



CONDITIONED CASH TRANSFERS AND THEIR RELATIONSHIP WITH THE FINANCIAL SYSTEM*

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Although they have decreased in recent years, poverty levels in Latin America and the Caribbean are still worrisome. Latin American governments have therefore sought various ways of mitigating poverty and developing policies for inclusion and social protection. One response has been to implement conditioned cash transfer (CCT) programs.

The main goal of CCT programs is to provide economic assistance to poor, excluded families that include unemployed heads of households, pregnant women, children, persons with disabilities, marginalized minorities, etc., to encourage economic stabilization and social inclusion while ensuring that children go to school and get medi-

cal checkups; that beneficiaries are enrolled in the formal educational system; that they participate in job training that leads to socio-economic inclusion; and, sometimes, that they are involved in productive or community service projects.¹

To date, the CCT programs discussed below have benefited approximately 27 million households in Latin America and the Caribbean, reaching more than 100 million people.

1. C4, Capital Project, Proyecto de Capitalización y Reducción de la Vulnerabilidad de los Pobres, Concept Paper, Ford Foundation, November 2007.

* The complete document is available at The Capital Project web page: http://proyectocapital.org/index.php?fp_verpub=true&idpub=115



**TABLE 1: NUMBER OF HOUSEHOLDS BENEFITING FROM CCT PROGRAMS
(ESTIMATE AS OF 2009)**

Country	Beneficiary households to date	CCT program
Brazil	17.500.000	Bolsa Familia
Mexico	5.049.206	Oportunidades
Colombia	1.505.870	Familias en Acción
Argentina	1.472.187	Jefes y Jefas de Familia
Peru	420.574	JUNTOS
Chile	332.995	Puente-Chile Solidario
Ecuador	245.814	Bono de Desarrollo Humano
El Salvador	120.000	Oportunidades (Red de Protección Social)
Guatemala	76.000	Mi Familia Progresa
Panama	70.599	Red-Oportunidades
Nicaragua	20.000	Mi Familia
Total beneficiary households	26.813.245	

Sources:

< <http://www.mds.gov.br/bolsafamilia/bolsafamilia01.asp> >;
 < <http://www.oportunidades.gob.mx> >;
 < <http://www.accionsocial.gov.co/contenido/categoria.aspx?catID=204> >;
 < <http://www.trabajo.gov.ar/jefes/index.as> >;
 < <http://www.juntos.gob.pe> >;
 < <http://www.chilesolidario.gov.cl/?language=spanish> >;
 < <http://www.mbs.gov.ec/MBS//PPS/Wfbonode%20solidaridad.aspx> >;
 < <http://www.redsolidaria.gob.sv/content/view/758/1/> >;
 < <http://www.mifamiliaprogressa.gob.gt/> >;
 < http://www.mides.gob.pa/index.php?option=com_content&task=view&id=295&Itemid=75 >;
 < <http://www.mifamilia.gob.ni/index.php> >.

Compiled by authors.

This report will only focus on the following countries: Mexico, Colombia, Peru, Chile and Ecuador. While these countries use the same *modus operandi* in implementing programs (CCTs are delivered in cash and are subjected to certain conditions, particularly related to health and education), there is a significant difference in the ways in which each program relates to the payment agencies and the countries' financial systems, which handle the transfers.

In Mexico, the *Oportunidades* program assists families living in extreme poverty, with the goal of enhancing their members' capabilities and increasing their possibilities of improving their standard of living through better education, health and nutrition. The program provides food assistance (US\$ 17.80), assistance to senior citizens (US\$ 15), energy assistance (US\$ 3.31) and educational assistance (US\$ 10.90). The subsidies are provided every two months



through payment agencies such as *Telégrafos de México* (TELECOMM), branches of the *Banco de Ahorro Nacional y Servicios Financieros* (BANSEFI) and savings banks,² as well as rural stores in the DICONSA chain. TELECOMM delivers the subsidy in cash, BANSEFI delivers cash in an envelope, and *L@Red de La Gente* deposits the subsidy in savings accounts. Despite efforts to bring people into the banking system, there is still a lack of knowledge about the use and benefits of savings accounts. They are generally seen only as payment accounts that provide a means of delivering the CCT.

In Colombia, the *Familias en Acción* program's goal is to help develop human capital. It has two objectives: i) to complement the income of families with children under age 18, to improve diet, health and education; and ii) to link people with the JUNTOS Social Protection Network.

Like the program described above, this program provides conditioned transfers every two months for nutrition (US\$ 50) and education (US\$15 for elementary school and US\$ 30 for high school). Almost all subsidies are handled through the *Banco Agrario*, through an aggressive program to bring people into the banking system, which is driven by *Familias en Acción* with the assistance of Banca de las *Oportunidades*. Nevertheless, the payments to beneficiaries can be made in four ways: i) payment in the beneficiary municipality, ii) through a branch iii) payment in the neigh-

boring municipality; iv) and payment via a rechargeable card. The transfers are deposited in electronic savings accounts, but the beneficiaries can also use their debit cards.

In Peru, JUNTOS, the National Direct Assistance Program for the Poorest, grants a monthly subsidy of US\$ 30, as long as conditions in the areas of nutrition, health, education and identity documents are met. Of the five countries discussed and presented, Peru is the only case in which the program is entirely rural, posing greater difficulties for distribution of the CCT. The transfer is made through the *Banco de la Nación* (BN), either by a currency transportation company or by the BN's own network of branches. When the payment is made by a currency transportation company, the subsidy is delivered in cash; if payment is made through the BN branches, the subsidy is deposited in savings accounts opened by the beneficiaries in the bank.

Although most beneficiaries receive the subsidy in savings accounts, they do not feel encouraged to use the accounts as such. The card provided by the BN is used only to withdraw the subsidy, usually all at once on the day it is paid.

In Chile, the *Chile Solidario* program is a component of the Social Protection System that assists families, people and geographic areas in vulnerable situation. The program provides both psycho-social assistance and a decreasing economic contribution that is delivered, preferably, to women. The subsidy is US\$ 20 during the first six months,

2. Both BANSEFI and savings banks form part of *L@Red de la Gente* (L@RDG)

US\$ 15 between the seventh and twelfth months, and US\$ 10 between months 13 and 18. In the last six months, it drops to US\$ 5. After 24 months in the Bridge Program, families receive an exit subsidy of US\$ 5 a month for three years. The *Instituto de Normalización Provisional* (INP) is responsible for delivering the subsidy to the families. It pays their benefits directly at its branches (including mobile INP facilities), by mail (checks), at branches of the *Banco Estado*, or by direct deposit in a bank account. The latter form of payment, however, must be requested at an INP branch office.

In Ecuador, the Human Development Voucher (*Bono de Desarrollo Humano*, BDH) is part of the Social Protection Program (*Programa de Protección Social*, PPS). The BDH is a monthly monetary benefit conditioned on meeting certain requirements (in education and health) established by the PPS. The amount is US\$ 30. Each month, beneficiaries go to the corresponding institutions, either private or public, to withdraw the transfer. The withdrawal can be made in person or by an authorized third party.

The main private institution handling payments is BANREDD, through the “*MIES BONO RÁPIDO*” card, which allows BDH beneficiaries to get payments quickly through a network of automated teller machine (ATM). In the public sector, payments are made through the *Banco Nacional de Fomento* (BNF). Other financial institutions also pay the BDH, including smaller banks, coope-

ratives and savings and loans. Beneficiaries can also request a 12-month advance on the BDH, called the Human Development Loan. This can only be done through the BNF.

Conditioned transfer programs are increasingly taking advantage of the opportunities offered by countries’ financial systems to make transfers more efficient. Particularly noteworthy is the role of development banking in this process, especially with regard to the five cases discussed: BANSEFI in Mexico, the *Banco Agrario* in Colombia, the BN in Peru and BNF in Ecuador.

The goal of these banks, most of which are publicly owned, is to promote the economic development of a certain region or country. Development banks tend to operate with interest rates below those of the market, but they are established based on funding costs, as long as a minimal profitability is possible.³ The key point is that these are the only financial institutions offering coverage in the most remote, poorest areas, which is where most beneficiaries of CCT programs live.

These development banks are the institutions with ties to CCT programs. The development bank financial products and services most often used by these programs are monthly transfers via payment accounts and savings accounts.⁴

3. Trivelli and Venero, *Banca de Desarrollo para el agro: Experiencias en curso en América Latina*, IEP, 2007.

4. See: <http://www.bancosdesarrollo.org/index.php?fp_verpub=true&idpub=301>.



It is clear, however, that development banks often do not take full advantage of the possibility of offering additional services to this new portfolio of clients. Development finance institutions do not take advantage of this new relationship with CCT programs as an opportunity to expand and deepen the services offered to poor sectors.

Joint action by CCT programs and development banks could contribute to the definition of aggressive policies for financial inclusion based on social policies in each country. This challenge is on the table; it remains to be seen how the CCT programs and development banks involved will respond.



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