capacity and institutional commitment permeate them. Adequacy is primarily a function of technical advice, since the fit between problem and response depends on precise diagnostics for policy formulation. Targeting is simultaneously related to bureaucratic implications (in the sense of capacity), technical advice (in terms of accuracy) and international leverage (as donors are its notorious advocates).

With these multiple relationships in mind, the analytical framework of this study is represented below:

Figure 1: Analytical framework



3. CCT pioneers: Mexico and Brazil

Mexico was one of the first countries to introduce a nation-wide CCT program, the Program of Education, Health and Nutrition – *Progresa*, in 1997.⁴ Brazil followed in the late 1990s and, in 2002 reached the impressive number of five million families benefited with the Brazilian federal *Bolsa Escola* program.⁵

3.1 Mexico's *Progresa*

Progresa was launched by former President Ernesto Zedillo in August 1997. Zedillo had taken office in December 1994, amidst a political and economic turmoil (Menocal, 2001). The country was facing a time of high profile political assassinations and kidnappings, growing corruption and violence associated with drug trafficking. In that same year, a leftist uprising had emerged in Mexico's poorest state. And Zedillo himself had no strong backing from his own party, the all-powerful Institutional Revolutionary Party – PRI, which had ruled the country since the 1920s blurring the boundaries between the party and the state.

Only a few weeks after Zedillo's inauguration, the crash of the Mexican peso reversed the patterns of economic recovery from previous years, leading the country to a severe crisis. The downturn had tremendous contagion effects for the whole of Latin America and resulted in Mexico's recurring to a bail-out from the IMF and the US under conditions of austerity as harsh as the first years of structural adjustment (Yaschine, 1999).

Therefore, Zedillo's initial concerns were focused on achieving some political and economic stability for the survival of the regime. He took a series of decentralizing reforms at all levels, with the aim of redistributing some power traditionally overconcentrated in the presidency and dissociating his administration from the widely condemned practices of corruption and patronage of the PRI.

Progresa was launched as an innovative and apolitical program for poverty reduction. It was a targeted initiative, aiming at replacing the highly regressive and urban-

⁴ In 2002, the Mexican government transformed *Progresa* into a new program called *Oportunidades* (Opportunities). The basic features of *Progresa* were maintained, but its coverage and scope were expanded so as to reach urban areas, achieve greater coordination with other initiatives and include transfers and a savings component for upper secondary students.

⁵ In 2003, *Bolsa Escola* (School Stipend) was unified with other federal CCTs, in a program called *Bolsa Familia* (Family Stipend).

biased general food subsidies in the country (Scott, 1999). It consisted on cash and in-kind transfers to beneficiary households, conditional on school attendance by the children of those families up to the age of 18 and regular visits to health centers by all its members.

Through its educational component, the largest one in budgetary terms, Progresa granted bimonthly cash benefits for each one of the beneficiary children enrolled in grades 3-9, up to a maximum amount per family, and additional cash support for school material to primary school students. Its health component combined primary health care, informative sessions and periodical check-ups for individuals of beneficiary households. The nutrition component included cash transfers and nutrition supplements to under-five children, pregnant and lactating women (SEDESOL, 1999).

Besides this integrated approach, Progresa had a positive gender bias, for the cash benefits were addressed to the female heads of the recipient households. Moreover, the value of cash transfers for secondary students was around 15% higher for girls than for boys, in a clear recognition of the higher risks of drop-out faced by them (CEPAL, 2002) and the positive externalities generated by higher female educational attainment.

The apolitical claims of Progresa were related to its targeting and transfer mechanisms, intended to eliminate the discretionary management of public funds of which previous programs had been commonly accused. The selection of recipient households was carried out in three steps (Skoufias et al, 2001). First, communities to be targeted by the program were selected on the basis of a composite measure of deprivation derived from census data. This provided the criteria for a geographical targeting to highly deprived areas.⁶ The second step consisted in the selection of beneficiary households within the targeted communities, on the basis of household surveys. The central criterion used in this step was the household income per capita, which was compared to a poverty line based on the costs of a basic food basket. Other socioeconomic characteristics of the household (such as size, composition, assets, occupation and educational status) were used as discriminants in a statistical method of scoring. The final step of targeting in Progresa involved an element of community participation: before their actual inclusion in the program, the list of selected households was presented in a community meeting which should review the

⁶ But a high score in this index might not be sufficient to bring a community into the program. It had to be coupled by the actual existence of education and health services in that region, so as to allow beneficiary households to meet the conditionalities inherent to Progresa.

accuracy of the selection.

As for the actual transfers, they were directly addressed from the national program coordination to recipients, without intermediation through state or municipal budgets. Beneficiaries would collect their transfers every other month in organizations contracted for this purpose, such as post office branches or banks.

Progresa adopted a gradual approach to implementation. At its start, it was implemented in eleven states and benefited 300,000 families in rural areas. In 2004, already under the name of *Oportunidades*, the program reached more than 5 million households in all 31 Mexican states, including urban areas (SEDESOL, 2005). Its coverage today represents more than 20% of the Mexican population. (Rawlings and Rubio, 2004)

In organizational terms, Progresa was set up as an inter-institutional program under the coordination of the Ministry of Social Development. The program also required a network of interlinkages and cooperation with state and municipal governments for its implementation,⁷ as well as the participation of beneficiary communities themselves (Scott, 1999). In this sense, a key element in the operation of Progresa was the local *promotora*, a program participant selected by her fellow beneficiaries to function as a liaison between themselves and Progresa's staff, providing information for both sides on operational aspects and problems (Adato, 2000).

International recognition did not take long to arise, due to its innovative and alleged transparent features, as well as the evidence of positive impacts emerging from carefully planned evaluations. As a result, in 2002 the Mexican government contracted its largest loan ever from the IDB, totaling US\$1 billion, for the purposes of expanding Progresa's scope and coverage in the framework of the new *Oportunidades* program (IDB, 2003a).

Gradually, Progresa became the centerpiece of the targeted poverty reduction strategy in Mexico. As such, contrary to the usual policy discontinuities of Latin America, the historic electoral defeat of the PRI in 2000 did not threaten its continuation, as the program was already well established and widely praised as a successful model in the development practice of Latin America.

⁷ States are responsible for the delivery of health and education services in Mexico, thus representing the supply side of Progresa's conditionalities. Municipalities had a limited role in assisting with Progresa's activities at the local level.

3.2 Brazil's *Bolsa Escola*

Bolsa Escola was preceded by relatively successful programs at the local level. Since the mid-90s, Brazilian municipalities had introduced cash transfers conditioned on school attendance with relatively good results and high visibility in the media. Sedlacek (2000) reported that in 1998 more than 60 local CCT programs were already in operation in the country, covering around 200,000 families. These programs varied in their primary focus (safety net or access to education), but their main features did not differ significantly from Progres's educational component.

In 2001, President Fernando Henrique Cardoso was responsible for the introduction of *Bolsa Escola* nationally, building upon a smaller program which transferred resources for municipalities to implement their own CCTs. The program was created through a presidential measure, with financial support from the newly created Fund for Eradicating Poverty⁸, and was transformed into law less than four months later.

By the time *Bolsa Escola* was launched, the Brazilian economic context was not as negative as 1997 in Mexico, but the macroeconomic stabilization package which had been in place since 1994 was showing some shortcomings. (Lahóz, 2002) Also, presidential elections were scheduled for 2002 and the political scenario for the right-center government party was quite unclear. Interestingly, at the time of *Bolsa Escola*'s introduction, the minister in charge of its implementation (Education) was presumed one of the possible government candidates for the presidential elections. Another minister (Health) also intended to dispute the position of official candidate and created another large-scale CCT program related to health and nutrition (*Bolsa Alimentação*).⁹

The proximity with the electoral race might help explain the speed with which *Bolsa Escola* was implemented. Launched in February 2001, by the beginning of 2002 the program had reached more than five million beneficiary households in almost all the 5,565 Brazilian municipalities (MEC, 2002a).

Bolsa Escola granted monthly transfers to poor households with children aged 6-15

⁸ This fund, expected to last until 2010, was created through a constitutional amendment with the objective of targeting resources to the poorest groups of the population. It was financed through a tax increase.

⁹ The minister of health finally became Cardoso's party candidate, but ended up losing the elections for the left-wing Luis Inacio Lula da Silva.

enrolled in grades 1-8, on the condition that they had at least 85% of attendance in school. As in Progresá, the transfers were addressed to the female head of the household, with no intermediation through subnational budgets. But differently from the Mexican case, whose transfers could add up to US\$ 60, *Bolsa Escola*'s transfers reached only up to US\$15 per family. There were no variations on the transfers by age, gender or geographical location, but the decentralized fiscal arrangements in place in Brazil allowed the national program to be combined with local ones. Thus, richer states and municipalities might top up the transfers or expand coverage.

For the operation of the program, the government established a poverty line of US\$30 per month per capita, half the minimum wage at the time when the program was introduced.¹⁰ Estimates of the target population in each municipality were calculated on the basis of national household sample surveys, the population census and the annual school census, so as to determine numerical parameters of coverage. But the implementation of targeting at the household level was left to the municipal governments, with no detailed requirements of the federal administration other than the respect to coverage estimates. Thus, local practices for targeting have shown considerable variation. In some places, the identification of beneficiaries was handled by the schools themselves; some municipalities have implemented queuing as a self-targeting mechanism; others reported to implement geographical targeting and household visits. A fairly sophisticated management and information system was developed to prevent multiple registers for the same household, but there seemed to be repeated cases of exclusion of potential beneficiaries because the municipality had reached its coverage estimate (MEC, 2002b).¹¹ On the one hand, this problem might have been related to failures in the estimates, which have proven to be quite sensitive depending on the data sources used and methodologies employed.¹² But on the other hand, they could be also due to the inaccurate targeting methods employed, which potentially caused significant errors of leakage and undercoverage.

¹⁰ As yet, Brazil does not have an official poverty line. The monetary threshold for participation in *Bolsa Escola* was annually established by the the government and despite small increases in the minimum wage after the program started, it was never adjusted. *Bolsa Família* adopted a very similar approach, with a fixed eligibility threshold of around US\$ 37 per month per capita.

¹¹ With *Bolsa Família* this became a technological challenge – integrating the different MIS involved in the CCT programs it unified was a rather complex task and numerous cases of double registers were identified.

¹² Simões (2003) argues that a recalculation of coverage estimates undertaken by the federal government in the second year of *Bolsa Escola*'s implementation showed variations of between 24% and 143% across the Brazilian states, due to the use of different databases and methodologies.

In order to participate in the program, municipalities had to create a community council of social control. This council should be made up of at least 50% of representatives from the civil society and was regarded as the main instrument for community participation in *Bolsa Escola*. Its tasks included the approval of the list of beneficiaries and the monitoring of attendance reports provided by schools.

Bolsa Escola was coordinated by the Ministry of Education and the operation of the transfers was contracted out to a public bank with wide capillarity in the national territory, through its own branches or franchise outlets in local stores. This institutional location pointed out to the primary educational focus of the program, which changed to a broader approach with the introduction of *Bolsa Família*.¹³

Bolsa Escola was initiated with domestic resources, but by the end of 2003 *Bolsa Família* had attracted a US\$500 million loan with the IDB and another US\$ 500 million loan with the World Bank for improving the CCT initiative in respect to targeting, impact evaluation, institutional organization and management.

4. The claims *versus* the evidence: understanding the emergence and popularity of CCTs

Based on a purely rational analysis, CCTs appear to be attractive social programs, which presumably scored better than possible alternatives considered by the governments of Brazil and Mexico at the time of their introduction. No published information describes the decision-making processes that took place in these countries for the adoption of *Progres*a and *Bolsa Escola*. Hypothetically, however, at least one clear alternative was at hand for policy-makers: not introducing any new social program. In this sense, governments could have chosen to boost existing education or health interventions with the funding that was used to start up the new CCT programs. While this option could seem easier than designing whole new programs, it was likely to be less visible as well and focus only on supply-side issues.

To understand how these programs got replicated across the region, it is important to bear in mind that the appeal of CCTs has much to do with their potential to tackle one

¹³ *Bolsa Família*, besides comprising health-related conditionalities, adopted a coordinated approach with other social programs and considerably expanded coverage and the size of the transfers. It is today the largest CCT in place, both in terms of coverage and financing.

key issue in the perpetuation of poverty in Latin America (i.e. educational attainment) and their fit into the current mainstream discourse on poverty reduction. Elements such as gender, human capital, community participation, empowerment and targeting are all included, to varying degrees, in CCT programs. But, there are high administrative requirements associated with the set up of conditional subsidies. There can also be significant political economy issues involved in these programs.

In terms of results, although CCTs are quite recent initiatives, initial evaluations have shown positive effects on school enrollment and nutrition patterns (Rawlings and Rubio, 2004; Morley and Coady, 2003; Guerrero, 2001; Sedlacek et al, 2000). The evidence regarding the impact on child labor is not conclusive, since school attendance can be frequently combined with work (Bourguignon et al, 2002). The impact on poverty reduction is still not so clear. In the short run, the magnitude of effects on poverty rates varies by program. In the long run, the translation of higher educational attainment into higher earnings cannot be taken for granted, as it is mediated by the quality of the education received, rates of employment, absorption of skilled labor in the economic structure and general rates of return to education (Bourguignon et al, 2002; CEPAL, 2002).

All in all, the reasons behind CCTs' popularity might not be related only to their basic characteristics. Using the analytical framework presented before, this section discusses also implementation aspects and contextual factors that might help explain the reasons behind the popularity and visibility of these programs as a policy option among governments and multilateral donors.

4.1 Context, agenda-setting circumstances, political support and feasibility

The Mexican crisis of 1995 had very serious proportions, but by the time Progresas was launched, the country had already overcome its most drastic aspects. Similarly, when *Bolsa Escola* was initiated, Brazil was facing a downturn, but due to the macroeconomic stabilization achieved the situation was nonetheless better than the devastating crisis of the 80s. Still, Latin America as a whole was plunged in a repetitive circle of small recoveries followed by downturns. In this context, what are the factors that seem to have shaped decision-makers choices towards CCTs?

Electoral concerns seem to have had a marked importance in both countries. Cash

transfers establish a direct and regular link between the government and beneficiaries and *Bolsa Escola* could make this very visible, through a magnetic card which reached five million households one year before presidential elections. Thus, the logic of the program seems to have been to preserve or win votes for the government party through the maximization of the number of beneficiaries, even if the amount of the transfers was kept rather low. As for Progresa, although the program was launched in the middle of Zedillo's term, its greater expansion in coverage took place in the two years that preceded elections. While the program's implementation showed some positive changes in relation to the clientelistic practices of previous interventions, Menocal (2001) shows that its expansion did not follow only poverty indices; it had a political rationale behind it. The government set up a strategy of winning votes through establishing a wide network of beneficiary households in PRI-dominated states and 'punishing' (by smaller coverage expansions) states dominated by the main opposition challenge in the presidential race, the National Action Party (PAN).

Therefore, it seems that the lenses of political stability and support played a key role in the creation of CCTs. The stakes involved were not the survival of the regime per se, but the maintenance of the government parties in power, given the limits set by the democratic game. Interestingly, in Brazil and Mexico alike, the government candidates lost the electoral races, but, as mentioned above, this development did not compromise the continuity of both CCT programs studied. After the changes in the Mexican and Brazilian administration, Progresa and *Bolsa Escola* were renamed and experienced considerable improvements, but their basic features and rationale were maintained.

The political feasibility of this type of program seems to be quite high. Linking cash transfers to a certain desirable behavior highlights the co-responsibility of beneficiaries in their own well-being and a move away from the notion of paternalistic social assistance (Coady, 2003). Perhaps due to the ideological proximity with the liberal welfare model of the US¹⁴ or the prevalence of a neoliberal macroeconomic framework in the region, it looks like Latin Americans in general have a strong negative view of policies which create

¹⁴ In exploring the results of a recent survey on public attitudes in the region, Graham (2002) argues that Latin Americans show striking similarities in perceptions of poverty with US citizens: around 36% of both groups state that poverty is due to lack of effort by the poor themselves.

dependence of recipients, rather than empowering them to do without state support (Grosh, 1995).

At the same time, there appears to be a broad consensus on the ‘public’ nature of goods such as education or health (Graham, 2002). In this sense, the fact that CCTs are related to poor children’s present living conditions and future human capital (with presumably positive effects in competitiveness) make them even more acceptable. They are seen by the elites as a way of helping the ‘deserving poor’ to escape poverty and, simultaneously, boosting the elusive phenomenon of sustained growth.

The importance attributed to this ‘co-responsibility’ component was felt by the Brazilian government in late 2004. When *Bolsa Família* replaced *Bolsa Escola* and other sectoral CCTs in Brazil, it began an accelerated expansion in coverage so as to reach the goal of 11.2 million families by 2006. The initial position adopted by the Ministry of Social Development (the government agency in charge of *Bolsa Família*) was that monitoring if beneficiaries were indeed complying with the program’s conditionalities was not the primary focus of the program: the cash transfer provided by *Bolsa Família* was to be seen as a citizenship right, in a basic income approach, and the conditionalities were simply a reinforcement of basic universal rights.¹⁵ Nevertheless, the media and the general public do not appear to have accepted this perspective. When the news that the federal government did not actually verify if beneficiary families were ensuring their children’s attendance to school and visits to health centers reached the papers, opponents from the left and the right united to accuse the government of transforming a genuinely innovative intervention into a mere paternalistic handout program. Urgent measures had to be taken so as to create a system, although fragile and imperfect, to monitor these conditionalities and, in case they are not met, to take proper measures (eventually leading to the suspension of benefits).

Besides the value given to the accumulation of human capital among poor children, one could speculate that the growing rates of urban violence in Latin America and the

¹⁵ Basic education and health care to all are enshrined rights in the Brazilian constitution. Moreover, in the beginning of 2004 the country had passed a legislation which assured to all Brazilians the right to a guaranteed basic income so as to cover basic citizenship rights (food, education and health). The legislation establishes that this basic income is to be introduced gradually, giving priority to the neediest population. This law had been under discussion in Congress for over ten years and it was only after Lula became President that it was finally approved and sanctioned. The understanding of the main supporters of the law was that *Bolsa Família*, although targeted to the poor, was a first step in the direction of this national basic income which would later become universal. (Suplicy, 2004)

widespread notion that they are associated with poverty and inequality might contribute to the political feasibility of CCTs. Fear might contribute to the elites favoring public policies directed to address poverty and, particularly, to keep poor children and adolescents in school. In this sense, the successors of Progresa and *Bolsa Escola*, which were initially more concentrated in the poorest rural areas, promoted considerable coverage expansions towards urban and metropolitan areas.

Thus, despite being originally created through redistributive mechanisms (tax increase or reduction of subsidies), CCTs were in line with the values of policy elites and their constituencies.

In the particular case of Brazil, two other elements of political feasibility should be noted. The successes of local CCT programs had been widely disseminated by the media, which contributed to an increasing degree of support from policy and economic elites to this kind of intervention. In this sense, Pritchett (2005) argues that perceptions of effectiveness and fairness do affect the political viability of a targeted program. Additionally, the decentralized operation of *Bolsa Escola* allowed municipalities to share the credit for it and manage a crucial political instrument: the identification of beneficiaries at the local level.

4.2 Targeting

CCTs targeting experience needs two separate assessments. One for what CCTs stated in theory, another for what was really done in practice. In theory, CCTs strived for the most accurate targeting to the poor. Progresa combined geographical targeting with proxy means tests and community participation so as to identify its beneficiaries. *Bolsa Escola*, in turn, adopted a poverty line approach and community control to targeting. From the start, however, both programs incurred in undercoverage of poor households, as Progresa did not serve areas unattended by health and education services (usually the remotest communities) and *Bolsa Escola* excluded families without children in school as well as marginal groups outside conventional households, such as street children.

In practice, the targeting mechanisms employed had serious flaws. Although studies showed that poor households received twice as much in Progresa than they would in the absence of targeting and that Progresa's methodology outperformed other targeting

methods (Coady et al, 2002; Skoufias et al, 2001), community reviews did not take place as originally envisioned. According to a study carried out by Adato (2000), only selected beneficiaries were informed of the meetings, while non-beneficiaries were generally not encouraged to attend. As such, these community reviews might have functioned as legitimizing instances for the previous “scientific” steps of targeting, instead of fulfilling their role of transparency, participation and accountability. Moreover, the general perception on Progresa at the grassroots level was of an unfair targeting system, where ‘needy’ households were excluded and, to a lesser extent, not so ‘needy’ ones were included.¹⁶

In *Bolsa Escola*, the problems were even more serious, as there were no agreed procedures for municipalities to implement targeting and the control at the federal level comprised only consistency checks on the number of beneficiaries through local aggregate indicators of affluence (Bourguignon et al, 2002). Thus, there could be significant room for political patronage and leakage of benefits, especially considering the speed with which the program was implemented.

Mistargeting was also an important issue in the implementation of *Bolsa Escola*'s successor. As *Bolsa Escola*'s decentralized targeting practices were maintained by *Bolsa Família*, there have been numerous accusations of deliberate inclusion and exclusion errors. As stated before, the initial view adopted by the government on *Bolsa Família* was close to a basic income approach that eventually would move towards becoming universal. Thus targeting was not considered a desirable element of the program, but a necessary mechanism to implement it under budgetary constraints. Narrow targeting and means-testing were not valued by the agency in charge of the program. In fact, the word ‘targeting’ itself is not used by the implementing ministry of *Bolsa Família*. The social assistance programs it implements are described as universal rights, available to all who need them, and *Bolsa Família* is legally set under the framework of a national policy on citizenship basic income. However, public opinion has repeatedly demanded that tighter and more

¹⁶ The main reason mentioned for exclusion errors referred to the use of household surveys. Some of the poor people were not at home when the survey enumerator passed by; others did not answer the survey because they did not know its purpose; others overstated their resources because they were ashamed of their own degree of poverty; finally, there were cases where the respondents did not understand the questions because of language problems (a great part of Progresa's target population belonged to indigenous groups).

transparent procedures be used to screen potential beneficiaries. Notions that the program's implementation suffers from 'unfairness' and patronage seem to be the drives behind these claims. Moreover, there appears to be an implicit and unresolved tension between two distinct notions of the program: as a basic right or as a response to a need.

4.3 Bureaucratic implications and administrative operability

Both Progresa and *Bolsa Escola* were integrated into existing line ministries, as regular government programs. The acceptable capacity levels of central ministries in middle-income countries might be related to this, since later CCT initiatives implemented in different settings were placed in departments directly linked to the top executive office (Ayala, 2003).

Regarding administrative operability, CCTs might entail considerable costs and capability requirements, especially in their initial set-up. These programs involve relatively complex mechanisms for targeting and logistics for the delivery of transfers, besides the need of good coordination with service providers in health and education for the tasks of monitoring and supervision. As they expand, however, there can be economies of scale, which might contribute to keep overall administrative costs low¹⁷ (Morley and Coady, 2003). The complexities related to the set-up phase, however, are a possible explanation for their initial introduction in middle-income countries. As CCTs expand to poorer countries and broaden their scope in the original programs, they rely increasingly more on external funding and design (Ayala, 2003). The recent IDB loans to Brazil and Mexico illustrate this point, as well as other externally funded CCT experiences in Latin American countries inspired by the Mexican initiative.¹⁸

Integration of CCTs in line ministries' activities was the way pursued in Mexico and Brazil. While this might increase prospects of sustainability and institutionalization of these programs, important administrative challenges remain. For instance: cost-effective

¹⁷ Detailed cost information is only available for Progresa. According to Morley and Coady (2003), administrative costs averaged 9% of total program costs, of which around 30% were related to household targeting and 5% to geographical targeting. The remainder of administrative costs reflects monitoring of conditionalities compliance, delivery of transfers and follow-up operations.

¹⁸ However, Morley and Coady (2003) make the point that CCTs are a fairly affordable and effective anti-poverty intervention, which do not require complex bureaucracies, except for initial set-ups, and need little international technical assistance for design or management (as the home-grown experiences of Mexico and Brazil show).

mechanisms for monitoring the compliance of conditionalities, which are at the same time timely and accurate, still need to be designed (and as discussed above, are crucial for political acceptability). Coady (2003) outlines the difficulties of this task, as households and service providers alike face incentives to report compliance, either because of the consequences of benefit withdrawal, in the first case, or because of community pressure and control mechanisms of excessive demand, in the second group. Also, no clear formula seems to be in place to determine the optimal amount of the transfers. In Mexico, the differentiated size of transfers by age and gender signaled an attempt of covering the opportunity costs of children's education; but in Brazil the flat subsidy at a rather low value indicated an attempt to maximize the number of beneficiaries across the country.¹⁹ In the same way, there were no consistent rules and procedures being followed for the inclusion of new beneficiaries in already served communities or for the exclusion of recipients after a certain period of permanence in the program and/or due to improvements in their socioeconomic status.²⁰ Although these issues point out to administrative obstacles, they are also closely connected to political economy considerations, which affect the program's political feasibility. Recertification of beneficiaries might create tensions with current recipients, highlighting the potential conflicts between the counter-cyclical nature of safety nets and a natural trend of transfers to be perceived as permanent entitlements. It can also lead to considerable budgetary redistributions across states, a particularly sensitive issue for federal governments (Morley and Coady, 2003).

4.4 Adequacy and collateral effects

In terms of adequacy, CCTs have the advantage of tackling several problems in a single policy. They can effectively provide additional income to poor households, as they employ direct transfer mechanisms to beneficiaries. They also have significant impacts on human capital in general and schooling in particular. For instance, a synthesis of Progresa's results provided by Coady (2003) shows that the program yielded significant impacts on the nutrition of infants, improved the health status of beneficiaries of all ages and increased

¹⁹ *Bolsa Família* was able to increase the value of the transfers significantly, through the rationalization of costs.

²⁰ Progresa's (as well as *Oportunidades*'s) regulations establish recertification of beneficiaries every 3 years, but as yet these procedures have not been fully implemented. *Bolsa Escola*'s (as well as *Bolsa Família*'s) regulations, on the other hand, are silent on this.

school enrollments by 7-9%, particularly in the transition for lower secondary education, a common point of student drop-out. These human capital gains are relatively permanent, yielding benefits long after the transfers have ceased (Székely, 2001).

Also, since CCTs are handed out in cash, they entail less transaction costs than in kind transfers. And the direct transfer to the mothers might bring efficiency gains, for they presumably have better information on family needs than governments (Ayala, 2003).

Nevertheless, as much as these programs try to bridge important gaps in social provisioning for poor households, they can only be an adequate solution where no supply biases and geographic barriers exist. In this sense, CCTs are cheaper than school building, for instance, but they can only work where schools already exist and are able to respond to the increase in demand that these programs might generate. Thus, CCTs can only be complements to broader social provisioning, never substitutes. As such, a crucial question that remains refers to the need of conditionalities in the first place. The assumption behind CCTs is that poor households would not automatically choose to invest in human capital, but this cannot be taken as given. Would the same impact of CCTs not be obtained through unconditional transfers combined with significant improvements in the delivery of social services? While this might be a logical question on the viewpoint of adequacy, the criteria of political feasibility (acceptability to the general population) and administrative operability (introducing a new program, even if complex, might still be easier than reforming existing supply-side policies) might help explain the inclusion of conditionalities in their design.

According to Morley and Coady (2003), as a safety net mechanism, CCTs might not be adequate to shield the poor from temporary macroeconomic shocks or natural disasters, as cyclical contractions or expansions are sensitive issues. Rather, they appear to be an effective mechanism to boost social development by tackling one structural cause of poverty. Other emergency safety nets have to be in place for short-run causes of deprivation, as well as different structural factors related to it. And even as an incentive for human capital accumulation, CCTs face an inevitable trade-off between two central goals: education and poverty reduction. If beneficiaries are limited to subgroups with low enrollments, the educational impacts of these programs will be more significant, but the aggregate poverty impacts will be smaller due to greater undercoverage rates. Conversely,

as more beneficiaries are included, more transfers are addressed to groups who already have high enrollment rates, thus minimizing educational impacts. This trade-off is particularly important for middle-income countries, like Brazil and Mexico, which have significant poverty indices and high enrollment rates.

In relation to collateral effects, one can consider the general positive impacts of CCTs on women. Addressing the transfers to the female heads of households was mainly motivated by previous evidence on better prospects for translating resources into higher levels of well-being for the children if those were controlled by the mother instead of the father. But this design component additionally contributed to empowering women beneficiaries, who had their role in household decision-making increased by receiving the transfers, participating in the programs' activities and so on (Adato et al, 2000; Coady, 2003). There could also be positive multiplier impacts on the local economies of areas served by CCTs.²¹ In Brazil, two additional collateral effects have been generally highlighted: incentives for civil registration (as official documents are required for the mothers to collect the transfers) and increased access of the poor to the financial system (as beneficiaries receive the transfers through magnetic cards of individual bank accounts).

But CCTs also entail costs to beneficiaries and their communities. At the individual level, there are private costs in terms of time and money for households to meet conditionalities and collect transfers, which again affect particularly women. At the community level, Adato (2000) reports adverse impacts of household targeting on social relations, which might undermine community cohesion and solidarity. There have been also reported problems of abuse of power on the part of the community *promotoras*, as well as teachers and health personnel, who are responsible for reporting compliance to the conditionalities. Scott (1999) argues that this problem could be significantly aggravated since teachers or nurses tended to be also *promotoras*, due to their higher levels of capacity and community involvement. The new *Oportunidades* program tries to address this issue, by replacing the individual *promotoras* for local committees.

4.5 Technical advice and international leverage

Besides political considerations, technical advice seems to have played an important

²¹ On the negative side, cash transfers might create inflationary pressures in the communities where they operate, but the evidence from Progresas's evaluations did not point in that direction (Handa et al, 2001).

role in shaping the decisions which led to the creation of CCTs. Previous studies and research had already shown the correlations between human capital and poverty, as well as the synergies between the components of these programs. Their complex operational design, especially Progresas, resulted from a careful process of trial and error and pilot tests (Scott, 1999; Yaschine, 1999). The inclusion of an experimental evaluation in the initial design of the program illustrates the importance of technical advice in this process, as Progresas addressed one of the most common shortcomings of social programs in developing countries: the lack of reliable and systematic data for impact assessments.²²

International pressure and leverage, in turn, appear to have had a smaller role in the original creation of CCTs than other social safety nets created in Latin America, such as social investment funds. Coady (2003) and Yaschine (1999) point out that the design of Progresas was ‘home-grown’, although the World Bank and the IDB had important roles in encouraging discussions and facilitating meetings between program designers and international experts in the conception stage of the program. The fact that Progresas was fully financed by domestic resources signals in the same direction. It is the same with *Bolsa Escola*: the federal program was mostly inspired by local initiatives, rather than international advice and it relied solely on government financing. International funding was only introduced at later stages of both programs.

However, international leverage seems to be the key factor explaining the replication of these initiatives in other countries in a relatively short time span (the Colombian Families in Action program, created in 2001, the Nicaraguan Social Safety Net, created in 2000, and the Honduras Family Allowance program, transformed into a CCT in 1998, are just a few examples). If the innovative characteristics of CCTs matched many of the concerns of the international agenda on poverty (like participation, gender, safety nets, human development), the visibility of these programs to the international donors was enhanced by at least two other factors: their scientifically ‘proven’ results (which were made possible by the experimental evaluation of Progresas) and the close links of the

²² There was heated debate on the ethical grounds of maintaining a control group excluded from Progresas, just for the sake of evaluation. The government justified this choice on the grounds of budgetary constraints and the control group was eventually covered by Progresas’s expansion. Still, this initial design seemed to cater more for the interests of researchers and policy-makers than for the poor themselves.

program's designers with the multilateral financial institutions.²³ This visibility, in turn, accounts for the high popularity of these programs elsewhere, as additional loans and funds are made available for governments willing to implement them. Moreover, it is translated in considerable efforts of dissemination, as donor agencies increasingly adopt the approach of intermediaries for the diffusion of 'best practices' and the sharing of experiences among developing countries. As CCTs figure prominently among reports of development organizations and international conferences and meetings, a body of CCT specialists emerges and funds are allocated to their replication across the developing world. In the late 1980s and early 1990s, the experience of social investment funds as the main element of social safety nets in Latin American countries was boosted by these same factors. Tendler (2000) sustains that the funds' popularity was related to the way big donors function, rather than to their institutional innovations or results. In this sense, she characterized their popularity as 'supply-driven'.

5. Conclusion

5.1 Summary of findings

Based on an analysis of two pioneer CCT programs, this paper attempted to make a critical assessment of this kind of intervention, identifying specific design and implementation characteristics that help explain their origin and subsequent popularity in Latin America. Special attention was paid to political economy factors that might have contributed for their popularity and visibility among governments and multilateral donors.

The paper adopted a policy analysis framework with two interrelated sets of tools: a criteria analysis and a policy process approach. For the criteria analysis, five were the aspects studied: political feasibility, targeting, administrative operability, adequacy and collateral effects. For the policy process analysis, the environmental context and agenda-setting circumstances that surrounded the creation of these programs were discussed as well as four factors that might shape policy choices. Two of these factors were primarily domestic (political stability and support and bureaucratic implications), one was external

²³ For instance, Zedillo's Under-Secretary for Expenditures, Santiago Levy, considered the intellect behind Progresá's conception and design was a former World Bank researcher.

(international pressure and leverage) and one was both domestic and external (technical advice).

In the criteria analysis, one can say that CCTs presented mixed records. They scored quite high in the political feasibility criterion, but they had a number of unresolved administrative and operational issues. The targeting methods they employed had serious flaws. While they have contributed to empowering women and generating multiplier effects in local economies, they also entailed significant private and social costs at the household and community levels. Also, CCTs were not judged effective safety nets for emergency situations, neither substitutes for supply-side interventions. However, they had the advantage of tackling several problems in a single policy response, combining short-run poverty alleviation through income transfers with demand-side incentives for long-run human capital accumulation. Although there seems to be an inevitable trade-off between these two goals, it is perhaps this combination that accounts for the true innovation brought forth by CCTs, allowing them to play a crucial role in asset-building for the poor and thus effectively contributing to structural poverty reduction.

In the policy process analysis, it was discussed that the environmental context that surrounded the creation of Progresa and Bolsa Escola was one of economic crisis and adjustment. Macroeconomic stabilization was the number one priority of most Latin American governments throughout the 1980s and 1990s and Brazil and Mexico followed the same pattern. However, at the moment of the creation of these programs, perceptions on the acuteness of the crisis might have varied, thus entailing different agenda-setting circumstances. The perceived stakes involved in Mexico seem to have been somewhat higher than in Brazil.

Political stability and support ranked high in both cases, as the CCT programs of Mexico and Brazil had electoral considerations behind their coverage expansions. Bureaucratic implications were not so much of an issue, since Mexico and Brazil integrated their CCT programs into existing ministries. Technical advice was important in both experiences, but technical advice from foreign donors did not seem to play a fundamental role in the initial design of these programs. However, the World Bank and the IDB, in particular, were the main drive behind the international leverage and support which helps explaining the popularity of CCTs across the Latin American region. As these interventions

gained popularity in donor reports and international conferences, and as additional funds and technical assistance were made available for governments willing to introduce them, strong incentives for their replication were created. This illustrates how international organizations are increasingly shaping the discourse and practice of social policy around the developing world (Deacon et al, 1997), but it does not lead to a clear cut conclusion that governments have no choices or room for maneuver in their poverty-reduction policies. The home-grown experiences of Progresa and Bolsa Escola show how this phenomenon can also work the other way around: they were national ‘inventions’ which were ‘bought’ by donors and ‘sold’ as innovative solutions elsewhere.

5.2 Final remarks

As much as CCTs might have an important role in structural poverty reduction, there are limits to what these interventions can achieve. Although low levels of human capital are a central reason for the low incomes of the poor in Latin America, this is only one part of the story. Complementary macroeconomic policies, which take into account the balance between social protection and macroeconomic stabilization, are essential for long-term sustainable poverty reduction (Cornia, 2002). Also crucial are interventions to alter deeply rooted and reproduced inequalities, as well as to foster the accumulation of other assets by the poor (Székely, 2001).

In this sense, the increasing prominence of CCTs in the development agenda of Latin America should be regarded with caution. They can be a step forward conventional safety nets in the direction of ‘enabling springboards’, as devised in a recent World Bank strategy for the social sector (World Bank, 2001b). They can be win-win alternatives for donors and recipients, in the words of Morley and Coady (2003), as the year 2015 draws closer and the advances towards the Millennium Development Goals remain rather disappointing. But they just cannot do it all.

Governments have to consider their own country specificities carefully before adopting CCTs indiscriminately. If the poor are located in remote areas, with no access to social services whatsoever, supply-side interventions might be required before any kind of CCT is put in place. If the quality of public education is at an unacceptable low level, a CCT program will only have symbolic results, with no real impacts in terms of human

capital accumulation. More importantly, if the country's macroeconomic model is one that perpetuates inequality, limits productive investment, restricts employment and generates poverty, CCTs end up functioning as a mere relief measure with localized impacts. In the words of Székely (2001: p.11 and p.27):

Relying on these programs [CCTs] as the full social strategy of a country is like throwing the poor a lifesaver that may keep them temporarily afloat but doing nothing about the storm that is drowning them. (...)

If other elements of the economic environment are not modified, these types of government intervention will always be swimming against the tide.

Unless this is taken into account, CCTs risk remaining only a fashionable set of programs with laudable objectives.

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