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The Latin American experience in fostering inclusion and fighting poverty and inequality through conditional cash transfers

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Objective

- To bring together Latin American experiences so as to draw lessons about good practices, shortcomings and future challenges regarding conditional cash transfers.
- In particular, discuss around the following questions:
 1. What has been done so far regarding cash transfers? What are the best practices?
 2. What are the main impacts of policies implemented?
 3. What is still to be done? In what direction should Latin American countries move forward? What are the future challenges?

1. What has been done? (1)

- Given the greater incidence of poverty in children and adolescents compared to other age groups, as from the mid-nineties LACs have been implementing and expanding CCTs to households with children.
- Almost all LACs currently have some sort of CCT program. They have gradually become important mechanisms within social policies and regional poverty reduction strategies.
- The immediate objective is to reduce poverty and extreme poverty while –in the long run- break the inter-generational transmission of poverty.
- To this end, they include conditionalities related to certain nutrition, education and health objectives.

1. What has been done? (2)

- The expansion of non-contributory cash transfers represented an important step forward in the field of social protection in LA. High coverage of children (Argentina, 80%; Brazil, 70%).
- Integration between contributory and non-contributory components of cash transfers for children (Argentina and Uruguay).
- Existence of an “umbrella program” with different coordinated pillars (education, health, nutrition, employment, housing).
- Unconditional cash transfer component (“dignity” component of the Ethical Family Income Program, Chile).
- Inter-institutional coordination (Uruguay and Chile). Strengthening institutional capabilities of public agencies.

2. Main impacts of CCTs (1)

- These programs cover the most vulnerable households.
- They have positive impacts on welfare, in particular, extreme poverty and inequality.
- As regards longer-term outcomes, increases in primary school enrolment rates and a reduction in malnutrition have been observed. However, the effects on secondary school attendance seem to be less significant.
- The “negative” impacts on labor market (disincentives to work or informality) seems to be, in general, null or very low.

2. Main impacts of CCTs (2)

- In some cases, these transfers also seem to have contributed to eliminating barriers to entry into certain productive activities. They have increased liquidity in the poorest communities, thus favoring trade and development in these areas (ECLAC, 2010).
- This type of transfers guarantees a stable amount of money that does not depend on macroeconomic or labor fluctuations. Short and long term positive impacts.
- Although CCTs have called the technical and political attention of the region, they account for only 0.25% of the countries' GDP, an aspect that restrains the effect they can have on poverty and inequality.

**3. What is still to be done?
Future challenges**

GO BEYOND EXTREME POVERTY

To reach children who are
not covered yet

Move forward from anti-
poverty programs to the
universalization of the
social protection rights for
all children.

Place greater importance to the removal of social exclusion factors

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graph TD; A[Place greater importance to the removal of social exclusion factors] --- B[More integration among different pillars of cash transfers for children (contributory, non-contributory and child tax credit).]; A --- C[Greater integration with other programmes that aim at tackling the social risks faced by families with children.]; A --- D[Discuss the "graduation" rules  
Are they compatible with the aim of improving the families' capabilities to remain out of poverty by their own means?]; A --- E[Dimensions such as child-care, gender inequality and child labor should also be considered a priority in building a comprehensive protection system.]; A --- F[Reduction of the segmentation in the quality of the supply of basic services for targeted and non-targeted populations.];
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More integration among different pillars of cash transfers for children (contributory, non-contributory and child tax credit).

Greater integration with other programmes that aim at tackling the social risks faced by families with children.

Reduction of the segmentation in the quality of the supply of basic services for targeted and non-targeted populations.

Dimensions such as child-care, gender inequality and child labor should also be considered a priority in building a comprehensive protection system.

Discuss the "graduation" rules

Are they compatible with the aim of improving the families' capabilities to remain out of poverty by their own means?

DISCUSS THE ROLE OF CONDITIONALITIES

What are their aims? Foster demand for social services? Get social support?

Do they have an independent impact beyond the cash transfer?

Are governments able to monitor their accomplishment?

How to avoid the exclusion of the most vulnerable families that do not accomplish them?

From the perspective of “conditionality” to the universal right for children to access basic services.

This requires guaranteed access to good quality social services

Some final remarks

- Universalization strategies do not override the aim of creating more and better jobs, and reducing informality and inequality in Latin America.
- Need to integrate public policies so that they become a coherent system of training, employment, social protection and productive development.
- The institutional design is essential to turn such programs into permanent state policies.
- Definition and implementation of a long-term economic development strategy. It is important to recognize the significant heterogeneity across Latin American countries.