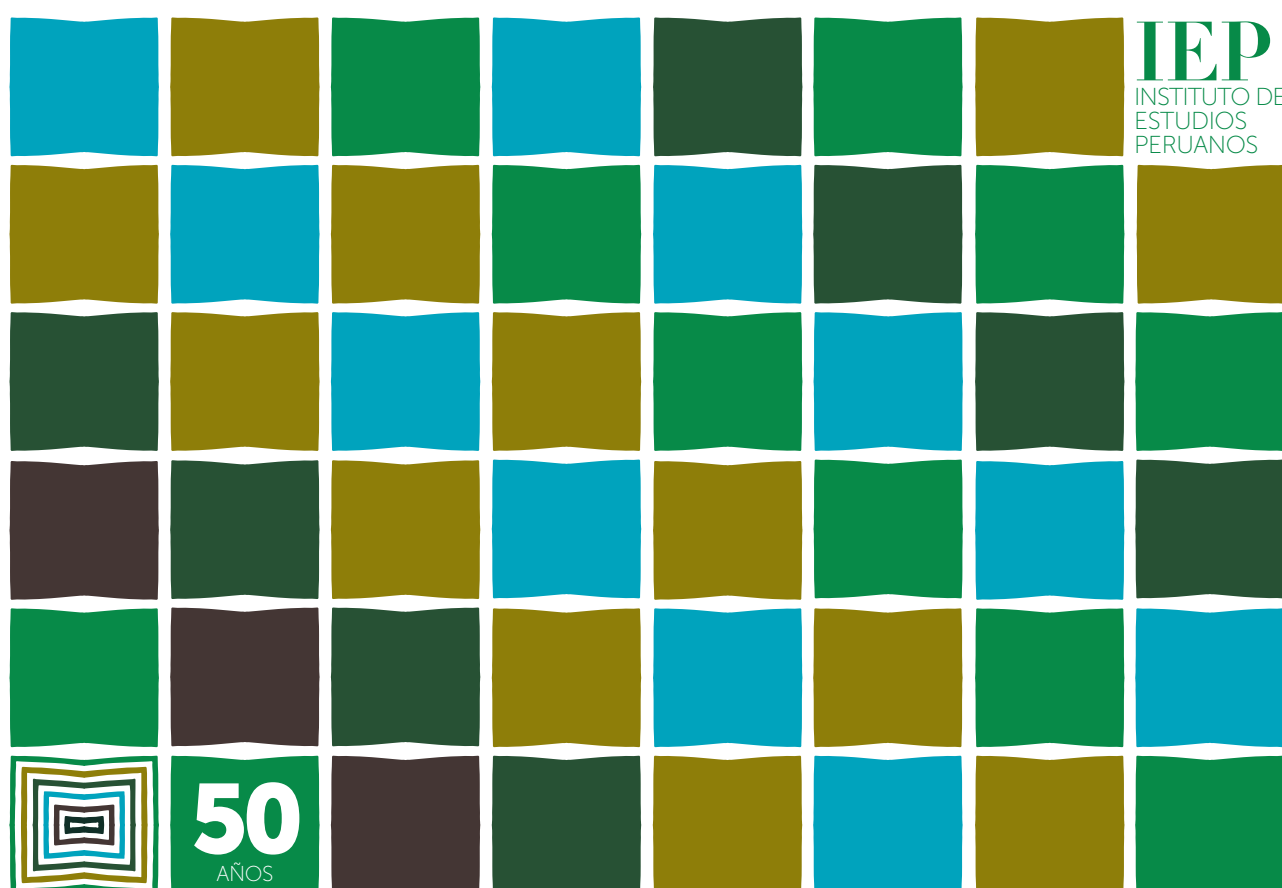


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FROM GOOD SOCIAL POLICIES TO INTERCONNECTED ANTI-POVERTY POLICIES: WHAT WE NEED TO BEGIN THE TRANSITION



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Working Paper N° 209

This paper was prepared with financial support from the Ford Foundation, and its publication was made possible by support from the IEP. Preliminary versions of this paper were presented and discussed at various international events and meetings aimed at creating programs that lead to «graduation» processes in social programs—in other words, sustainable processes of social inclusion. We are grateful for the comments and suggestions received at those events. We take full responsibility for any errors or omissions.

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This document can be accessed in its electronic format at:
<http://www.iep.org.pe/biblioteca_virtual.html>

ISBN 978-9972-51-562-0
Working Paper (ISSN 1022-0356)
Policy Papers Series, 10 (ISSN 1022-0372)
Electronic edition

Lima, February 2016

Design of layout: ErickRagas.com

From Good Social Policies to Interconnected Anti-Poverty Policies: What We Need To Begin the Transition/
Carolina Trivelly & Jhonatan Clausen. Lima, IEP, 2015 (Working Paper, 209. Policy Papers Series 10)

WD/04.04.02/P/10

1. SOCIAL POLICY; 2. RELIEF OF POVERTY; 3. SOCIAL INCLUSION; 4. SOCIAL PROGRAMS; 5. CONDITIONAL CASH TRANSFERS; 6. FINANCIAL INCLUSION; 7. PERU



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After more than 15 years, conditional cash transfer programs have become the backbone of targeted social policies in Latin America. They exist in all countries and have broad coverage; more than 100 million Latin Americans live in households that receive these programs. Policy makers generally agree about the benefits of these programs and their positive impacts on the health and education of children in participating families. But there is also agreement that conditional cash transfer programs are not enough to bring about massive change in the conditions of poverty in which the users live. Debate about how to improve targeted social policies therefore now includes discussion of the need to innovate and create programs that, besides maintaining what transfer programs have achieved, also allow the recipients to begin sustained movement out of poverty. Although some people believe that CCT programs themselves could include the objective of overcoming poverty, discussion focuses on complementary programs that could set poor families on the path out of poverty.

This paper has two objectives: First, to discuss the challenges and the potential of the possible interconnection between targeted social policies and production-oriented policies and programs, especially programs aimed at achieving sustained income generation in the poorest families or providing them with tools for successful inclusion in the financial system; and second, to explore the processes needed to implement these interconnections. We propose a road map that begins with pilot programs, which can become larger-scale social policies with broader coverage after a process of learning and adaptation. This model emerges from two recent experiences of targeted social policy in Peru: the Juntos-Haku Wiñay pilot and the financial inclusion pilot program for users of the Juntos CCT program.



During the past 10 years, social policies in Latin America have shown clear and sustained improvement in implementation and relevance. As a result, these types of policies have made significant progress, which has served as a basis for their expansion. Today they are a key part of social policy in 19 countries in the region and serve more than 100 million people.

Table 1
NUMBER OF BENEFICIARY FAMILIES, BY CCT PROGRAM, LATIN AMERICA 2012

| Country | Program | Families |
|----------------|---|----------------------|
| Argentina | Universal per-child allowance for social protection | 1,897,485 |
| Bolivia | Juancito Pinto Voucher | 392,857 ^b |
| | Juana Azurduy Mother-Child Voucher | 146,384 |
| Brazil | Bolsa Familia | 13,770,339 |
| | Bolsa Verde | 23,000 ^a |
| Chile | Chile Solidario | |
| | Ethical Family Income (<i>Ingreso Ético Familiar</i>) | 170,000 ^a |
| Colombia | Families in Action (<i>Familias en Acción</i>) | 2,790,314 |
| Dominican Rep. | Solidarity (<i>Solidaridad</i>) Program | 755,683 ^b |
| Ecuador | Human Development Voucher | 1,225,929 |



^

| Country | Program | Families |
|-------------|--|----------------------|
| El Salvador | Communities in Solidarity (<i>Comunidades Solidarias</i>) | 105,900 ^d |
| Guatemala | My Secure Voucher (<i>Mi Bono Seguro</i>) | 757,765 |
| Haiti | Ti Manman Cheri | 100,000 ^a |
| Honduras | 10,000 Voucher for Education, Health and Nutrition | 600,000 ^a |
| | Family Allowance Program | 660,790 ^c |
| Mexico | Opportunities (<i>Oportunidades</i>) (formerly <i>Progres</i> a) | 6,500,000 |
| Panama | Family vouchers for food purchases | 9,200 ^d |
| | Network of Opportunities (Red de <i>Oportunidades</i>) | 34,488 |
| Paraguay | Abrazo | 396 ^d |
| | Tekoporã | 99,015 ^c |
| Peru | "Juntos" program of direct support for the poorest Peruvians | 619,735 |
| Uruguay | Family Allowances | 130,784 ^b |
| | Food Card | 62,517 ^d |

a) Projected figures. b) Data as of 2011. c) Data as of 2010. d) Data as of 2009.
Source: ECLAC, compiled by authors.

In general, social policies fall into two main groups. The first includes those with universal coverage, such as social services (contributory pension plans), education and health. The second includes targeted social policies, which are aimed at a population group with certain characteristics associated particularly with their degree of poverty, vulnerability and social exclusion. Conditional cash transfer (CCT) programs are the typical example of targeted social policy, although there are many others. This division between social policy types correlates with government administration; many countries in the region have ministries that provide universal services and ministries of social development—such as Peru's Ministry of Development and Social Inclusion (Ministerio de Desarrollo e Inclusión Social, MIDIS), which oversee targeted services, although some sectorial ministries may also have targeted programs.

CCT programs are the most important targeted social programs, not only because of their achievements, but also because of their scale and budget. The budget allocated to CCT programs in Latin America was more than US\$20 billion in 2011 (see Table 2). They are not the only programs, but they play a key role, along with non-contributory pensions, in most countries in the region.

Table 2
BUDGET ALLOCATED TO CCT PROGRAMS IN LATIN AMERICA, 2011

| Country | Program | US\$ | | % GDP |
|----------------|--|----------------|-----|-------|
| Argentina | Universal per-child allowance for social protection | 2,487,079,774 | | 0.55% |
| Bolivia | Juancito Pinto Voucher | 55,225,312 | | 0.23% |
| | Juana Azurduy Mother-Child Voucher | 25,548,004 | | 0.11% |
| Brazil | Bolsa Familia | 10,331,664,054 | d | 0.42% |
| | Bolsa Verde | 5,298,308 | | 0.00% |
| Chile | Chile Solidario | 173,533,723 | b | 0.08% |
| | Ethical Family Income (<i>Ingreso Ético Familiar</i>) | 400,500,000 | c | 0.11% |
| Colombia | Families in Action (<i>Familias en Acción</i>) | 773,400,799 | | 0.23% |
| Dominican Rep. | Solidarity (<i>Solidaridad</i>) Program | 6,756,330 | | 0.01% |
| Ecuador | Human Development Voucher | 730,444,605 | | 0.95% |
| El Salvador | Communities in Solidarity (<i>Comunidades Solidarias</i>) | 86,421,880 | | 0.37% |
| Guatemala | My Secure Voucher (<i>Mi Bono Seguro</i>) | 101,334,193 | c,d | 0.20% |
| Haiti | Ti Manman Cheri | 13,000,000 | c | 0.17% |
| Honduras | 10,000 Voucher for Education, Health and Nutrition | 27,976,667 | | 0.16% |
| | Family Allowance Program | 32,129,083 | b | 0.20% |
| Mexico | Opportunities (<i>Oportunidades</i>) (formerly <i>Progres</i> a) | 4,862,744,486 | | 0.42% |
| Panama | Network of Opportunities (<i>Red de Oportunidades</i>) | 44,500,000 | d | 0.14% |
| Paraguay | Abrazo | 2,479,766 | a | 0.02% |
| | Tekoporã | 42,454,331 | b | 0.21% |
| Peru | "Juntos" program of direct support for the poorest Peruvians | 229,634,851 | | 0.13% |
| Uruguay | Family Allowances | 215,816,796 | | 0.46% |
| | Food Card | 30,709,398 | a | 0.10% |

a) Data as of 2009. b) Data as of 2010. c) Data as of 2012. d) Spending data.

Source: ECLAC, compiled by authors.

Targeted programs seek to create equal opportunities for the group they serve, so the people who belong to that group gain access to public services to which they are entitled, but which they cannot access because of poverty or exclusion. The targeted programs therefore seek to "level the playing field" so that all citizens can take advantage of, demand and effectively access the universal public services to which they are entitled.

CCT programs have two main objectives. The first is short term and consists of eliminating extreme poverty as quickly as possible. The second is long range and consists of encouraging the accumulation of human capital in the children of user families. CCT programs therefore act on the structure of incentives in the

household, with cash transfers (generally to mothers) that attempt to offset the opportunity cost to the family of sending their children to school. To receive the transfers, parents must also comply with a series of co-responsibilities. These generally consist of ensuring that children attend classes regularly and get health checkups.

There is extensive literature about the impacts of CCT programs on their primary target variables:¹ extreme poverty in the short term, and children's health and education. The literature shows that these programs have achieved their purpose: among children in the assisted households, school attendance has increased and the dropout rate has decreased, more girls are reaching the last years of high school, and more children are graduating from high school. Health care has also increased, especially during the first year of life, and more children are receiving vaccinations.

The literature also reports unforeseen positive effects: greater empowerment of women, people becoming banked or beginning processes of financial inclusion, small investments in home improvements by recipients, greater food consumption,² positive impacts on the recipient families' production activities,³ etc. Of course, there are also negative effects: greater pressure on women, who now have more tasks; children who attend school more, but who must still perform traditional tasks and therefore see these programs as leaving them less time for play; etc. In nearly all the countries, these programs also have helped reduce poverty, especially extreme poverty, and, to some extent, inequality; Brazil is the emblematic case of the latter. We know this now because most of these programs have included evaluation processes—of various types and with different goals—beginning with the design phase, or they have permitted and supported external evaluations.

Based on findings in the literature, we will discuss the challenges of these CCT programs and their potential for serving as the foundation for basic processes for overcoming poverty. We especially want to discuss the potential for interconnecting targeted social policies with more production-oriented policies, with programs aimed at creating sustained income-generation processes among the poorest families, or with initiatives that provide beneficiary families with new tools that facilitate their successful economic inclusion. This paper will also explore the process required for truly implementing schemes for interconnectedness. It proposes a road map for moving from pilot programs to larger-scale social policies with broader coverage. We particularly highlight two recent experiences with social policy in Peru: the pilot program for interconnecting Juntos and Haku Wiñay, and the pilot program of financial inclusion for users of the Juntos CCT program.

This paper consists of three sections, including this introduction. The second section reviews the literature about the impact of CCT programs on different types of variables. This review is divided into three parts. The first explores the literature that has documented the effects of CCTs on their main target variables—extreme poverty and the state of health and education of children in the user families. The second summarizes studies that explore the effect of these types of targeted

1 This point is discussed more extensively in the next section.

2 There is controversy over whether CCT programs have an impact on the composition and quality of people's diets.

3 For a discussion of the possible impact of CCT programs on production in Africa, see Goldstein (2014).

social programs on the production activities of user families and their autonomous income. The third presents a series of studies that examine the effects of CCTs on other human development variables related to women's empowerment, development of the capacity for agency and financial inclusion. This section closes with a discussion of the main challenges for the continued improvement of CCT performance. This is followed by a discussion of the role of CCTs in creating social policy models for achieving «graduation,»⁴ and a presentation of the key elements for launching the process of interconnecting CCT programs and production-oriented programs. The third section also describes policy experiences based on the Juntos-Haku Wiñay pilot graduation program and the financial inclusion pilot program for users of the Juntos CCT program; these two pilots illustrate the way in which the model of interconnecting social programs has been implemented in Peru's recent social policy experience. Taking these two examples as a reference, we then propose a road map for moving from pilots to larger-scale social programs or policies with broader coverage. Finally, we discuss pending challenges for both interconnecting social programs and scaling up from pilot programs.

4 We use the term *graduation* to refer to processes that allow users of certain social programs to no longer need them. It is not the most appropriate term, but we have not found a better one. In the case of Peruvian social policies, we find that the terms graduation or exit from social programs sparked negative reactions, and instead of becoming aspirations for users of social programs, they were seen as threats to the state of welfare—reduced vulnerability—attained through social programs, especially conditional cash transfer programs.



This section begins with a review of the academic literature exploring the effects of CCT programs on different income and human development variables related to the programs' users. This review is divided into three sections: impacts on primary target variables (monetary poverty and children's health and education), economic inclusion variables (production activities, insertion in the labor force and increase in autonomous income), and basic abilities (financial inclusion and empowerment). Based on the evidence presented, we then discuss unresolved challenges for CCT programs and their potential role in becoming platforms for interconnecting production-oriented initiatives that enable people living in poverty to set out on sustained and sustainable paths toward increasing their economic autonomy. Finally, we present some practical considerations for putting this interconnection process into practice.

2.1 The impact of CCTs on their primary targets: monetary poverty and the health and education of children in families living in situations of exclusion.

As noted above, CCT programs are now the main type of intervention in the fight against poverty in Latin America. By 2010, they covered approximately 129 million people in 18 countries in the region (Paes-Sousa et al. 2013). These initiatives generally have a dual objective, as they seek to alleviate poverty in the short term—especially extreme poverty and hunger, as they ease the budget constraints of the families they serve—and to address long-range goals that affect the next generation.

In the long term, the conditions associated with the transfer are also expected to become a tool for promoting the accumulation of human capital, breaking the inter-generational transmission of poverty (Handa and Davis 2006).

A pioneering milestone in the implementation of CCT programs in Latin America was the creation in 1997 of the Progresa program in Mexico.⁵ According to Gertler (2004), the program's benefits were extended to approximately 2.6 million families in about 50,000 rural localities. At the time, this number of beneficiaries represented 10 percent of all families in Mexico.

The initial Progresa intervention included a subsidy equivalent to about 30 percent of the family income every two months. As a counterpart, the parents committed to a series of co-responsibilities, such as taking their children to health centers to be vaccinated and for health and nutrition checkups (with a frequency that varied depending on the child's age). For families with school-age children, there were also co-responsibilities related to the child's enrollment in and regular attendance at school.

One key element in the design of Progresa was that its structure, from the outset, allowed for subsequent evaluation using rigorous impact-assessment methodologies. The program was designed with a phase randomization model, which ensured that there was a control group with which to compare the outcomes of those who received the intervention. In the first phase, 320 localities were assigned at random to the treatment group—those that would receive the intervention—and 185 were assigned to the control group. The latter received the program—that is, they became part of the treatment group—after two years.⁶

Taking as a reference the information about families in the control and treatment groups, Gertler (2004) evaluated the impact of the program on children's health. He used infant morbidity, as well as height and blood hemoglobin levels (as an indicator of anemia), as outcome variables. The results of the study showed that children born during the two years of the intervention in families in the treatment group had a 25.3 percent lower probability of being ill than those in the treatment group. After 24 months, children between 0 and 35 months of age who received the treatment also showed a decrease of about 39.5 percent in morbidity rates. The results also indicated that the program's benefits increased with time in the program, suggesting that these benefits are cumulative. Those who received the treatment also had a 25.3 percent lower probability of suffering from anemia, and they grew on average one centimeter more than children in the control group.

Since Progresa was implemented, Latin America has seen CCT programs expand as a social policy tool. Many countries in the region now have such programs. Examples include the Juntos program in Peru, Familias en Acción in Colombia, the Juancito Pinto Voucher in Bolivia, Bolsa Familia in Brazil, Chile Solidario, Ecuador's Human Development Voucher and others (see Table 2).

5 Called Oportunidades as of 2002.

6 Families assigned to the control group were not told at first that they would also receive the benefit of the program after two years. This was done to avoid behavioral changes that might have contaminated identification of the program's impact.

CCT programs have spread beyond Latin America, and programs of this type now exist in Asia, Africa and even some high-income countries, such as the United States. Hagen-Zanker and Holmes (2012) analyze the role of CCT programs in Nigeria as social policy tools and the feasibility of implementing other, similar programs in that country. They focus especially on the In Care of the Poor (COPE) program, which the Nigerian government created in 2007. The study highlights the importance of the transfers for the poorest households in terms of consumption; it also emphasizes the program's limitations, however, which are related to small transfer amounts, which were exacerbated in some cases by increases in food prices in some regions of the country. Asfaw et al. (2012) review the experience of cash transfer programs in Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe, as part of the Protection to Production (PTOP) program implemented by the FAO in coordination with the UK Department of International Development (DFID). Examples from Asia include CCT programs in Bangladesh, Cambodia, India, Indonesia, Mongolia and Pakistan, among others. An example from the United States is the Opportunity program implemented in New York State, which ended in August 2010.

Table 3
PRINCIPAL CCT PROGRAMS ACTIVE IN LATIN AMERICA

| Country | Program |
|--------------------|--|
| Argentina | Universal per-child allowance for social protection |
| Bolivia | Juancito Pinto Voucher, Juana Azurduy Mother-Child Voucher |
| Brazil | Bolsa Familia, Bolsa Verde |
| Chile | Chile in Solidarity (<i>Chile Solidario</i>), Ethical Family Income (<i>Ingreso Ético Familiar</i>) |
| Colombia | Families in Action (<i>Familias en Acción</i>), Income for Social Prosperity (<i>Ingreso para la Prosperidad Social</i>) |
| Costa Rica | Avancemos |
| Dominican Republic | Solidarity Program (<i>Programa Solidaridad</i>) |
| Ecuador | Human Development Voucher, Zero Malnutrition (<i>Desnutrición Cero</i>) |
| El Salvador | Communities in Solidarity (<i>Comunidades Solidarias</i>) |
| Guatemala | My Secure Voucher (<i>Mi Bono Seguro</i>) |
| Haiti | Ti Manman Cheri |
| Honduras | 10,000 Voucher for Education, Health and Nutrition; Family Allowance Program |
| Jamaica | Programme of Advancement through Health and Education |
| Mexico | Oportunidades (formerly <i>Progres</i> a) |
| Panama | Family Food Vouchers, Network of Opportunities (<i>Red de Oportunidades</i>) |
| Paraguay | Abrazo, Tekoporã |
| Peru | "Juntos" program of direct support for the poorest Peruvians |
| Uruguay | Family Allowances, Food Card |

Source: ECLAC, compiled by authors.

Besides the increase in this type of initiative, there has also been growing interest in evaluating their effectiveness in achieving their objectives. In most countries where such programs have been implemented, the public sector also shows strong interest in rigorously evaluating their results (Chiapa 2012). There are numerous studies, mainly focusing on evaluating the programs' short-term outcomes. Various methodologies are used, from experimental impact evaluations to qualitative case studies. Besides impact evaluations, there is an increasing number of studies of unplanned impacts on various aspects of the lives of recipient families, from investment in fixed assets to cultural and political processes. These types of studies will be summarized in the sections below.

Chiapa (2012) offers a brief overview of the impact of CCTs on human development variables (children's health and education). He shows that studies by Attanasio, Fitzsimmons and Gómez (2005), Behrman and Hoddinott (2005), Gertler (2000), and Maluccio and Flores (2005) find positive impacts, although he also notes that in some cases, there appear to have been no effects (Hoddinott 2008, Paxson and Schady 2008). The author also notes that studies by Filmer and Schady (2009), Maluccio (2005), and Skoufias and Parker (2001) show how CCTs decrease the likelihood that children will work.

Handa and Davis (2006) conduct a bibliographic review of six CCT programs in Latin America: Bolsa Escola (Brazil), Oportunidades (Mexico), PRAF II (Honduras), RPS (Nicaragua), Familias en Acción (Colombia) and PATH (Jamaica). One of the most notable conclusions of the study is related to the political viability of this type of program. They conclude that the political future of CCT programs in the region is not assured, except perhaps in the cases of Colombia, Jamaica and Mexico, the only countries where the programs appear to have broad political support. They also note hazards for the sustainability of the programs in countries where they have been implemented with loans from multilateral bodies. And they state that it is not clear whether CCTs are the most cost-effective alternative compared to other supply-side options. According to the authors, contradictions could exist between the objectives of poverty alleviation (short term) and accumulation of human capital (long term), particularly in targeting, because the programs prioritize households with children, while households with older members would not be served by these programs and would have to be compensated with some other type of social policy. The study also notes that focusing exclusively on the accumulation of human capital of future generations could mean, in general, that CCTs do not take advantage of the opportunity to maximize synergies with current agricultural and non-agricultural production activities. Ignoring the accumulation of the parents' human capital and the accumulation of assets within the household also jeopardizes the sustainability of the outcome of overcoming poverty once the children leave home or the cash transfer period ends.

Although there is still much debate over both the CCT programs and their design, there is also significant discussion of the role of conditionalities and the relevance of their inclusion in social programs. De Janvry and Sadoulet (2006) discuss the circumstances in which conditionalities would be the most appropriate option. In programs in which the main objective is to transfer money to families with children, they say, co-responsibilities are not necessary unless they are indispensable for gaining political support for the program's continuity, ensuring

budget sustainability for the program or establishing a voluntary contract between the beneficiaries and the state to achieve a positive impact on the beneficiaries' self-esteem and responsibility and help reduce the stigmatization that could result from receiving transfers.

If the program's objective is to increase access to education and health services for children of families living in poverty, however, establishing conditionalities would be an appropriate option. Nevertheless, the authors emphasize the need to consider under what conditions the application of a price distortion—such as conditionalities—could be optimal instead of merely allowing families to maximize the usefulness of the resources according to their preferences. Some of the situations they mention are related to the fact that parents are not well informed about the future benefits of education—in other words, there are informational constraints—or the parents lack formal education and therefore underestimate the benefits of access to education, or they live in social situations in which the perceived benefits of education are low, or there are differences between social and private optima because of failure to internalize the positive externalities of education.

Following the conclusions of De Janvry and Sadoulet (2006), De Brauw and Hoddinott (2011) conduct an empirical study to evaluate the impact of conditionalities on the objectives of effective access to education for beneficiary families of the Progresa program in Mexico. They take advantage of the fact that some beneficiary families did not receive the format necessary for monitoring children's school attendance in time, and therefore were not effectively subject to conditionalities related to the program's education component. The authors evaluate the impact using quasi-experimental techniques—particularly pairing according to the "closest neighbor" criterion—and fixed effects regression at the family level. Regardless of the methodology used, the conclusions appear robust: on average, a lack of conditionalities had negative impacts on the beneficiary children's school attendance. It is important to note that these effects varied in magnitude depending on the child's grade level. The negative effect appears to be stronger in the transition to secondary education—a stage at which there is an increase in the opportunity cost of school attendance—than in primary education. The negative effects are also greater among families in which the heads of the households are illiterate and those in which the parents are mainly dedicated to non-agricultural labor.

De Janvry et al. (2006) conduct a study in which they seek alternatives for the design of CCT programs that serve as safety nets for vulnerable families—who are not in a situation of monetary poverty—when they are affected by a negative shock. The premise is that many families, including non-poor families, use their children as risk-alleviation mechanisms, creating effects that are irreversible—or at least very difficult to reverse—in the accumulation of human capital. Based on prior studies in Honduras, Mexico and Nicaragua, the study shows evidence that CCT programs have been successful in protecting the human capital of children against unforeseen shocks. Nevertheless, there are vulnerable households that, because they are not classified as poor, fall outside the social safety net and therefore are likely to withdraw their children from school when faced with a shock. These children are likely to end up in poverty eventually. The study concludes with the premise that

temporarily expanding CCT programs for families that suffer an unforeseen shock could be a highly effective alternative for preventing an increase in poverty levels.

Zepeda (2008), meanwhile, seeks to show the effects of Mexico's Oportunidades program and Brazil's Bolsa Familia with information at the aggregate level. He finds that outcomes related to a decrease in poverty as a result of the implementation of the two programs appear to be modest; if measurements of the severity of poverty and the poverty gap are considered, however, the effects are much more significant. For example, while in Brazil the program's ex-post incidence of poverty decreased by 5 percent, the gap and severity decreased by 12 percent and 19 percent, respectively.

Another study worth noting is by Stampini and Tornarolli (2012), who explore the relationship between the evolution of CCT programs and poverty rates in Latin America and the Caribbean; the relationship between the expansion of those programs' coverage and the quality of the targeting; and changes in the characteristics of beneficiary families. They use information from 43 household surveys in 13 countries in Latin America and the Caribbean—Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru and Uruguay—between 2000 and 2011 (Sedlac). The results show that the introduction of CCT programs appears to have been successful in reducing poverty rates among the beneficiary population. This appears to have been reinforced by economic growth, which provided more resources for continuing the programs; expansion of CCT program coverage, however, may also have increased filtration rates.⁷ Finally, there were changes in the characteristics of beneficiary families related to greater levels of education, increased access to public goods and an increase in formal employment. In countries such as Peru, particularly, there was an increase in the proportion of formal wage earners (from 0.6 to 0.9) and an even greater increase for informal wage earners (from 5.5 to 11.6). One of the paper's recommendations refers to the need to move from conditionalities related to use to indicators of results—outcomes in health and education—such as those related to compliance with co-responsibilities associated with transfers.

Many of the studies mentioned above emphasize the effects of CCTs on the beneficiaries' monetary poverty—particularly extreme poverty—in the short term; it is important to keep in mind, however, that CCTs also have medium- and long-term goals related to eliminating the inter-generational transmission of poverty by creating incentives in the household for the accumulation of human capital in children. In that sense, the impact of CCTs is not limited to influencing monetary variables; instead, their objectives are multidimensional, as they seek to have a positive influence on other aspects of the lives of people in situations of poverty, such as the ability to live a long and healthy life or to have access to formal education. As noted above, many of the programs' co-responsibilities are related to variables involving children's health and education. There is a literature that specifically seeks to assess the impact of CCT programs on these other dimensions. For example, regarding early childhood development outcomes, Barham et al. (2013) evaluate the impact of Nicaragua's Social Protection Network (*Red de Protección Social*)

7 Filtration rates refers to the percentage of people receiving the program benefits without fulfilling all the requirements (especially the ones related to living in poverty conditions)

CCT program on variables related to cognitive and labor performance. It was found that beneficiary children still showed serious cognitive deficits 10 years after the intervention began. These deficits were due to delays in key areas of this dimension, such as language development, socio-personal development and the development of fine motor skills. Regarding the effectiveness of the intervention time frame, it was found that those who received the treatment during the first 1,000 days of life showed cognitive outcomes higher than those who were exposed later; there appears to be no significant difference in anthropometric results, however. The treatment did have significant effects on years of school attendance. In addition, those who belonged to the initial treatment group—and who were between ages 19 and 21 at the time of the evaluation—had half a year more of studies on average than those who were treated later. These results are also repeated for variables relate to learning (mathematics and language). No significant differences between the two groups were found in cognitive outcomes measured using the Raven's test.

Galiani and McEwan (2013) conducted a study to identify the impact of the PRAF CCT program in Honduras on variables related to the education of children in the beneficiary families. The researchers took advantage of the program's random assignment to identify causal relationships between the transfers and target variables. Of a total of 70 poor municipalities, the program was randomly assigned to 40—which constituted the treatment group—while the rest made up the control group. The results show positive impacts of the CCT on the likelihood that children would be enrolled in school and a decrease in the probability that they would work. Children in beneficiary families, in particular, showed an 8 percent greater probability of being enrolled in school than children in the control group, while the probability that children would work was 3 percent lower in the treatment group than among those who did not receive the program. An additional element of interest in the study is that it differentiates the effects by strata, depending on the situation of poverty. The results showed greater impacts in the two poorest strata, while the impact for the other three strata was not significant.

Another investigation of the impact of CCTs on nutrition variables is the study by Attanasio et al. (2005). It first reviews existing literature on the topic. It shows that studies such as those by Morris, Flores et al. (2004) and Morris, Olinto et al. (2004) find no effect on nutrition variables in the cases of Honduras and Brazil. Studies such as those by Gertler (2004) and Behrman and Hoddinott (2005), however, find that the transfers do have a positive impact on nutrition variables in the case of Progresa in Mexico. The author then evaluates the impact of the Familias en Acción program in Colombia, using a quasi-experimental methodology because of the program's non-random design. The results show that the program had positive impacts on nutrition and a decrease in morbidity among beneficiary children by increasing consumption of protein and vegetables.

Paes-Sousa et al. (2013) conducted a study whose main objective was to analyze the implementation of CCTs in six Latin American countries—Brazil, Colombia, Honduras, Jamaica, Mexico and Peru—to identify lessons for countries that are launching or considering similar programs (particularly Asian countries). Their main recommendations include the need to increase spending to expand the supply of educational and health-care services to respond to the increasing demand expected as a result of implementing CCT programs. They also highlight the importance of

inter-agency coordination among health, education and social protection agencies. Appropriate targeting of beneficiaries is also very important for the program's credibility. They note that this emphasis on precise targeting should be accompanied by ongoing audits and processes of recertification and recompilation of beneficiary rolls. They also emphasize the need to use modern payment methods of payment to reduce the program's administrative overhead. Finally, they note that the effects on women's empowerment may have decreased because of a lack of objectives related to the redefinition of the woman's role in the family.

Of recent studies using experimental or quasi-experimental methodologies to evaluate impact, one that stands out is by Macours et al. (2012), who assess the impact of the Atención a Crisis CCT program on the early childhood cognitive development in rural Nicaragua.

Atención a Crisis was a pilot program implemented in Nicaragua between November 2005 and December 2006. The program was evaluated using a random experiment. In a total of six municipalities, 56 communities were assigned to a treatment group and 50 to a control group. In the second phase, a baseline study was conducted to define the eligibility of individuals based on their poverty level. Eligible members of the treatment group were then assigned by lottery to three different groups, each with a different type of treatment. The first group received a cash transfer paid to the head of household every two months, conditioned on attending preventive health checkups, although there was no penalty for failing to comply with this condition. Those who had children between ages 7 and 15 also received another subsidy conditioned on enrolling in school and attending classes, a condition that was monitored. Members of the second group received the same cash transfer, as well as a scholarship for a family member to attend job-training courses provided by the municipalities. Individuals in the third group received a cash transfer equal to that of the first group, along with a fixed amount to start a non-agricultural business. This payment was conditional on the submission of a business plan. Beneficiaries in the three groups also received information about nutrition, health and education on the days the payments were made.

At the aggregate level, the results show positive impacts on variables related to socio-emotional development (0.12 standard deviations in 2006 and 0.08 standard deviations in 2008). In addition, outcomes for health and motor skills were 0.05 standard deviations higher for the treatment group in 2006 and 0.07 standard deviations in 2008. Meanwhile, per-capita expenditure in 2006 increased by 28 log points for the basic treatment group and 33 log points for those who received also the fixed amount, while in 2008, the increases were 2.2 log points for the basic treatment and 8.8 log points for treatment 3. No significant evidence of better child development was found between the basic treatment and group 3. In general, the authors found that the impact on children did not dissipate at least two years after the intervention. Meanwhile, the program's beneficiary families increased their consumption of goods critical for children's development; they particularly increased their consumption of nutrient-rich foods and used more preventive health care.

One interesting result of the study was that families that received the voucher for production activities showed better results in household spending than those

that did not receive it. This result could indicate ways in which CCT programs could be combined successfully with interventions aimed at promoting productive enterprises.

Sixteen years after Progresa was first implemented in Mexico, CCT programs have reached some 129 million people in Latin America. In most cases, they have been successful in meeting their short-term goals, but challenges remain with regard to these programs' ability to make their results sustainable over time. In other words, the challenge is for people to leave poverty permanently and increase their levels of autonomous income while reducing its volatility, enter the labor market in an advantageous position, and become included effectively as free and autonomous citizens

Table 4 summarizes the evidence of the impact of CCTs on different target variables, based on the literature reviewed.

Table 4

PRINCIPAL FINDINGS ABOUT THE IMPACT OF CCTs ON THEIR PRIMARY TARGETS

| Objective | Effect found | Studies |
|--------------------------------------|---|---|
| Monetary poverty, family consumption | CCT program beneficiaries reduce their levels of monetary poverty. | Stampini and Tornarolli (2012), Zepeda (2008), Rawlings and Rubio (2005), Hoddinott et al. (2000) |
| Cognitive development | Children who are members of beneficiary families show better cognitive development results than those who do not benefit from CCT programs. | Barham et al. (2013), Macours et al. (2013) |
| Child health and nutrition | CCT programs are effective for reducing levels of child morbidity, anemia and malnutrition. | Attanasio et al. (2005), Gertler (2004), Behrman and Hoddinott (2005) |
| School enrollment and attendance | Children belonging to CCT program beneficiary families show higher rates of school enrollment and attendance. | Schultz (2000), Attanasio et al. (2005), Maluccio and Flores (2005), Barham et al. (2013), Galiani and McEwan (2013), Rawlings and Rubio (2005) |

2.2 CCTs, productive activities, insertion into the labor market and increase in autonomous income

As noted above, CCT programs pursue two main objectives, one short-term and one long-term. First, they seek to reduce the beneficiaries' poverty levels; to do so, the cash transfers act as a tool that enables them to stabilize their levels of consumption. The long-term objective is for the youngest members of the families to accumulate sufficient human capital that in the future they can escape the poverty in which their parents initially found themselves. This is expected to persist through better insertion into the labor market or through productive activities. In general, the goal is for the beneficiary families to increase their autonomous income through their participation in the program; this is both an objective and a challenge.

One way to address this challenge has been to include components that promote productive activities and job training as complementary elements of CCT programs. One study of this type of intervention is that of Macours et al. (2011), who estimate the impact of a program of risk management through income diversification, associated with the Atención a Crisis CCT program implemented in the rural area of Nicaragua that was affected by natural disasters associated with rain and temperature changes. The program combined CCTs with job training or investment in production. The results show that both interventions (treatments) had an impact on reducing the variability of income and consumption. The impact was greater for people who received the complementary assistance than for those who received only the CCT intervention. Being eligible for the investment program increased average consumption by 8 percent and income by 4 percent; these activities therefore appear to help the beneficiaries even out their consumption. It was also noted that receiving the investment-related intervention increased income and consumption and reduced the variability of both.

The causal mechanism linking the subsidy and risk reduction is that the interventions allowed families to diversify their economic activities. The families eligible for the investment program were 13 percent more likely to be self-employed in non-agricultural activities and to have greater benefits from that activity. The impact was particularly great, with an annual return of 15 percent to 20 percent on the initial investment. This study joins a series of earlier studies of CCTs and their impact on the reduction of risk associated with shocks, particularly the research by García-Verdú (2002), Skoufias (2002), De Janvry et al. (2006) and Chiapa (2008).

Another recent study, by Barrientos and Villa (2013), evaluated the effects of the Familias in Acción CCT program (Colombia) on outcome variables related to the labor market. They used urban household data from the 2006 and 2010 surveys by the System for Identification of Potential Beneficiaries of Social Programs (*Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales*, SISBEN). The empirical evaluation strategy involved a regression discontinuity design. At the aggregate level, the empirical exercise showed that the program had marginal effects on participation in the labor market. A disaggregated analysis shows a slightly greater effect for men than for women. If the analysis is done differentiating by household characteristics, there is a greater positive effect in single-parent households with children between ages 0 and 6. There was also a small but positive impact on formal employment among women. The conclusion, therefore, is that the effects of CCT programs on employment are positive, but small and heterogeneous. They reallocate resources within family activities, mainly work, which is the only one that the lowest-income families have.

Ribas (2013) conducted a study whose main purpose was to assess the importance of financial liquidity constraints on entrepreneurship in the context of Brazil's Bolsa Familia CCT program. The study particularly sought to examine the impact of a positive liquidity shock—such as receiving the transfer amount—on the decision to become an entrepreneur. The estimation was done with a fixed-effects econometric model using information from three periods. The data were taken from Brazil's national household surveys for 2001, 2004 and 2006. Because of the possibility that non-observable factors could affect the consistency of the estimators, an additional calculation was done with an instrumental variables

model, using dichotomous variables from the period as instruments. The main results showed an increase of about 10 percent in entrepreneurship in Brazil due to the program, although this effect could have been mainly due to externalities. Moreover, the transfers do not appear to have increased investment opportunities; rather, they may have promoted the development of informal financing mechanisms. A breakdown of direct and indirect effects shows that the program's beneficiaries reduce their probability of becoming entrepreneurs by 3 percent; in the area of towns benefited by the program, however, a positive effect on entrepreneurship is seen. That would mean the net effect is positive, despite the negative effects on the beneficiaries. The authors attribute the negative effect to the fact that the beneficiaries—who are mainly formal and urban—become informal workers so their income will not be monitored and they therefore will not lose the subsidy.

As we have seen, most of the impact evaluations, both experimental and quasi-experimental, focus mainly on short-term outcomes. In the preceding section, we presented the findings of Barham et al. (2013) about the Social Protection Network CCT program (Nicaragua). The study presents an additional, innovative element, as it not only focuses on evaluating short-term outcomes related to dimensions such as early cognitive development and learning, but also explores the program's medium-term impact on outcomes related to the labor market.

It is important to remember that the program was designed to be a randomized control trial experiment with two phases. In the first, a group of treatment households was randomly selected from a universe of eligible households, based on conditions of poverty and deprivation. In the second phase, the program was expanded to cover the entire universe of eligible households. This initial design allowed evaluation of the program's short-term impact. For evaluation of medium-term effects, however, a quasi-experimental control group was chosen to be compared to the group that was treated in the second phase of the program.

The study intervened in 42 localities; 21 received the treatment in the first stage and the other 21 began receiving the treatment three years later. To decrease the sample's attrition rate, the study also monitored people who migrated from their original localities. This monitoring included people who migrated from Nicaragua to Costa Rica.

The results of the evaluation show that the group that received the initial treatment was 5 percent more likely to work outside of the home than the group that received the treatment later. The difference is 7 percent for the probability of migrating for labor reasons and 3 percent for international migration. The program therefore not only appears to have had positive short-term effects, but also appears to have had a positive impact on the beneficiaries' labor performance in the medium term.

Another study of the positive impacts of CCTs is that of Del Pozo and Guzmán (2010), who evaluated the impact of Peru's Juntos program on the beneficiaries' productive activities, using a quasi-experimental methodology. The results show that the program has helped beneficiary families increase investment in land rental and the amount of products separated from consumption to be used for seed. The program also appears to have had positive effects on investment in the raising of small animals, especially guinea pigs.



Box 1

Some outcomes of the evaluations of the Juntos Program in Peru

Perova and Vakis (2009) conducted a pioneering study related to analysis of the impact of the Juntos program on the beneficiaries' situation. This study used a rigorous methodology that allowed a quasi-experimental impact analysis that isolated the effect of the program's treatment. This was not without difficulties, however, as the program was not designed as a random social experiment—unlike the Progres-a-Oportunidades program in Mexico, for example, where a phase-randomization structure allowed a much clearer identification of the program's impact. Using propensity score matching, the authors find that the program had an impact on poverty reduction and increased income and consumption in beneficiary households. The results also show greater use of health-care services, as well as an improvement in the way people use their resources to purchase more nutritious food. Finally, the impacts on education variables appear to be stronger in the transitional stages of the educational cycle. The program was not found to reinforce perverse effects, such as increased rates of alcoholism.

Subsequent studies examined the program's effect on a series of relevant variables. These include the study by Dasso and Fernández (2013), which focuses on the effects of Juntos on consumption of «temptation goods». They particularly find that the program's beneficiary families could be increasing their spending on food by between 10 percent and 20 percent, an increase possibly driven by an increase in consumption of these types of goods (sweets, chocolates, carbonated beverages and restaurant food).

In another recent study, Correa and Roopnaraine (2013) analyze implementation of the Juntos program in the context of Peru's ethnic heterogeneity. The study particularly seeks elements for increasing the program's effectiveness among indigenous populations. One of the main findings is that the program is highly valued and has great social legitimacy, although it also emphasizes the need to make explicit not only the program's specific objectives, but also practices that the program does not promote. Filtration was not found in the communities studied, nor did the study corroborate that families spend less time working or that women try to have more children in order to qualify for the transfers

The study shows that the program has had positive impacts on women's empowerment. Nevertheless, traditional views persist in indigenous communities about the role of women, who are seen as having sole responsibility for fulfilling the co-responsibilities required by the program. One of the study's recommendations is that the program develop a component that enables men to become involved in a redefinition of roles related to participation in the program, through promotion of empowerment of the mothers who participate. Finally, the study recommends promoting a series of production-oriented elements complementary to the program, which would ensure that people move out of poverty sustainably and would neutralize the perception that the program «punishes» families that improve their living conditions.

Streuli (2012) studied a sample of 49 children between ages 6 and 14 in Juntos beneficiary families. The study used a mixed methodology that included social mapping, interviews with the children and their parents, and quantitative analysis based on household surveys. They found evidence that the program could be enabling families to invest in small-scale agriculture and animal husbandry. These results are consistent with findings presented by Escobal and Benítez (2012), who note that the effects of transfers on the beneficiary families' income exceed the amount of the subsidy, which could be explained by an increase in very small-scale complementary productive activities.

One of the challenges previously identified for implementation of CCT programs is related to ensuring that the benefits have a positive impact on both participants who belong to socially excluded ethnic groups and those not in those groups. The study by Bando and López-Calva (2005) makes an important contribution in this area, as it examines the differentiated impact of Mexico's Progresa program on indigenous rural families. Using data from the program with a panel structure from 1997 to 2000, the study finds no robust evidence of impacts differentiated between ethnic groups for that program.

The evidence described above offers arguments for considering CCT programs a potential source of improvement in user families' income levels and labor situation in the medium and long term. It is also important to note that in many cases, these outcomes have been achieved through the implementation of initiatives complementary to the CCTs, which have enabled families to develop productive enterprises and insert themselves more advantageously into various markets. Table 5 summarizes this evidence.

Table 5

PRINCIPAL FINDINGS ABOUT THE IMPACT OF CCTs ON DIMENSIONS THAT ARE NOT THE PROGRAM'S PRIMARY TARGETS

| Dimensions | Effect found | Studies |
|-------------------------------------|--|---|
| Risk management | CCT user families have greater possibilities of implementing actions aimed at managing risks and evening out consumption. | Macours et al. (2012), García Verdú (2002), Skoufias (2002), De Janvry et al. (2006), Chiapa (2008) |
| Entrepreneurism | The existence of local CCT programs has indirect positive impacts on the probability of engaging in productive enterprises. | Ribas (2013) |
| Insertion in labor market | CCT programs have modest impacts on insertion of adult members of user families into labor markets. There is a medium-term positive impact on the probability of beneficiary children working outside of the home or migration for work-related reasons. | Barrientos and Villa (2013), Barham et al. (2013) |
| Investment in productive activities | CCT user families invest in productive activities (mainly raising animals). | Del Pozo and Guzmán (2010), Streuli (2012), Escobal and Benítez (2012) |

2.3 CCTs and expansion of abilities: empowerment and financial inclusion

After more than 15 years of experience in implementation of CCT programs, important lessons have been learned about the effectiveness of these interventions in overcoming poverty and achieving human-development objectives in the short term. The broad overview of experiences described above shows that these programs are effective for reaching the short-term goals they propose, which are mainly related to fulfillment of co-responsibilities associated with the transfers. These results are seen in variables related to families' consumption, as well as indicators of children's access to education and health. Studies that have examined these programs' medium-term effects have also found positive outcomes. The task in that stage appears to be related to complementing CCT programs with other components that make their results sustainable, constituting graduation strategies for beneficiary families.

On this point in particular, Perova and Vakis (2013) make an important contribution by providing elements for development of a conceptual framework for understanding processes for overcoming poverty from a multi-dimensional perspective, as a combination of internal and external constraints that must be addressed. Although CCT programs based on traditional schemes act on external constraints—low income levels, lack of productive assets—there are also internal constraints related to inability to act and make decisions, which translates into low levels of empowerment and autonomy.

The authors maintain that these internal constraints keep beneficiaries of CCT programs from being able to take full advantage of the opportunities provided to them. The study emphasizes that it is not enough for social programs to provide resources to the target population—in other words, to free them from external constraints—because for the program to be successful, it is necessary to address internal constraints related to self-esteem and aspirations. Interventions aimed at promoting the elimination of this latter type of constraint increase people's capacity for action and decision-making and are highly cost-effective.

The authors also seek to provide elements that help close the information gap related to the potential and the efficiency of interventions aimed at building capacity for action and decision making. The study uses qualitative and quantitative methods to examine three development interventions in Peru: The Puno-Cusco Corridor Financial Education Program, the Juntos National CCT Program and the Innovative Socio-economic Interventions against Tuberculosis (ISIAT) program.

As a result of the study, six public-policy lessons for social programs are proposed. First, they highlight the need for programs to be implemented gradually, beginning with simple objectives. They also state that both genders must be involved, even if the program mainly targets only one of them. The third recommendation is related to the importance of promoting social interaction among participating stakeholders as part of the development of the programs, as this can aid the creation of social capital and reinforce achievement of the program's objectives. Fourth, they emphasize the importance of ensuring that the beneficiaries manage their own resources, as this builds capacity for action and decision-making. The fifth recommendation is related to information campaigns, which are crucial, but which

must be clear and, especially, ongoing. Finally, the authors highlight the importance of including the entire community in the program.⁸

Chiapa (2012) examines the possible complementary effects of CCT programs and interventions related to financial inclusion (especially saving in bank accounts). Following Zimmerman and Moury (2009), he states that evidence about the combination of these types of programs is limited, but encouraging. He also discusses evidence from three CCT programs implemented in Latin America—Oportunidades (Mexico), Juntos (Peru) and Mujeres Ahorradoras en Acción (Colombia). Without losing sight of the heterogeneity of these programs, the author presents his main findings. The first is that there is a high rate of adoption of savings services by the beneficiaries of CCT programs. The second is that beneficiaries use their savings accounts, but the rate of use is still low. Finally, savings are mainly used to buffer against negative shocks, for investment in human capital or for productive enterprises.

Another intervention related to an increase in autonomous income is interconnection of CCT programs with the accumulation of financial assets through the promotion of microsavings by beneficiary families. Winder (2010) conducted a study of a pilot project implemented in the regions of Cusco and Apurímac in Peru. This project was carried out by the Juntos CCT program in coordination with Proyecto Capital and was based on two prior experiences, the Puno-Cusco Corridor project and Sierra Sur. The pilot program involved the promotion of savings by and the financial inclusion of Juntos beneficiary families. The results of the study show that even when the main determinant of saving is income level, other factors—such as financial education—can also be determinants of a family's decision to save.

In a study based on a broad review of CCT programs, Alderman and Yemston (2012) seek to develop a conceptual framework to relate social protection with growth and productivity. They note an apparent shift in the way in which economists conceive social protection policies, as those policies can now be seen contributing positively not only to poverty reduction, but also to economic growth. They state that social protection tools can be conducive to growth and increased productivity on three levels. At the macro level, they promote social and political cohesion, reduce violence and stimulate aggregate demand; at the median level, they help generate productive assets in the community, especially in public infrastructure; and at the household level, they enable families to increase their human capital and promote the emergence of productive enterprises.

Based on these studies, it is evident that a second generation of CCT programs could potentially achieve much more ambitious objectives than those initially proposed; including these objectives as direct goals of the programs, however, may not be the most appropriate option. That is because the logistical, budgetary and political risks of including such goals in these types of programs could ultimately undermine their effectiveness in meeting the goals they currently achieve. The advantage of CCT programs lies in their ability to interconnect with broad-based objectives without losing their specificity. In other words, they can serve as a platform

8 Another study in Peru that emphasizes women's empowerment through the Juntos CCT program is the study by Correa and Roopnaraine (2013), which is summarized in Box 1.

for implementing complementary interventions aimed at increasing empowerment, financial inclusion, development of productive activities and adequate insertion into the labor market. This type of scheme is flexible enough to take advantage of specific potentialities in the areas of implementation and does not require the program to implement uniform strategies that might not always be appropriate for all contexts or for the different situations of the beneficiary population. A revised approach to CCT programs as a solid basis for the implementation of social policies aimed not only at overcoming serious deprivation, but also at a real increase in the beneficiaries' ability to improve their livelihoods and enjoy autonomy and agency is an element that truly successful public and social policies should incorporate in the future.

2.4 Unresolved challenges of CCTs

As we have noted, it is natural to propose interconnecting social policy—particularly CCT programs—with programs that generate sustained options for participating families to overcome poverty, or «graduation» schemes. These are not opposing concepts, but interconnected ones. They are not substitutes, and this involves not trying to «remove» users from CCT programs, but adding value by taking advantage of their relationship with these programs to offer them complementary programs that do not jeopardize what they have gained or achieved with the CCT program, especially regarding children's human capital.

Before discussing interconnection, however, it is important to note that CCT programs have their own agenda of challenges for improving the achievement of their objectives of increasing human capital in the poorest families. A review of these programs in the region reveals at least four areas in which it is important to continue to promote ongoing improvement:

- a. *Targeting, certification of eligibility and exit criteria*,⁹ although associated with the challenge of reducing filtration—because of politics involved in their use—are mainly aimed at reducing undercoverage. In other words, they are meant to ensure that everyone who should receive the program does receive it. This is also related to criteria associated with remaining in the program—especially aspects related to the households' socio-economic situation—and with exit processes, which can be legal (once the household no longer has school-age children) or based on changes in the recipient household's poverty level.
- b. *Fulfillment of co-responsibilities*,¹⁰ where the challenge for CCT programs is to interconnect with the supply of education and health services, the quality of that supply, accessibility and means of verification of compliance with the conditionalities. Although there is debate over the need to maintain conditionalities, the political economy of CCT programs makes it necessary to keep them to ensure support and sustainability.
- c. *Payment schemes*,¹¹ to achieve more secure, closer and efficient systems for delivering transfers, especially in remote areas or places where there is little or no presence of intermediaries for making payments. As discussed in section 2.3, there

9 See, for example, Handa and Davis (2006).

10 See, for example, De Brauw and Hoddinott (2011), De Janvry and Sadoulet (2006) or Filmer and Schady (2009).

11 See the work produced and compiled by Proyecto Capital: <www.proyectocapital.org>.

is an implicit opportunity not only to use the financial system—and now electronic means of payment—but also to encourage financial inclusion to take advantage of the regularity of CCT payments. In many countries, CCT payments are already made through banks using various mechanisms—prepaid cards, deposits in bank accounts, deposits in transaction accounts, etc.—with positive outcomes in areas such as empowerment, financial education, reduction of vulnerability, etc.

- d. *Taking advantage of opportunities to improve implementation.*¹² This involves improving operations in specific cultural or ethnic contexts, for example, and deepening positive complementary effects that do not distance the CCTs from their objectives—such as empowerment of recipients, improvement in knowledge of nutrition or housing conditions—because these translate into more and better human capital.

2.5 CCTs as platforms for interconnecting production-oriented interventions: toward the development of inclusive and sustainable models

Despite the significant achievements of the CCT programs documented in the literature described here, they do not appear to succeed massively in ensuring that the users and their families overcome poverty and vulnerability in a sustained way. As noted above, these programs are associated with success in the short term, as a result of transfers that ease constraints on families' budgets and consumption, which reduce vulnerability because of their regularity, and which achieve positive long-term effects through the greater human capital of children. In the medium term, however, they do not automatically or systematically bring about change in the families' supply of assets or abilities. Moreover, when families lose the transfers, because there are no longer school-age children at home, there is a high risk of slipping back into poverty. CCT programs have had little success in ensuring that the transfer recipients develop skills that enable them to generate new, sustained sources of income that complement their traditional income structure apart from the CCT.¹³ Children in those households also have or will have more human capital than their parents, but without opportunities for higher education or labor markets in their regions, it will be difficult to translate that human capital into higher income and lower poverty. These programs therefore have not generated massive processes for overcoming poverty, even in countries where they have existed for long enough to see effects after the program, such as Mexico and Chile, where they have been extensively documented.

Taking these targeted social programs—which achieve their goal of increasing families' human capital through greater use of universal social services and complementary effects, but which have a limited impact on development of productive activities, job skills or microentrepreneurship—as a starting point, the question is what can be done to complement these programs with other interventions that address objectives related to overcoming poverty? Discussion

12 See Vakis, Premand and Macours (2013), and Bando and López-Calva (2005).

13 For this reason, various countries have created special programs or variants of CCT programs that enable families to continue to receive some type of transfer, generally non-conditional, after they «leave» traditional CCT programs. The most frequent case is the delivery of transfers for food that are equivalent to a portion of what they received when they belonged to the CCT program.

of this point is closely related to the idea of «graduation» from social programs. According to this concept, a person—or, more precisely, a family—«graduates» from a social program when it increases its income above a threshold that means it no longer qualifies as a recipient of the program. Ideally, this situation is maintained over time, so the family definitively moves out of poverty.

The concept of «graduation» is not without difficulties, however. In principle, traditional CCT programs are not designed with graduation as a goal. There are no mechanisms endogenous to this type of targeted policy that guarantee sustained or sustainable exit from a situation of poverty. This is not unusual if we remember the twofold nature of these programs' primary objectives. In the short term, in particular, transfers are mechanisms for meeting unsatisfied needs that are crucial for rising above the threshold of extreme poverty immediately—in other words, for overcoming hunger. What, then, is the relationship between CCTs and overcoming poverty in the medium and long term? We propose viewing CCT programs as platforms that set minimum levels on which to implement complementary interventions that effectively generate processes for overcoming the internal constraints (on the capacity for agency, empowerment, self-esteem) and external constraints (low income, lack of productive assets) that characterize poverty.¹⁴ CCTs must be understood as a necessary but insufficient condition for the sustained elimination of poverty.

In the region and elsewhere, there are interesting experiences of public interventions, though even more private ones, many implemented by NGOs or businesses, that have shown that poor households succeed in building capacities and initiatives that later translate into income-generating activities, based on CCT schemes. These initiatives have varied components and take different forms, but there is evidence of lessons about what seems to work best to unleash processes that lead to greater capacity for income generation in poor and extremely poor households.

Unlike traditional CCT programs, programs aimed at generating greater production, employability or income among these poor households are not standardized, are not based on a single intervention and are not separable from local conditions—of the household, locality, region, etc. There is no one-size-fits-all model, or at least there is still no validated set of actions that are a “must” for interventions aimed more at income generation. Although there is substantial debate over what is needed in a program that is meant to enable a family to overcome poverty, there is some consensus about the type of basic assets and capacities that all households need to do so. Some projects follow strict evaluation processes that seek to determine in greater detail which assets and abilities—and in what combinations—should be provided to households to substantially increase their options for development. Examples include the 10 pilots of the CGAP-Ford Foundation program, based on the BRAC model. This model's application in Peru is described in Box 2.

14 The logic behind the sequential relationship between CCTs and complementary production-oriented interventions is simple, but powerful. People living in extreme poverty are, by definition, subject to deprivation that directly jeopardizes their biological survival; in other words, their income does not allow them to consume the amount of calories needed for survival. It is impossible to conceive of processes for insertion into the labor market or development of productive enterprises unless this intolerable deprivation is eliminated first. The transfers that these families receive are meant to stabilize their income, and therefore their consumption, especially of basic goods that are crucial for human life.



Box 2

BRAC-PLAN Model for Graduation from Extreme Poverty

The Model for Graduation from Extreme Poverty is a pilot program based on the Bangladesh Rural Advancement Committee (BRAC) model, with financial support from the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation. Ten experimental pilot programs (RCT) are currently being conducted in different parts of the world, under varied conditions. In Peru, the pilot is being implemented by Plan International and the Arariwa Association, while Innovations for Poverty Action (IPA) is responsible for impact evaluation.

The program targets people living in extreme poverty, to improve their living conditions by promoting socio-economic empowerment to create outcomes of sustainable graduation within 18 to 24 months after the intervention ends.

In Peru, the pilot program had seven components: targeting, a stipend for consumption, transfer of productive assets, training of participants, financial interconnection, commercial interconnection and, finally, graduation. Implementation involved 453 communities in 12 districts of the provinces of Canas and Acomayo, in Cusco. Altogether, 828 households were chosen at random from a sample of 3,312 households in extreme poverty.

Targeting was based on the Progress Poverty Index (PPI) methodology and included the following criteria: PPI score lower than 30, the head of the household lacks a monthly wage income, the household has no house outside the community, the household has no access to credit, the head of household is under age 60 and the household has at least one member under age 17.

Of the 828 targeted households, 321 received no cash transfer from the Juntos Program, so they were allocated a stipend of 100 soles for consumption during nine months, through a savings account in the Banco de la Nación.

For the phase of delivery of assets for production, a livelihoods study was conducted that identified five strategies for enterprises: raising and selling guinea pigs, raising laying hens, production and sale of dairy products, handcrafts, and fattening of cattle, sheep and hogs. The program delivered productive assets keeping in mind these strategies and the priorities outlined in life plans that the families prepared.

Training for participants focused on building skills such as productive economic development, promotion of health in the household, personal and social development, and financial education. This latter component was coordinated by the Arariwa Association and focused on basic training in savings and debt management.

Graduation was defined based on a matrix of four weighted dimensions: economic (30%), health (25%), social (15%) and financial (30%).

The preliminary results of the pilot show that 88 percent of the households currently have a business; 36 percent generate a net income exceeding 128 nuevos soles exclusively from the business; 99 percent include animal protein in the family diet at least once a week; 74 percent have children whose nutritional condition is adequate; 97 percent of the households strengthened at least two of the social skills defined in the program; 32 percent obtained loans in the past year; 89 percent save individually or as part of a group; and 83 percent met more than 60 percent of the criteria.. This latter group of households constitutes the group of graduates from the pilot program.

It is not the purpose of this paper to discuss the components and content that these programs should have. Moreover, we will assume that there is a combination of interventions that achieves the objective of getting households on a path to overcoming poverty. For the purposes of this paper, we will consider «graduation» programs to be those that get poor families on paths to development that enable them to increase their welfare and advance in sustainable individual income-generation strategies. These programs must be flexible and appropriate for different situations, and they are not exclusively oriented toward production, but propose broader interventions that include actions to increase relational assets—empowerment, access to information, negotiation skills—as well as access to and use of formal and informal financial tools, capacity building and increase of assets, strengthening of social or community capital, etc.

It is important to note that the populations assisted by these production-oriented programs are generally in places also characterized by poverty, which implies that the environment in which these poor households operate often is not conducive to the development of labor markets or access to certain services. Engaging in processes to overcome poverty therefore may require involving not only households assisted by these programs, but the entire community. This means taking surrounding conditions into account when considering the real options for programs for overcoming poverty that are based exclusively on working with poor households, addressing their supply of assets and building their capacities, and thinking about more communal interventions—basic infrastructure, communications, larger-scale operation, etc.—that complement household-centered programs.

It is important to emphasize that we seek to open a general discussion about the potential of CCT programs to become platforms for implementing complementary interventions aimed at graduation goals, and about the viability of processes that make it possible to create these models based on pilot experiences that can later lead to larger-scale policies. But it is also necessary to recognize that most of the discussion presented in this paper is based on Peru's experience, including its public sector, the characteristics of its Juntos CCT program (93 percent of which operates in rural areas) and experiences aimed at achieving development of productive activities, employability and/or income generation, particularly lessons learned from a series of specific experiences, including the CGAP-FF graduation pilot implemented by Arariwa and Plan International in Cusco and the intervention of the Fondo de Cooperación para el Desarrollo Social (FONCODES) of the Ministry of Development and Social Inclusion (MIDIS) with Haku Wiñay.

2.6 Key considerations for interconnection of CCT programs and production-oriented programs

Interconnecting CCT programs and complementary interventions to achieve models for «graduation» is not an automatic process. It poses significant challenges and requires some basic elements before launching. In this section, we propose some of these key elements, based on Peru's experience since the creation and implementation of MIDIS in 2011.

The idea of interconnected interventions aimed at achieving «graduation» generally has not been part of Peru's social policy history. Most interventions

aimed at helping the poorest families overcome poverty currently come from private experiences—NGOs or enterprises—and, to a lesser extent, from the public sector (of which we mainly know of rural development or microenterprise development programs). Even interventions by the public sector tend to be specific or geographically limited, rather than massive, interconnected programs.

Before discussing critical aspects for launching a process of interconnection, it is necessary to state two assumptions: first, there is program design for graduation, with clearly identified components; and second, this program is proven to yield positive results and help poor families overcome the condition of poverty in which they started.



Box 3

Haku Wiñay - My Entrepreneurial Farm (*Mi Chacra Emprendedora*)

The Haku Wiñay productive development project is one of the main initiatives implemented by Peru's Cooperation Fund for Social Development (Fondo de Cooperación para el Desarrollo Social, FONCODES) as part of the "Inclusion for Growth" ("Incluir para Crecer") National Strategy for Development and Social Inclusion, particularly in the area of social policy for the economic inclusion of rural households living in poverty.

The project is being implemented in rural communities in poverty and extreme poverty in Peru's Andean highlands and Amazonian region, with priority given to villages where the Juntos conditional cash transfer program, with which Haku Wiñay is interconnected, operates. The program's main goal is to develop capacity for productive activities, to create enterprises that enable beneficiaries to increase and diversify their autonomous income and improve their food security.

The project has four main components. The first is **strengthening and consolidation of rural family production systems**. Haku Wiñay provides technical assistance to beneficiary households through the yachachiq. This technical assistance emphasizes improvement of family production systems through adoption of low-cost, flexible technological innovations that are appropriate for the local situation. The component also includes delivery of inputs such as small animals, materials and equipment for pressurized irrigation, vegetable gardens, fields of associated pasture crops, production of grains and tubers, small animal husbandry and production of organic fertilizer.

The second component involves **healthy home improvement** and includes providing technical assistance for improving the indoor healthiness, as well as adoption of healthy practices for food storage, preparation and consumption. Infrastructure includes provision of improved stoves, safe water modules and solid waste management.

The third component is **promotion of inclusive rural enterprises**, which consists of contests in which groups of households compete for financing for business plans and profiles aimed at local markets. Local Resource Allocation Committees (*Comités Locales de Asignación de Recursos*, CLAR) evaluate the proposals, and the winners receive resources for financing specific technical assistance and purchasing inputs and small-scale equipment.

The fourth component is **financial skills development** by providing information and increasing basic knowledge about the financial system. Families are also trained in the conscious and voluntary use of financial tools such as savings accounts, automatic tellers, etc.

Since we have a «graduation» initiative that has been identified and validated, such as the «graduation» pilot based on the BRAC model (Bangladesh) or Peru's Haku Wiñay program, which have much in common (as indicated in boxes 2 and 3), several key elements point the way toward interconnecting CCTs with production-oriented initiatives to create «graduation» schemes that can be scaled up to the category of public policy. It should be noted that this section refers exclusively to the case of Peru and is based on the pilot programs mentioned above.

A policy that allows and promotes interconnection is necessary. For interconnection to be sustained and sustainable, it must be part of a clearly identified policy. In some cases, these policies can be related to reform of the state or national strategies for combating poverty. In Peru, the policy of the recently created Development and Social Inclusion sector, published in October 2012, created an opportunity for this interconnection and made it operational with the approval of the National Strategy for Development and Social Inclusion (*Estrategia Nacional de Desarrollo e Inclusión Social*, ENDIS). ENDIS' fourth main action area, Economic Inclusion, contains objectives and instruments for implementing «graduation» programs within the framework of policies for development and social inclusion.

Who should be responsible for a graduation policy? Who has the power to choose and implement these programs? Although Peru created a Ministry of Development and Social Inclusion, its powers are limited to interconnecting initiatives and implementing temporary, targeted social programs. «Graduation» programs can be part of its programs and responsibilities, but they are limited to the target population that MIDIS serves. Other sectors and levels of government—such as regional governments' social and economic offices AgroRural, the operational arm of the Ministry of Agriculture and Irrigation (MINAGRI)—can also implement such programs. The question is who can do it best.

If the «graduation» program is interconnected with the CCT program, as discussed in the preceding section, MIDIS is a good alternative. AgroRural del MINAGRI's AgroRural has the ability and already carries out «graduation»-type programs, but it generally does not reach very small or scattered population centers, which could bias the coverage of its interventions toward places where it already works. Pilots have also shown that interventions for overcoming poverty must be multi-sectorial in nature, addressing not only production and income generation, but also social issues, such as participation, negotiation and strengthening of social and community capital. These types of interventions therefore fit better in entities that are multi-sectorial by nature, such as social ministries and regional governments.

Haku Wiñay remained in FONCODES precisely because that agency is committed to working in low-density, rural population centers, which are not AgroRural's sphere of action. The Ministry of Economy and Finance commented on this division of the type of population center to be served, as it would require ensuring that there would not be two programs in two sectors working with the same target population toward similar objectives (development of productive activities).¹⁵ This is not a trivial discussion, as it means reviewing regulations and the distribution of responsibilities and defining the levels of and venues for interconnection needed within one sector

15 This was an observation when the request to make Haku Wiñay a results-based-budgeting program was submitted.

or level of government or between different sectors of the national government, or between the national and sub-national governments.¹⁶

In any event, this discussion is not over, and it will depend on an agreement based on multi-sectorial action. It is therefore important to have venues for this type of discussion. In Peru, these venues are the Steering Committee on Social Affairs (*Comisión Multisectorial de Asuntos Sociales*, CIAS), which includes 12 Cabinet ministers, and the National System for Development and Social Inclusion (*Sistema Nacional de Desarrollo e Inclusión Social*, SINADIS).

It is necessary to determine in which activities or interventions the public sector can or cannot engage and the possible impact of these activities being implemented badly or not at all. As noted above, graduation programs tend to include components for production or for increasing productivity, for relating with markets for products and factors (especially employment, financial services and technical assistance), and for building relational and social abilities and empowerment. In other words, they require a range of stakeholders with different areas of expertise who work in coordination—a social worker who coordinates with an engineer, an innovative small farmer who sells his or her technical assistance services to the community, a promoter who helps the community sign a contract for technical assistance, etc. There are some examples of what is needed on the ground. The operator must therefore have enough resources not only to ensure the timely presence of these teams, but also to monitor the quality of their work and ensure coordinated action—common messages, simultaneous interventions, etc. It is also important to keep in mind that all of these types of professionals generally are not available in the areas to be served; teams must be mobilized, and the implementing agencies' human resources must be expanded. In the case of a central government agency such as Peru's FONCODES, in which most of the staff consists of engineers accustomed to building public works, new personnel will be needed, which implies selection, new monitoring and evaluation systems, etc. In the case of a local or other sub-national government, it means mobilizing professionals to the place where the intervention will be implemented. Human capital requirements are crucial, and they are much less complex in small-scale interventions or those led by the private sector.

The poorest families, who live in poor communities, will also need complementary interventions that provide them with basic infrastructure and public services. To ensure that they have these services, they must be able to pressure their local government, organize to collaborate in participatory processes, etc.

Two examples illustrate the importance of the problem of human capital in the public sector. First, because processes involving government acquisitions, allocations and contracting are complicated, there are always delays and time lags. An engineer might arrive with a proposal for an irrigation system, but the agricultural technician will arrive months later, which could mean losing the planting season. Or the local manager responsible for working with families to improve their homes may arrive after the materials for that work are delivered. In the case of Haku Wiñay,

16 For example, if work is done with regional governments, coordination would be needed with each regional government, even though there is a venue for coordination within the National System for Development and Social Inclusion (*Sistema Nacional de Desarrollo e Inclusión Social*, SINADIS).

this was partly solved by a local implementing committee (*núcleo ejecutor*). In each community, a group of people was chosen to make up this committee. They were responsible for contracting third-party services and acquiring the necessary inputs with resources transferred by the public sector, and they were accountable to both the government and their community. This private method speeds up the process and reduces the problems described above.

The second example illustrates the difficulties that some entities can present when they must take on tasks for which they lack experience and tools. The «graduation» pilot based on the BRAC model, for example, has a strong component of development of soft skills and accompaniment for families to support them in acquiring those skills. The profile of the professionals needed for those activities is very different from that of the staff generally found in agencies such as FONCODES, which mainly consists of engineers. And although such personnel can be contracted, the agencies also lack the ability to monitor them in these types of actions. What indicators to seek, what incentives to offer, what monitoring schemes to create are among the complications posed by including these types of new components. These issues can be resolved, although not immediately; it will take time to achieve a critical mass of experience within these agencies. It is also possible to subcontract these activities to the private sector; if that is done, the ability to coordinate is crucial.

Finally, the public sector tends to standardize its interventions, which limits the possibilities for innovation. The public sector operates best when it is clear exactly what will be delivered when, and in what amounts. «Graduation» schemes, however, must be flexible, to leverage local advantages, and innovative, to adapt to local situations.

People count, as do documented experiences and evaluations. To achieve interventions oriented toward «graduation,» a change is needed in the mindset of sectorial public interventions, which tend to be single-objective, one-size-fits-all programs based on a predetermined package of options. These processes of change require creativity and new public management instruments, such as the local resource-allocation committees that are part of some Peruvian programs, and older but highly flexible models, such as the implementing committees (*núcleos ejecutores*). Above all, however, those responsible for designing and implementing these programs must have significant experience in the field and in public-sector management. In the case of Haku Wiñay, which draws on more than 20 years of lessons from rural development projects implemented by the public sector, international cooperation agencies, NGOs and *campesino* movements, it is important to highlight the leadership of César Sotomayor, who is part of the history of innovation in these rural development projects, but who also has extensive experience as a public servant and in fieldwork, having carried out projects in Cusco and Abancay, for example. Many members of the team that has implemented Haku Wiñay and turned it into a results-based program have experience in NGOs and international cooperation projects, but especially in projects implemented by MINAGRI and the International Fund for Agricultural Development Fund (IFAD), which has been one of the most innovative organizations in this field.¹⁷

17 For a review of the innovations and how these projects learned from experience and adopted best practices while leaving room for innovation, see De Zutter (2004).

The second key aspect is to start with what has already proven effective on the ground and improve and innovate on it, but not to reinvent the wheel. It is therefore very important that processes, their effects and their outcomes be documented, although this rarely happens. Instead, there is a tendency to depend on the stakeholders' memory, which is not always effective. Documentation of processes that lead to good outcomes, and discussion that validates this documentation, are crucial.

Third, evaluations are important, not only to determine how much of the outcome can be attributed to an intervention, but to have metrics that make it possible to calculate costs and benefits, so as to design realistic strategies. Evaluations of prior interventions were crucial for generating inputs and turning Haku Wiñay into a results-based-budgeting program. Metrics also are crucial for gaining the support of politicians and stakeholders who are unconvinced—technical staff of ministries of economy or finance, for example—and for ensuring that the objectives are realistic and attainable within the planned time frames. These metrics serve not only for operations, but also to legitimize the use of public resources. This requires creating forums for discussion with civil society, the academic community and the media.

The role of pilot projects and a feasible road map. To mobilize resources and will in the public sector, there must be a pilot project—implemented by the public sector, with public-sector rules—that creates the metric and the narrative. The goal of the pilot is not to be successful, but to understand how an intervention—which is built on a private experience, or which is a modification of a prior intervention, or both—would operate. It is important to show how an intervention that has already been successful as a private effort would operate in the public sector.

A pilot project sequence is needed: a pilot that demonstrates that the «graduation» model achieves its goals (ideally, pilots provide information about the components that offer the greatest value), followed by a public-sector pilot project that demonstrates that it can achieve its objectives within the framework of public-sector rules and stakeholders, and finally a proposal for scaling up. This proposal must consider the time frames needed to ensure that the public apparatus can support a large-scale intervention, that it will have enough teams and monitoring and evaluation schemes, that it will be able to make corrections, that it will be present on the ground, etc. These processes of adaptation for a large-scale intervention must be built gradually on a solid foundation, and they therefore require relatively long periods of time.



The experience of development and social inclusion policies in Peru: interconnection and scaling up based on evidence from pilots

A review of literature about CCT programs indicates that there are different types of complementary interventions that can be interconnected with CCT programs, some as part of the programs themselves and some as complementary programs. From our review, we conclude that there are at least four intervention areas that complement—or could complement—CCT programs, and which can interconnect with them as part of the CCT programs or as complementary interventions.

The four areas are *empowerment of women* recipients of CCT programs; *financial inclusion*, which can be part of the CCT programs' operation; *capacity building*, especially to increase employability; and *transfers and/or taking advantage of assets* to develop other productive or income-generating activities.¹⁸ It is difficult to include the last two areas as part of the operation of CCT programs, but they can be interconnected with those programs to serve their users as part of their target population. In the sections that follow, we will refer to combinations of these programs as «graduation» programs.¹⁹

18 Some programs of this type target areas such as home improvement or infrastructure and services in the places where the recipients live; these programs contribute to better living conditions and better environments for the implementation of productive activities, but they tend to involve interventions that are more geographic or community-oriented than individual (household level).

19 There is clearly great interest in defining the contents of «graduation» programs—and the proportions of those contents—to achieve greater impact, but as noted above, the contents and proportions tend to vary, depending on the context, assets, characteristics of the population and environment. This is a key area for experimentation and evaluation of which interventions—and in association with which others—have greater impact and/or are more cost effective.

The question, then is whether it is feasible to interconnect CCT programs with «graduation» programs, understood as programs that achieve sustained poverty reduction. If this interconnection is feasible and creates new opportunities for the poorest households, the question is how—and with what risks—that interconnection can be made.

Interconnecting graduation programs with CCT programs gives CCT user families a horizon that goes beyond the time frame of their children's education, and it offers transfer recipients a development opportunity that is unrelated to the fact that they are mothers.²⁰ The graduation programs also get a jump start, with information about the families, staff that makes regular visits (most CCT programs have managers, co-managers or people who accompany the families), and households in which women are relatively more empowered and receive a secure and steady flow of liquidity, which in many cases also implies some sort of relationship with the financial system. These favorable initial conditions should be considered in the design of graduation programs; evaluation is also needed to see if these conditions have a positive impact on the outcome—on the sustainability of the processes of graduation from poverty.

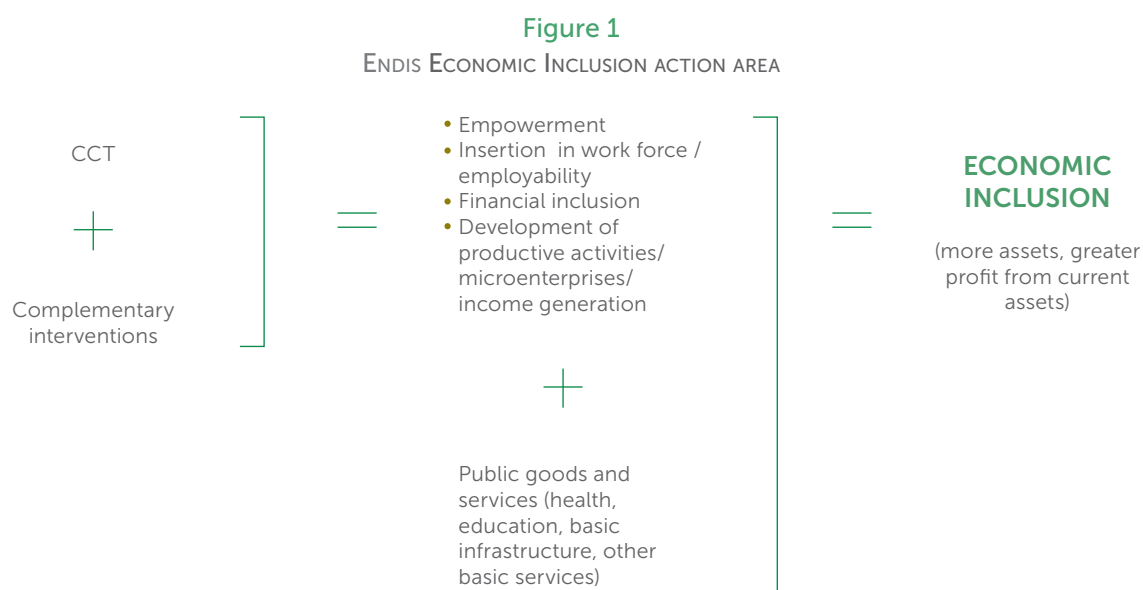
In the specific case of Peru, the creation of MIDIS in October 2011, with a mandate that combined the implementation of social programs with the interconnection of policies to achieve inclusion, offered an opportunity to integrate «graduation» objectives into public social policies, framing them within the narrative of economic inclusion. ENDIS and *Incluir para Crecer*, which was later approved by the Council of Ministers of Peru, were part of this effort, which involved multiple venues for interconnection.²¹ This strategy is organized around five main action areas, the fourth of which is Economic Inclusion.

ENDIS views economic inclusion as «a situation in which all people have the services, public goods and abilities that enable them to contribute to and benefit from a dynamic economy, sustainably generating the income their households need without the need for direct cash transfers from the government» (Ministerio de Desarrollo e Inclusión Social 2013: 51). Its main objective, therefore, is to increase the autonomous income of families living in poverty.

As part of this fourth ENDIS action area, the Peruvian government assumed the obligation of promoting the economic autonomy of poor households through interventions targeting these households, to increase their abilities and assets, and also targeting the area where they are located, to increase the profitability of the families' assets.

20 These have been called medium-term objectives, which allow the sustained personal development of transfer recipients.

21 ENDIS can be reviewed at: <<http://www.midis.gob.pe/files/estrategianacionaldedesarrolloeinclusinsocialincluirparacreer.pdf>>.



The strategy for achieving the economic inclusion goals proposed in ENDIS should be the interconnection of interventions implemented by different sectors—Minagri and sub-national governments with productive programs; ministries involved in providing basic infrastructure to ensure minimum conditions for development of economic activities; the Ministry of Housing, Construction and Sanitation and municipal governments to improve housing conditions; etc. Beyond good will and commitments to work together to achieve the ENDIS objectives, however, it is clear that each sector and sub-national government has its own priorities, predefined budgets and models for work and targeting. In addition, for most, the poorest population centers—which are rural and remote—are not attractive, because delivering services there implies interventions with high unit costs, little impact in the number of people served, high costs of supervision and, in many cases, demands—because of their scale and dispersion—that are not adapted to those sectors’ regular operations. This is accompanied by veiled rhetoric that is skeptical of the real possibility of achieving sustainable processes of economic inclusion for these citizens and their communities.

Given this situation, MIDIS made two decisions: to implement pilots of programs and management mechanisms that would enable it to reach these poor population centers, or to force other sectors to reach those places and evaluate those interventions to generate evidence and metrics that would make it possible to engage in dialogue with the other sectors on a more solid basis than simply the good will of the ministers and their teams. A pilot program for development of productive activities—which met the criteria for what we have been calling a «graduation» program here—was implemented, along with the first stage of a fund for reaching poor, rural populations with basic infrastructure. These were not isolated projects, but a basic infrastructure package—roads, water and sanitation, electricity and communications. It also capitalized on the experience of a pilot for financial inclusion implemented as part of the Juntos CCT program since 2009, the results of which made it possible to include a financial inclusion strategy in the ENDIS Economic Inclusion area.



Box 4

The Fund for Economic Inclusion of Rural Zones (FONIE)

The Fund for Economic Inclusion of Rural Zones (*Fondo para la Inclusión Económica de Zonas Rurales*, FONIE) was created in 2013 to assist with the pre-investment, implementation and maintenance phases of public investment projects implemented by either public-sector or private entities. These projects seek to reduce basic infrastructure gaps in areas that are in the bottom two quintiles of poverty; the Apurímac, Ene and Mantaro river valley (VRAEM); the upper Huallaga; and border areas or those where more than 50 percent of the population has been identified by MIDIS as being in the process of inclusion (PePI).

FONIE is under the responsibility of MIDIS, which decides which public investment or other activities will be financed. The projects and activities can then be carried out by national government agencies or private entities, in association with regional or local governments or other appropriate juridical persons. To prioritize and implement joint efforts among the various sectors that provide basic infrastructure, FONIE has a board of directors consisting of the ministries of Housing, Construction and Sanitation; Energy and Mines; Transportation and Communications; and Development and Social Inclusion; and a representative from the Ministry of Economy and Finance (MEF).

FONIE transfers resources to the sectors that provide infrastructure—which may be regional or local governments—to implement public investment projects with the characteristics described above. First, the regional and local governments submit requests for financing to the sectorial units of the ministries of Housing, Construction and Sanitation; Transportation and Communications; or Energy and Mines. The sectorial units evaluate the projects, and if they are approved, those units request FONIE funds from MIDIS. MIDIS also evaluates the requests, taking into account the criteria of targeting and territorial interconnection, as well as feasibility under the National Public Investment System (*Sistema Nacional de Inversión Pública*, SNIP) for public investment projects, and compliance with cost-benefit ratios in the case of maintenance projects. Once the decision is made about the projects to be financed, the Technical Secretariat of FONIE arranges the transfer of funds with MEF. The sector responsible for the project can implement it directly or transfer the resources to the regional or local government, which will then implement it.

The law that created FONIE included a budget allocation of up to 600 million nuevos soles for 2013. The public works carried out were expected to benefit a total of 570 districts, which could directly or indirectly benefit a population of approximately 4.5 million people. For 2014, an additional 400 million nuevos soles were added to the fund.

In both cases, work was based on earlier pilots, adapted and tested as part of MIDIS programs, with forms of evaluation and validation based on extensive discussion of the proposals, outcomes and operating schemes. They are therefore examples of how this process of specific private or public pilots, adapted for conversion into policies, can be implemented. Much remains to be done to turn them into effective large-scale policies, but the work done by MIDIS is a major step forward.

3.1 The Juntos-Haku Wiñay pilot

In 2012, during discussion of the redesign of FONCODES when it was being moved to MIDIS, the decision was made to implement a pilot «graduation» program and promote its interconnection with the Juntos program. This was possible because FONCODES had been working on a pilot before 2009 called Entrepreneurial Farm (*Chacra Emprendedora*), which received a positive evaluation from SwissContact. Based on this initial pilot and complementary experiences, the decision was made to launch Haku Wiñay, a pilot that could be scaled up, to generate evidence that would facilitate dialogue with other sectors—Agriculture, Labor and Production—and with local and regional governments about interventions to set poor households on a path out of poverty.

The first challenge was to define the components and characteristics of Haku Wiñay. A flexible program was designed, with a broad menu of interventions so the communities themselves could decide, through a participatory process, which menu items interested them. Beginning with the design phase, the program drew on best practices from earlier programs implemented by FONCODES and other sectors, but which were also relevant to the profile of households currently receiving the Juntos CCT program. It was crucial to have a series of documented experiences, some of which had been evaluated, on which to build. Particularly useful were public-sector programs such as Marenass, Sierra Sur (Box 5), the Puno-Cusco Corridor, Aliados and Chacra Productiva, as well as programs such as the BRAC model pilot in Peru, dozens of NGO programs, Sierra Productiva and some privately operated programs.

The second challenge was to clarify that FONCODES was not overlapping responsibilities or work areas with MINAGRI's AgroRural programs. These discussions led to two decisions: the program could operate only in small-scale rural population centers, and it would be a results-based-budgeting program, to ensure good management.

An initial pilot was implemented in two districts—Vinchos and Chuschi, in Ayacucho—to refine details before launching the official pilot. This initial pilot was carried out with FONCODES funds rather than an ordinary budget allocation. It began on 6 July 2012 and was accompanied by the Latin American Center for Rural Development (*Centro Latinoamericano para el Desarrollo Rural*, Rimisp) with resources from Eurosociál. During this pilot, the various characteristics of the components were discussed, and the question arose of whether the Haku Wiñay program should be limited to the population in the covered population centers that received the Juntos program. Although the aim was to complement the CCT program, it was found that for certain components to be successful, it would be beneficial to include community members who were in a better situation—supply of assets, economic resources, commercial connections—or whose family situation was similar to that of the JUNTOS families, but who did not have school-age children. Including families with more assets—considering relational capital—would help create venues for learning or interconnection among producers to create links with markets, attract input providers, etc.



Box 5

The Sierra Sur project

The Sierra Sur Special Project (hereafter Sierra Sur) is a Peruvian government initiative implemented by AgroRural and co-financed by the International Fund for Agricultural Development (IFAD). Its main objectives are to promote the increase of the beneficiary population's autonomous income, increase their assets and take advantage of the knowledge and social organization of the rural population of Peru's southern highlands. The project aims to leverage farmers' use of their resources and strengthen access to markets.

Sierra Sur can be traced back to 2004, when a loan agreement for the project was signed with IFAD. Operation began in April 2005, but it did not receive resources until 2006. The project's implementing unit initially was established in the Chivay district of Arequipa, and local offices were located in Chivay and Ilave (Puno). Other local offices were later opened in Chuquibamba (Arequipa), Tarata (Tacna), Omate (Moquegua) and Yauri (Puno). A five-year time frame was planned, as of its implementation in 2005. The project was operated by FONCODES until 2007, and was later moved to AgroRural (MINAGRI).

The project covered a total of 16 provinces in the regions of Arequipa, Cusco, Moquegua, Puno and Tacna, reaching approximately 120,000 families, mainly in rural areas.

The main methods used by the program include taking advantage of business opportunities, sustainable use of natural resources and investment in local infrastructure (Trivelli et al. 2010). The project had three components: better-organized use of natural resources, through competitive mechanisms with the participation of Local Resource Allocation Committees (*Comités Locales de Asignación de Recursos*, CLAR) and farmer-to-farmer training; strengthening of rural markets through productive assets, technical assistance and financial intermediation; and management of knowledge and cultural goods, through the systematization and dissemination of knowledge about the local area.

Data as of 2010 show that the project had a cost of US\$21.7 million, of which US\$16 million came from IFAD co-financing, while the national government contributed US\$1.2 million. The project beneficiaries' contribution was US\$2.7 million, while the remainder of the budget came from local governments and other cooperation agencies.

According to Procasur (2010), the project's main achievements included the incorporation of 29,500 families, 46 percent of whom implemented business plans and 66 percent of whom implemented natural resource management plans, while 24 percent of families engaged in both enterprises. Of the 1,255 co-financed business plans, 920 were fully implemented. Of the 404 organizations established—250 based in rural farming communities—84 showed satisfactory completion of their National Resource Management Plans.

As a result of this discussion, in the pilot subsequently implemented, it was decided that Haku Wiñay would operate in rural population centers in Juntos' area of influence (14 regions, districts with more than 40 percent of households in poverty, etc.), prioritizing population centers with a significant number of Juntos user households. At least 60 percent of Haku Wiñay users also had to be recipients of the Juntos program. This summarizes the outcome of discussions about targeting, prioritizing and implementation quotas, and combined individual targeting criteria with coverage that was more community oriented.

As Box 3 indicates, Haku Wiñay has various component based on a participatory assessment process that has been reinforced and redefined, because initial outcomes in the first pilot were not satisfactory. In response to initial shortcomings, requirements for the technical quality of the proposals for installation of irrigation and other infrastructure also became more rigorous.

After discussion and analysis of the results of monitoring of this pilot, the design was adjusted, the program's cost was accurately calculated and a broader pilot program was proposed, along with the start of results-based budgeting. One key element in this process was having information from the first pilot in two districts, and from earlier interventions; these formed the basis for the redesign, which resulted in the current version of Haku Wiñay and its Amazonian version, Noa Jayatay.

Haku Wiñay is now a program that operates in 52 districts in 13 regions, serving about 27,046 households. The pilot's impact evaluation is conducted by an independent researcher, Javier Escobal. The base line has been completed and results are expected shortly.

3.2 Bottlenecks encountered

- *Human capital.* Some FONCODES staff had to be retrained and new personnel recruited. The skills required, especially for some specialized tasks, were not easy to find, because the staff would be in the field full time with a heavy workload, and FONCODES lacked tools for performance monitoring and evaluation.
- *Finding the best methodologies and technical parameters.* Proyecto Capital was asked to provide an expert in financial education to help the program define the materials and training schemes for both the users and the financial trainers. Experts in parts of the highlands—where there is great experience and innovation—were also sought for the issue of spray irrigation. For example, the Sierra Productiva program, a widespread private initiative, requires that the water source be no more than 200 meters from the field to be irrigated. With the innovations identified, Haku Wiñay can install irrigation in fields that are as much as 800 meters from the water source; this has required significant sharing of experiences, experimentation and contact with local know-how.
- *Adapting the program to different environments, especially in the Amazon basin.* This process is under way. The Haku Wiñay program prioritizes activities in areas of the highlands; moving to the Amazon basin means redefining components (for example, irrigation is not a key component), which requires working with the communities to identify commercialization networks, new business opportunities, and experts on products and technologies appropriate for the environment.
- *Including evaluation beginning with the design stage.* To ensure that the pilot will provide information relevant for future expansion of the program, an external evaluation process overseen by MIDIS' Office of Evaluation and Management of Evidence (*Dirección de Evaluación y Gestión de la Evidencia*) was included. The evaluation design teams and FONCODES worked to ensure a consistent evaluation process and clear rules for expansion and the selection of population centers that

would make it possible to maintain a control group, so the evaluation would be useful. Discussion between evaluators and operators has been tense, but fruitful.

3.3 The Juntos financial inclusion pilot

A second example is the financial inclusion pilot implemented in 2009 as part of the CCT program. This pilot drew on the experience of the Puno-Cusco Corridor Project and the Sierra Sur Project, which successfully promoted the use of savings accounts by low-income rural women. These served as a sort of private pilot on which the proposal for financial inclusion for Juntos was based. The program for promoting the use of savings accounts in these two experiences was documented, discussed and evaluated, and based on that, it was proposed that Juntos test whether it was feasible to include similar actions to enhance the financial skills of CCT recipients.

Thanks to the receptiveness of those responsible for Juntos, an initial pilot was launched in 2009 in two districts, Coporaque, in Cusco, and San Jerónimo, in Apurímac. The results of this small pilot—which interconnected actions by the Juntos CCT program, AgroRural (for the financial education component) and the Banco de la Nación—showed not only that a small additional effort could help Juntos recipients develop financial skills, but that CCT users were interested in this component and found it useful.

The results of this initial pilot, documented by Trivelli et al. (2011), shed light on the potential impact of this type of initiative on Juntos users, the financial system, the Banco de la Nación and other intermediaries. Based on those outcomes, a more extensive pilot was launched, in which about 15,000 users in various regions would receive financial education and other benefits if they used their accounts—if they explored.

After two years, the results of the pilot show that 21 percent of the Juntos users used their savings accounts during that period, compared to less than 1 percent of the Juntos users in the control group. The savings rate among users in the pilot areas was more than twice the national savings rate reported by Global Findex (8.6 percent).

The Juntos users in the pilot use the savings accounts, usually leaving small amounts in them. As of July 2012, the average balance was 5.7 percent of the monthly transfer, which usually was their only income. We found that those living closer to the bank were more likely to save. This verifies the importance of transaction costs when offering a financial product meant to be useful to the poorest populations.

Comparing changes in household assets with those of the control group, even considering that all users did not have the same investment opportunities, those living in pilot households invested more in assets, such as large animals (7.8 percent) and home improvements (8.7 percent more, or 65 nuevos soles more).

Most of all, those who saved learned. They learned what the financial system is and who is involved in it; they learned to trust it—they understood that their savings are protected in an account; they learned what a savings account is—voucher, bank

statement, interest rate, where to turn if they have financial questions, etc. The users acquired not only know-how, but also financial skills necessary for expanding their abilities and being able to use savings or other financial products that they find useful.

The results of this pilot generated inputs for MIDIS' financial inclusion strategy, which, as noted above, is part of both the discussion of financial inclusion in Peru and ENDIS action area 4, Economic Inclusion. These positive outcomes are now being scaled up, although there are still some bottlenecks to be resolved. The main ones are:

- *Lack of political commitment and will.* When the Juntos program was designed, «Financial education for the household» was not among the planned family accompaniment activities once the mothers were given a savings account or bank account. It was therefore necessary to establish an agreement²² that clearly defined the scope of the pilot, its time frame and its minimum indicators, so that it could be scaled up—or the scale could be defined—during a reasonable period, allowing for the measurement and subsequent evaluation of progress and outcomes, so it would not depend on whoever was in charge at the time.²³ These measurements were necessary for making the pilot part of the institutional structure and ensure that it was not subject to the contingencies of the political cycle.
- *Additional activities that are not considered in the costs.* The commitments of the parties or the entities involved in the intervention must be clear and approved in each entity's Institutional Operating Plan (IOP), with the corresponding budget for the indicated time period. Beginning an activity or a pilot with the assumption that resources will subsequently be approved, or with modification of the IOP, limits the possibility of completing the work within the planned time frame. One clear example is the food basket raffle, which was one of the incentives stipulated for users who kept balances in their savings account. The raffle was to be held as part of a public awards ceremony supported by the mayors (local authorities). The problem was that the CCT program's budget did not include these gifts for the users, and to fulfill its commitment to the families, it had to request assistance from the private entity that provided technical assistance to the pilot.
- *Difficulties related to users' lack of confidence in the program.* Because of the nature of the pilot, it was crucial that the Banco de la Nación win the trust of the user families. When these families begin a relationship with the bank, as part of the CCT payment process, they must stand in long lines and deal with bank procedures that are nearly incomprehensible to them; this discourages them from establishing a relationship with financial agents. It was therefore necessary for the bank to open additional windows and/or hire facilitators (greeters) who spoke the users' language fluently, and who preferably were local residents.
- *Clear definition of the responsible authority.* Given the nature of the pilot, which required the participation of various stakeholders (two ministries,

22 This objective could take several months without the support of the main functionaries and/or decision makers.

23 Foreseeing turnover in program personnel.

local authorities, Banco de la Nación and private experts), it was difficult to coordinate the process without a clear leader. Because of the public sector's lack of experience in inter-sectorial and inter-governmental interconnection of processes, it is crucial to clarify roles, responsibilities, targets and goals that make the program's objectives viable.

3.4 Scaling up and expanding coverage: the critical leap from pilots to programs or policies

As noted above, once we know—have proven—what must be done, who can do it, with what resources and to achieve what objectives, the hard work of doing it begins. The critical path from a pilot proposal that has proven effective at a small scale—tested by the public or private sector—to a public policy or program that is part of the state apparatus, with resources and outcomes, could be as follows:

- **The idea and the test:** Demonstrate that it is feasible to achieve the desired results with a particular intervention.
 - › *Testing the idea.* Conduct a pilot—implemented by the public or private sector—that has validated the combination of interventions (ideally an optimal, cost-effective combination, although a feasible combination is sufficient) that generates the desired impacts at reasonable costs.
 - › *Validation and dissemination of the idea.* The experience, pilot, outcomes, evaluation, etc., should be presented, discussed and disseminated to validate the proposal and make any necessary corrections. At this stage, it is important to include the public sector that is expected to adopt the idea, as well as independent stakeholders and experts, to reinforce the proposal.
- **Pilots and testing in the public sector.** Prove that it is possible for the idea to be implemented in the public sector and on a larger scale.
 - › *Small-scale pilot within the public apparatus.* It must be demonstrated that the idea validated with a pilot can operate within the public sector as part of its regular operations. This may be a limited-scale pilot, to validate under what conditions and with what constraints—implemented by whom, with what resources, with what evaluation process—the idea can be carried out in the public sector.
 - › *Scaling up the design of the intervention.* Discuss the outcomes and the design of a larger intervention: based on the results of the pilot, a new intervention can be designed that draws on lessons learned from the small-scale pilot, but which tests on a larger scale.
 - › *Implementing the larger-scale pilot under public-sector rules.* This pilot is crucial for the final design of a policy. It will show the risks, the operational capability and the limitations of implementing this type of intervention on a large scale. At this stage, it is very important not to demand that the pilot resolve the problems that are encountered; rather, difficulties should be documented so solutions can be proposed in the scaled-up design. This pilot must be evaluated rigorously, and its results should be widely discussed and validated.

- ***Design of a broad-based public policy or program***, drawing on lessons learned from earlier pilots.
 - › *Design, guidelines, resources for a public policy or program.* Based on outcomes of the pilots—which show that a particular intervention is feasible in the public sector, achieves the desired results and has identified metrics and costs—inputs are generated to design, calculate costs and propose a public policy based on the pilot, ideally with a gradual implementation plan and an appropriate implementing entity. An institutional design is needed that places the intervention within the public apparatus, defines commitments and goals through regular, planned actions, assigns responsibilities and allocates resources for implementation.
 - › *Validation and legitimization.* For the new program or policy to gain support in the public sector, timeliness is important—identifying the right political moment and the best point in the budget cycle—and the support of external stakeholders is needed to pressure and to support and defend the proposal. External stakeholders and the media are crucial for supporting a good design. It is also important that the program or policy have a clearly defined leader with credibility, who can present, defend and implement it.
 - › *Safeguard the new program or policy from the start.* To ensure that the outcomes are achieved, it is important that the initial phase include «padlocks» that protect the program or policy. In Peru, it is crucial to ensure that the initiative is included in budgeting-by-results programs, to ensure that the use of the allocated resources does not change. It is also important to have bureaucratic schemes that ensure technical management, and to develop a network of allies to monitor the implementation process, include external evaluations, build in an active process for accountability to civil society, etc.

To illustrate how this road map operates, we turn to the two pilot programs described above: the pilot program for interconnecting Haku Wiñay and Juntos, and the pilot of financial inclusion for Juntos families.

Table 6
ROAD MAP FROM PILOTS TO PROGRAMS OR POLICIES

| Route | Haku Wiñay pilot | Pilot of financial inclusion in Juntos |
|--|---|---|
| The idea and the test. Demonstrate that it is feasible to achieve the desired objectives with a particular intervention. | | |
| <i>Test the idea.</i> Pilot that gives rise to the intervention. | Special FONCODES project, Chacra Productiva (Productive Farm), based on lessons learned from rural development projects (FONCODES and AgroRural), international cooperation and private sector (NGOs and business). Notable examples: Puno-Cusco Corridor, Sierra Sur Project and Sierra Productiva. | Component for promoting use of savings accounts by low-income rural women in Puno-Cusco Corridor Project (AgroRural, IFAD). |
| <i>Validation and dissemination of the idea.</i> Document the pilot and validate the outcomes. | Evaluation of Chacra Productiva coordinated by SwissContact, evaluations of aforementioned interventions. Various publications and discussions in which the contents of these interventions were validated. For example, Escobal et al. (2012) on Sierra Sur and Sierra Productiva, De Zutter (2004) on interventions by the International Fund for Agricultural Development (IFAD) in Peru, Trivelli and Gutiérrez (2009), and others. | Project evaluation by IFAD. Additional monitoring of users of the component (Trivelli and Yancari 2008). |
| Pilots and testing in the public sector. Prove that it is possible for the idea to be implemented in the public sector and on a larger scale. | | |
| <i>Small-scale pilot within the public apparatus.</i> To validate impacts and operation within regular public apparatus. | A pilot initially called Mi Chacra Emprendedora (2012) was designed, based on a combination of components from various already-validated interventions: development of productive activities (based on innovation, training and asset transfers), financial inclusion, development of microenterprises and improved housing. | In order to scale up the operation, in 2009 a pilot for promoting the use of savings accounts by Juntos users was designed, with support from AgroRural and the Banco de la Nación, based on lessons learned from and discussions of the Corridor Project. |
| <i>Validation and legitimization.</i> Implement pilot on controlled scale and evaluate it. | Pilot of Mi Chacra Emprendedora-Haku Wiñay in Vinchos and Chuschi (Ayacucho) in July 2012, with resources from FONCODES. Expansion to four regions by end of 2012. Monitoring by FONCODES and supervision by the Latin American Center for Rural Development (Centro Latinoamericano para el Desarrollo Rural, RIMISP), with support from Eurosocietal. Reports distributed to and discussed with experts. | Pilot of Promotion of Savings in Juntos Families in Coporaque (Cusco) and San Jerónimo (Aurímac), 2009, as part of the Crecer Strategy—Technical Secretariat of the Inter-Sectorial Commission on Social Affairs (Secretaría Técnica de la Comisión Intersectorial de Asuntos Sociales, CIAS), with operation of JUNTOS. Monitoring coordinated by Proyecto Capital, results published by Trivelli et al. (2010). |
| <i>Implement pilot on larger scale, with public-sector rules.</i> Pilot expanded with modifications according to results of previous pilot and validation process. | Haku Wiñay in 13 regions in 2013, with external evaluation—base line and control group coordinated by Javier Escobal, Grupo de Análisis para el Desarrollo (GRADE), in 2013. | Promotion of Savings in 20 districts with JUNTOS coverage and CCT payments in Banco de la Nación agencies. More than 15,000 JUNTOS users involved. Evaluation with base line and control group, coordinated by Proyecto Capital (2010–2012). Interconnection with AgroRural and Banco de la Nación. |

| Route | Haku Wiñay pilot | Pilot of financial inclusion in Juntos |
|--|---|--|
| Design of a broad-based public policy or program , drawing on lessons learned from earlier pilots. | | |
| <i>Design, guidelines and resources for a public policy or program.</i> Proposal for implementation and placement in public sector, with policies and targets. | Haku Wiñay as results-based-budgeting program in 2014, three-year targets and institutional establishment as a program within FONCODES. Targeting of rural population centers in districts with large number of Juntos users. Target: exceed 150,000 households served by 2016. | MIDIS guidelines for Financial Inclusion draw on the expanded pilot, and all recipients of individual transfers from social programs receive payments through a savings account. Target for 2016: more than 1 million savings accounts, and MIDIS guidelines for financial inclusion are part of the National Strategy for Financial Inclusion (in process). |
| <i>Validation and legitimization.</i> Support and protection. | Discussion of preliminary results, inclusion of new stakeholders in debate (MEF and public sector, for example), academia and NGOs. | Dissemination of results and discussion as part of broader process of financial inclusion. Development of new, complementary financial education pilots, private-sector development of financial products for this segment of customers, etc. |
| <i>Safeguard the new program or policy from the start.</i> Padlocks. | Results-based budgeting, creation of a new area for this purpose in the restructuring of FONCODES. Independent, external evaluation (but part of del MIDIS evaluation plans). | International commitments (Equal Futures, Better than Cash Alliance). Inclusion in the MIDIS Strategy for Economic Inclusion (area 4) and the National Strategy for Financial Inclusion (MEF, Office of Superintendent of Banking and Insurance, Banco Central de Reserva del Perú and MIDIS), with targets. |

Figure 2

ECONOMIC INCLUSION, BASED ON MIDIS INTERCONNECTED MODEL FOR GRADUATION



3.5 Challenges for interconnection: what else do we need to know?

As we have discussed extensively, there are reasons why the interconnection of these two types of interventions—CCT programs and production-oriented initiatives—is attractive. Conceptual and practical considerations, as well as evidence, mainly anecdotal, indicate that it is a good idea to interconnect CCT programs with interventions aimed at sustained movement out of poverty. The idea is therefore worth exploring.

Some key issues for discussion, and about which there is still a need for greater knowledge, evidence and debate, are the following:

- ***What do CCT programs contribute to graduation programs, and vice versa?***

An initial premise is that efforts at interconnection must in no way reduce the benefits and impacts achieved by the CCT programs, which are well known, and which have been measured and analyzed. It is important to validate that this possible interconnection will not affect impacts on human capital already achieved by the CCT programs. It is also necessary to identify the impact of interconnecting CCT programs with «graduation» programs, which have not yet been studied or measured. It is important to analyze the costs and benefits for each of the programs, should they go together, considering that there are two combinations of CCT programs—always provided by the public sector—with graduation programs, which may be provided by public or private stakeholders.²⁴

- ***Interconnect interventions only for CCT recipients or for the communities where CCT programs operate; individual targeting or community or territorial targeting.*** As discussed above, CCT programs target individuals in households in poverty that include children or pregnant women, with variants in different countries, while interventions that promote «graduation» tend to be communal. There are some examples, such as the 10 BRAC model pilots supported by CGAP and the Ford Foundation, which have targeted families for support based on their poverty level, focusing exclusively on the poorest families in the communities involved in the intervention. But there is an interesting debate about the importance of also involving less-poor families in these programs, to achieve some economies of scale important for the sustainability of the interventions—especially those based on linkages with markets—and to promote subsequent innovations. For example, a rural community that begins production-oriented programs with a new group of producers will require a certain scale to attract buyers or providers of technical assistance or inputs; this probably will also require contacts and negotiating skills that cannot be achieved by working only with the poorest families in a community. In addition, if complementary investments are needed to develop certain enterprises (improving a road or irrigation infrastructure, for example), involving people who have more resources can be decisive for gaining the support of local authorities, for example. On the other hand, there is a risk that the benefits of «graduation» interventions could be co-opted by people in these communities who are better off, excluding

24 Peru could be a good case study: we have at least two evaluations under way, one of the interconnection of Juntos (CCT) and Haku Wiñay («graduation» program) and another of the Sierra Sur program, evaluating its differentiated impact on Juntos and non-Juntos populations. We also have an evaluation of a private «graduation» program (part of the CGAP-Ford pilot of the BRAC model), but unfortunately it was conducted in an area where the CCT program does not operate.

the poorest; it is therefore important to ensure that there are mechanisms for avoiding such situations.

Nevertheless, CCT programs have detailed records of the households they serve, and that information can be valuable for graduation programs. The same information may not be available for other households in the same communities. Similarly, CCT program user families have a modest, but steady, flow of liquidity that could be a starting point for programs aimed at «graduation». Finally, families without children—because they have finished school—or young couples would not qualify for graduation programs if the interventions are limited to households that are users of CCT programs.

Finally, there is debate over the spillover effects of «graduation» programs on families in the same area that do not participate directly in the programs; if these indirect effects are significant, efforts could focus on the families that receive CCT programs.²⁵

- ***Minimum local conditions: a source of additional interconnection or a selection criterion for deciding where to intervene?*** CCT programs have targeting rules that determine who to serve and where to operate. These programs also require that there be a certain minimum supply of services available—at least a school and a health center. «Graduation» programs can have targeting rules (not necessarily individual) and may require certain minimum conditions, such as a certain level of basic infrastructure (a road, for example) or a minimum scale in order to ensure sufficient elements for the emergence of a small local market or to ensure that implementation costs are not prohibitive.²⁶ Interconnecting the two programs requires not only coordinating methods for selecting the participants (targeting), but also the minimum conditions necessary to meet the needs of both programs. Interconnection could be done where the criteria for both interventions are met. There are many places where this does not happen, and that is where a third level of interconnection would be needed, with entities that could provide the minimum conditions that would allow joint implementation of the CCT program and the «graduation» program. This implies planning interventions that begin operating as these minimum conditions are established; these depend on the public sector (roads, for example) or the private sector (provision of technical services), and they can—and must—be given impetus by local authorities (mayors, governors, etc.).
- ***There is a sequence and a best moment for promoting the interconnection of CCT and graduation programs.*** CCT programs often are the first systematic contact that the poorest families have with the public sector and the government. The learning curve for achieving CCT objectives is crucial. We currently do not know if it is better to propose a sequence—for example, begin the CCT program and then, once it is operating appropriately (six months later? One year? Two?), begin the graduation program—or if it is better to begin the two simultaneously

25 Evaluations are under way to examine this type of effect in several cases. In Peru, the implementation of the BRAC model includes an evaluation of this aspect. A team from the Institute of Peruvian Studies (*Instituto de Estudios Peruanos*, IEP), led by U. Aldana, is evaluating this type of effect in the case of the Sierra Sur program and its relationship with Juntos.

26 We do not have evidence of the impact of different conditions on graduation models. Evidence in this regard could be discussed in light of the evaluations of the 10 BRAC model pilots that have been implemented in highly varied situations.

and take advantage of the initial learning curve for both initiatives.²⁷ There is little or no evidence about this.

- **Risk of changing the use of CCTs for different purposes.** CCT programs consistently note that the main use of the CCT is food and health- and education-related expenses, as well as improving living conditions in the home. If these programs are interconnected with «graduation» schemes, the use of the CCT could change. There is therefore a need to measure the magnitude of these changes and their impact on key aspects such as children's nutrition, and/or test whether an additional temporary transfer is needed to enable families to make investments or handle expenses related to participation in the graduation programs.²⁸
- **Interconnected messages.** CCT programs tend to communicate a series of standardized messages that constantly reinforce each other. If complementary interventions are implemented, it is necessary to ensure that messages about whether people can or must participate are clear and direct, and that the operators of the complementary programs align their messages with those of the CCT managers. In the case of the pilot of promotion of savings with Juntos users in Peru and Familias en Acción in Colombia, one key problem was changing the messages communicated by managers and other local stakeholders about the importance of saving and the (non-existent) consequences for users of saving in their bank accounts. Contradictory messages, threats and myths could have undermined the results of the savings program. If the CCT program is to be interconnected with an independent «graduation» scheme, this must be addressed from the beginning. It is complicated, because it is not clear who will align their messages with whom, or who will make decisions about the content of the messages.
- **Gender considerations.** CCT programs have been criticized because despite the positive impacts on the users' lives—such as a decrease in domestic violence and an increase in negotiating power in the household and community—they reinforce gender roles and systems in which more responsibilities are imposed on women, especially mothers. Besides their usual tasks, CCT recipients must attend workshops, comply with co-responsibilities (which sometimes decrease children's assistance with women's domestic and reproductive chores), travel to receive the transfer payment, etc. Men have no responsibilities.

Interconnecting «graduation» programs—which are aimed at increasing production or income generation—could increase pressure on these gender systems. It is important to consider who is involved in the «graduation» program, what their commitments are and what resources the household—not just the

27 For example, the pilot to promote the use of savings accounts with the Juntos program, in Peru, which the Proyecto Capital supported at the request of the CCT program, could only be started with users who had been in the program for at least two years, to ensure that they already knew how to handle their co-responsibilities under the CCT program before introducing new elements. In Nicaragua, on the other hand, as part of the «Atención a Crisis» pilot, the CCT program was implemented with three different complementary interventions (co-responsibilities in health, a scholarship for a family member or a voucher for production) from the outset of the program.

28 The graduation pilots that follow the BRAC model (CGAP-FF) include a temporary cash transfer to ensure that the families can dedicate themselves to learning and skills development without jeopardizing their basic consumption (food).

head of household—needs to be successful in the processes that are part of this new program.²⁹

- **Common or independent operators.** CCT programs mainly work with field staff that visits families—providing training on topics such as nutrition and household living conditions, motivating them to comply with co-responsibilities, promoting early prenatal care, etc.—and a supply of public social services, mainly education and health. «Graduation» programs tend to require a series of experts on the different components and a coordinator who manages the interrelationship of the components, as well as providers—usually private—of technical assistance, inputs and financial products. There seems to be little overlap in the profiles of operators of CCT programs and those of «graduation» programs, but there are common tasks that require personal and relational skills (such as empowerment) or the generation of assets with a direct impact on children's health (such as home improvements). So it is possible to find common points of contact between the two types of interventions, as well as in areas of expertise that require different operators but which should communicate common messages.

CCT programs tend to fall under social ministries, while «graduation» programs—which are still not part of public policy—tend to be associated with ministries involved in production (agriculture, microenterprise, etc.), or with sub-national levels of government (local or regional development initiatives). There are few examples of programs—mainly pilots—that fall under social ministries, such as Haku Wiñay in Peru, which is part of FONCODES, in MIDIS; Construyendo Juntos Nuestro Futuro, in Colombia's Department for Social Prosperity; and microenterprise development programs such as the Program of Support for Microenterprise (*Programa de Apoyo al Microemprendimiento*, PAME), which falls under Chile's Solidarity and Social Investment Fund (*Fondo de Solidaridad e Inversión Social*, Fosis).

If both types of interventions belong to the same sector, coordination tends to be easier, because common operating rules are needed within the sector. It is important to note that social sectors do not always have the legal authority to implement programs that include interventions involving production-oriented activities.

If these two interventions are in different sectors, however, inter-sectorial coordination is needed; although this exists in many countries, it is not very effective for bringing about changes in the sectors' operating rules. These coordinating venues tend to mainly be at the top levels, rather than operational—for example, the Inter-Ministerial Commission for Social Affairs in Peru, the Social Cabinet in Colombia, the Coordinating Ministry of Social Policy in Ecuador—or venues for coordinating joint intervention strategies involving multiple sectors, which so far have shown little effectiveness in bringing about changes in the sectors that they supposedly coordinate. The typical example is the dozens of commissions for the implementation of rural development

29 Some studies not only find this pressure on women's time and activities, but also find that children relate their greater school attendance and their mothers' increased obligations with less free time (to play). If children's welfare decreases with these complementary interventions, that undermines the CCT programs' long-range objective of increasing human capital.

strategies or new schemes, such as the Crusade against Hunger in Mexico, which must interconnect the interventions of nearly a dozen sectors in more than 400 priority municipalities. The scale of the coordinating group needed to achieve effective interconnection between social programs—in this case, CCT programs—and programs outside the social ministries that implement the CCT programs is not clear.

- ***Standardized interventions interconnected with non-standardized interventions.*** CCT programs are, by definition, standardized programs that operate the same way everywhere, in rural and urban areas and even in different countries. Graduation programs, on the other hand, are adapted to local conditions, the users' profile and local opportunities. So is it possible to conceive of an interconnection scheme, or should we instead outline principles that can adapt to the specific characteristics of the «graduation» intervention? Because CCT programs are massive and public, the interconnected interventions involving the two types are more likely to succeed if there are standardized models for interconnection: common rules for entry into the «graduation» program, use of the CCT program's information platform and complementary components—that avoid competing with the demands of the CCT program—in areas such as empowerment, capacity building, financial inclusion and home improvement. Some independence is needed, however, to ensure that the CCT program meets its goals (children's health and education) and the «graduation» program meets its goals (income generation, expansion of productive assets). Determining what can be done together and what each program will do independently is a challenge in this process of interconnection, especially because the components of the graduation programs are likely to vary from place to place.

These and other issues must be discussed as part of the reflection on the real opportunities that exist for achieving joint interventions by social programs and «graduation» programs. As noted at the beginning, it seems reasonable to think that the two types of interventions have points in common and that they could leverage each other if they were implemented jointly. But more evidence and experimentation are needed. One initiative under way in the region is evaluating the direct and indirect effects of rural development programs on people who participate in CCT programs; these results will be crucial for this discussion.³⁰ The evaluations of the 10 pilots of the «graduation» program will be another source of evidence; although they have not operated in partnership with CCT programs, they do include a non-conditional cash transfer.

Possible synergies between CCT programs and «graduation» programs must be evaluated empirically, a medium- and long-range task that must begin as soon as possible to determine how to move ahead in creating interconnections between the two programs.

30 We are referring to the Conditional Cash Transfers and Rural Development in Latin America Initiative, coordinated by Jorge Maldonado of the Economic Development Studies Center (Centro de Estudios sobre Desarrollo Económico, CEDE) at the University of the Andes in Colombia and funded with resources from IFAD. Studies are being conducted with new primary information in Colombia, El Salvador and Peru, and with secondary information in Chile, Brazil and Mexico.

One crucial element in the debate over how to create, adapt or develop new public-sector interventions is information and evidence about what can be achieved, in what time frame and with what resources—financial, human, institutional, etc. As discussed above, evidence alone does not suffice. There must be political will, interconnection with other initiatives (creating complementarities and avoiding overlaps) and an institutional (a defined policy, an operator, starting information, controls and padlocks) and financial (sufficient resources) structure. Much of this can be accomplished, however, if there is solid evidence and, especially, if there is a broad-based, diverse support group that supports the evidence and collaborates in promoting a certain type of intervention. Without evidence and widespread support, all will depend on political will.

The evidence we have, while crucial, is still inadequate. This paper raises key questions to which we must continue to provide conceptual, but especially empirical, responses.

Regarding the interconnection of «graduation» programs and CCT programs, these questions include:

- › What does a «graduation» program contribute to the objectives of CCT programs—children’s human capital and stability in the family’s consumption?
- › What risks could interconnection with «graduation» programs pose for the gains already achieved by CCT programs? How great are those risks and what could the consequences be?
- › What does a CCT program contribute to the objectives of «graduation» programs (understood as actions aimed at setting users on paths toward a sustained exit from poverty)?
- › Does the interconnection of CCT programs and «graduation» programs have a sequence? Should they begin together? At what point should they become interconnected?
- › Should «graduation» programs operate only with CCT program users or with all the members of a community or territory? Do they have indirect or spillover effects if they work only with CCT users?
- › What external conditions allow «graduation» programs to have a greater impact on users of CCT programs—infrastructure, localization, community scale, etc.? What is the magnitude of these greater impacts when external conditions are better?
- › What are the effects of the «graduation» program on gender systems and on children’s lives (use of time)?

Regarding processes for moving from graduation pilots to public policies or programs, the following points are relevant:

- › Identifying the contribution of the various components of «graduation» programs to their achievements. For the public sector, it is especially important to know the potential cost of eliminating a given component, either because it is complicated for the government to implement it, because of its cost, because of the time frame or for legal reasons, such as

the delivery of resources to private entities. It is important to know whether the «graduation» program can operate without a certain component and/or how much of its outcome would be lost without that component or if the component is implemented badly.

- › What actions can the public sector do—or not do—well, and what impact could doing these things badly or not being able to do them have on the intervention? Would it be useful to have different levels of quality in the interventions to explore the way in which these differences can affect the intervention's outcome variables?
- › It is important to define outcomes that can be extrapolated and translated into useful goals and metrics for evaluating large-scale interventions.
- › It is necessary to evaluate pilots in places with different conditions: infrastructure, type of community, scale, etc.
- › It is necessary to evaluate the effects of implementing «graduation» programs only with the poorest households, compared to the possibility of working with more households or with all households in a community. It is also necessary to understand the effects of including the better-off stakeholders in the communities in the sustainability of the enterprises developed.
- › Most «graduation» programs are based on interventions at the household level. What would the impact be if these programs included interventions that promote collective action and strengthen social capital in the communities where these poor families live? What would this type of complementary intervention contribute to the outcomes—direct or indirect—of the «graduation» programs?
- › What role does the existing supply of financial services play? What opportunities are created for graduation programs by the incorporation of new financial schemes—such as electronic money—or the opening of a financial system service center?
- › If the government contracts out the implementation of «graduation» programs to the private sector, will the outcomes be better, worse or the same as with public-sector implementation?

Answering these questions will help us improve interventions aimed at helping the poorest families set out on the path to overcoming poverty, especially extreme poverty. Along with the answers, however, we need to develop narratives that include conceptual and policy proposals that support the evidence and help build coalitions to support solid, innovative processes for achieving better public interventions.

One of the key ideas of this paper has been to highlight the role of interconnection as a fundamental tool for developing «graduation» schemes that enable the most vulnerable population to overcome poverty, and which are sustained and sustainable over time. Conditional transfer programs are therefore seen as a platform on which to implement complementary actions aimed at the creation of productive enterprises, inclusion in the labor market under advantageous conditions, inclusion in relevant markets (such as financial markets, for example), expansion of agency and empowerment, among other things.

Interconnecting social programs to develop «graduation» strategies therefore emerges as an alternative to proposals to include more objectives in CCT programs, or which simply ignore IOPs and the potential of CCTs.

Creating interconnected social policy schemes allows for more ambitious social policy objectives without jeopardizing what CCT programs have already achieved. Finally, it is important to note that these interconnected social policy platforms can be understood as part of a process aimed at building more complex social protection schemes that have internal mechanisms to enable people who suffer the greatest social exclusion to participate effectively in a broad array of universal public policies to which they are entitled. Moving in this direction will make it possible to consolidate a social policy that gives the poorest and most excluded people true citizenship and enables them to become agents of their own future.



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