

SUMMARY

What Latin America Can Teach Asia About Conditional Cash Transfers



Photo credit: ADB.

Latin America's long experience with conditional cash transfers offers lessons for implementing these innovative human development programs in Asia and the Pacific.

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Overview

Conditional cash transfer (CCT) programs provide money to poor families on the condition that they invest in their children's human capital, such as sending them to school or bringing them to health centers on a regular basis.

Since the 1990s, CCTs have been a successful feature of social protection policies in most Latin American countries. They are now being implemented in many countries in Asia and the Pacific, including Indonesia, Pakistan, and the Philippines.

Purpose

A 2014 Asian Development Bank (ADB) study, *Fiscal policy and inclusive growth in Latin America: lessons for Asia*

, assesses Latin America's experience with CCTs and offers potentially valuable lessons for inclusive fiscal policy in Asia.

The study looks at the impact of CCT programs in Argentina, Bolivia, Brazil, Mexico, Peru, and Uruguay and provides lessons that can be applied by policymakers in Asia and the Pacific.

The authors note that Latin America and Asia are broadly comparable in terms of income and development levels, but that Latin America has traditionally devoted greater public spending to education, health, and social protection in line with the region's larger overall government size.

Key Findings

- CCT programs have generally worked well in Latin America, with most programs—especially those making sizable transfers—having a substantial impact on poverty.
- CCT programs were more effective in countries with strong “supply side” social services in place to meet the demand created by the program.
- CCT programs should be combined with other reforms to improve the quality of education and health services.
- CCT programs had many other positive effects. For example, CCT monitoring and evaluation systems helped to strengthen other institutions and broader policies.
- Concerns that CCT programs create dependency and disincentives to work were largely unfounded and did not occur on a sufficiently large scale to offset the benefit of the transfers.
- CCTs are just one option among many targeted social assistance programs; they cannot be the right instrument for all poor households. They have limited relevance for the elderly poor or for families whose children are outside the age range covered by the CCT.
- CCT programs in many Latin American countries would have been more impactful if cash transfers were more narrowly targeted.
- The complex administrative structures to monitor large-scale Latin American programs may not exist in many developing Asian countries.

Conclusion

CCTs are not a panacea for poverty and inequality and policymakers should be aware of their limitations. Fiscal policy to create fiscal space for social assistance programs is just one part of the policy package for inclusive growth. Land reform, sound governance, and other policy instruments can give the poor greater economic security and enhance children's education and health, which in turn can make them more productive. A number of Asian governments have followed this route to greater prosperity, but many of them still have a long way to go.

Resources

ADB. 2014. *Fiscal policy and inclusive growth in Latin America: lessons for Asia.*

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