



## *Synthesis*

# CONDITIONAL CASH TRANSFER PROGRAMS

Conditional cash transfer (CCT) programs are the main social programs used by Latin American and Caribbean countries to assist families living in poverty. In addition to supporting consumption, they encourage the accumulation of human capital.

To mark the 20 years since the implementation of CCT programs, the Inter-American Development Bank (IDB) created this toolkit, which is primarily aimed at those who design and operate CCTs, as well as the general public. Here we describe how several countries implement the three main operational stages of a CCT program.

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The present work is a summary of the publication  
[¿Cómo funciona el Bono de Desarrollo Humano?](#)  
The updated material as well as the summaries of the other programs in Latin America and the Caribbean are available for downloading at the [IDB's conditional transfer programs website](#).

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## 1/ INTRODUCTION

The [Bono de Desarrollo Humano](#) (BDH) is a conditional cash transfer program for Ecuadorian families living in extreme poverty. Its objectives are to promote the accumulation of human capital and to reduce the persistence of poverty. The program provides financial support to ensure a minimum level of consumption by families and promotes incentives for them to invest in the health and education of children up to 18 years of age.

The BDH derives from *Bono Solidario*, implemented in 1988, which was an unconditional cash transfer program created to compensate poor families after the country's gas and electricity subsidies were eliminated. In 2003, the program was changed to incorporate co-responsibilities that aimed to incentivize the accumulation of human capital. This process resulted in the BDH.

The Ministry for the Coordination of Social Development (MCDS), coordinates the actions of the Ministry of Economic and Social Inclusion (MIES), the institution responsible for the implementation of the BDH. Originally, the BDH targeted the population living in poverty, but its focus was recently modified and today it only targets populations living in extreme poverty. In April 2015, the number of families benefiting from the program increased to 440,000. In 2014, the total amount of BDH subsidies reached US\$449 million and represented 0.4% of Ecuador's gross domestic product.

This document refers to the operations of the BDH as of the end of 2015. At the time our conditional cash transfer program site was being developed, the program was in the process of being redesign.

## 2/ BENEFICIARIES

### Eligibility

The BDH's target population is households living in extreme poverty. This means that some households with no young children or adolescents are also eligible for the BDH.

### Targeting

The mechanism used to target and select the beneficiaries of the BDH is the Social Register ([Registro Social](#)). This mechanism is managed by the [MCDS](#) and is also used to target beneficiaries for other social programs

of Ecuador.

This process is carried out in two phases:

- i) **Geographic targeting:** Identifies the poorest census sectors through mapping information from the [National Institute of Statistics](#) (-INEC) and the Unsatisfied Basic Needs Index ([Índice de Necesidades Básicas Insatisfechas](#)) developed by the Andean Community.
- ii) **Visits to households and evaluation of their condition of poverty:** After the census sectors have been identified in the first phase, the extremely poor are selected using an indirect method to estimate revenues (proxy means test) called the Well-Being Index.

In the first phase, the selected census sectors are those where the incidence of poverty, according to the Unsatisfied Basic Needs Index, is above 50% of households. In the second phase, surveys of each of the households are conducted in order to determine their economic situation and identify potential beneficiaries.

The surveys are conducted using two methodologies, depending on the housing density of the census sector. In densely populated areas, field operations that involve visits to families in their homes (*barridos*) are used. In contrast, in census sectors that are rural or dispersed, families are contacted through a local authority (for instance, the leader of the parish office) to come to a given public location where the surveys are being conducted (fewer than 10% of current registrations in the Social Register were made using this method of contact).

For the most recent surveys in 2013 and 2014, electronic tablets were used for the first time to gather information. This allowed for better recording and verification of the collected data. Once the survey is conducted, a document is generated that must be signed by the person being surveyed attesting that the information provided is true.

In those census sectors where there is no process for gathering data, household members may go to their nearest MIES office to file their request. In such cases, the MCDS hopes that enough cases accumulate in the census sector to warrant conducting an information-gathering operation.

Once the information is stored in the Social Register,



a score on the Well-Being Index is estimated for each family. The Well-Being Index is a proxy means test that uses the non-linear principal components statistical technique. It combines and weights 34 variables of the survey regarding characteristics of the household, access to services, availability of goods, composition of the family, and level of education, among other things. The index is expressed in values between 0 and 100, with 100 being the maximum level of well-being. The cut-off point in April 2015 was 28.20. In 2014, the poverty line was set at US\$47 per person per month, which corresponded to approximately 7.8% of Ecuador's population.

### **Enrollment**

Once the MCDS has identified eligible beneficiaries through the Social Register, the database is sent to the MIES. As the implementing entity for the PTMC, the MIES applies the program's selection criteria and creates the database of active beneficiaries eligible for payments. It is the responsibility of the families to verify whether or not they were selected for the program. They may check their status through a call center, the web page of the Social Register, or national support centers of the MIES.

### **Recertification**

Socioeconomic information in the Social Register is updated every five years. The latest update was carried out in 2013–2014. At that time, in addition to compiling new information on all potential BDH beneficiaries, the cut-off point was modified. Currently, the target population is no longer the entire poor population but only the population living in extreme poverty.

### **Exit Criteria**

There are two reasons why BDH users exit the program:

- The household no longer meets the socioeconomic criteria following the recertification process, either because its socioeconomic condition has improved or because of a modification to the program's target population
- It is determined that the household is not complying with one of the requirements to be eligible. This is verified by consulting administrative databases such as the Civil Register (in order to identify deaths) or based on information from public employees.

Between April 2013 and April 2015, approximately 748,000 households exited the program as a result of the updating of the socioeconomic information necessary for recertification and because of modification to the eligibility criteria.

## **3/ TRANSFERS**

### **Benefit Structure**

Unlike other conditional cash transfer programs, families participating in the Human Development Voucher program receive only a single monthly voucher of US\$50 (equivalent to US\$600 annually), regardless of the number of children in the household, their age, or their grade level in the school they are attending.

In addition to this transfer, the household can participate in other transfer programs implemented by the MIES such as the pension for senior citizens (*Pensión para Adultos Mayores*) and the pension for persons with disabilities (*Pensión para Personas con Discapacidad*), each consisting of a monthly payment of US\$50.

### **Payment Mechanisms**

Beneficiaries of the Human Development Voucher program can request payment of the transfers via a wide network of payment points, including bank counters, ATMs, and non-banking correspondents, which are administered by particular public and private financial institutions, including banks and cooperatives.

The Ministry of Economic and Social Inclusion (MIES) operates the payment system through a transaction arrangement that allows to manage information on all the beneficiaries in the program, including their identity and the amount of the transfers that correspond to them. The system also enables the financial institutions to consult the beneficiary database in order to be able to issue the payment.

The payment management system has different levels. First, the MIES administers the central switch, a database that contains the information that references the payment for each of the beneficiaries. On a second level are firms known as concentrators, which as intermediaries connect each financial institution with the central switch to corroborate that the person presenting him or herself to

collect the payment is an active BDH beneficiary. Finally, the financial institutions make the payments to the beneficiaries through a network of payment points. The MIES pays US\$0.35 for each transfer, of which US\$0.3 goes to the institution that makes the payment to the beneficiary and US\$0.5 goes to the firm that administers the concentrator switch.

All of the system's payment channels function under the same principle. The recipient of the benefit presents him or herself at one of the payment points in order to request the transfer and presents official identification. Thus, it is when the consulting mechanism with the intermediary kicks in – a process which involves verification with the central switch that the family is active in the program – that the financial institution issues the payment following the verification. At the end of each day, the MIES conducts a banking reconciliation of the payments and, in turn, each financial institution compensates the network of non-banking correspondents for the payments issued.

The beneficiaries can go to any non-banking correspondent to request the payment and, if they wish, they can go to a different financial institution every month.

There is also the option to use ATMs, although to do this the beneficiaries need to have a MIES *Bono Rápido* (Quick Voucher) card. This is a magnetic card that is not linked to a bank account, and which allows ATMs to identify the beneficiary by accessing the concentrator switch, which in turn consults with the central switch and issues the payment.

In December 2015, there were 9,740 payment points across the country, including bank or cooperative branches, ATMs, and non-banking correspondents.

In addition, BDH beneficiaries can make a request to MIES that the payments be deposited in a bank savings account under their name. However, this option implies that the beneficiaries must assume the rules and possible costs involved in management of the account, and they will only be able to use payment points that correspond to the network of the financial institution where the account

is held.

To reduce the wait times of beneficiaries to request the payment and to facilitate the control of liquidity in the payment points, there are a limited number of days when the beneficiaries can receive payments using the last digit of their identify card. Therefore, for example, users with an identify card with the final number of 1 can make their withdrawals on days 1, 11, 21, and 31, as well as on all weekends. On the other hand, families can elect to not make withdrawals every month and to accumulate up to four months' worth of transfers.

## 4/ CONDITIONALITIES

The BDH was designed as a conditional cash transfer program. Despite this, in practice no process has been implemented either to systematically monitor compliance with conditionalities or to suspend payments of transfers. The program does, however, inform users through national communications campaigns about the conditionalities with which they need to comply.

### Health

BDH beneficiary families must comply with a set of conditionalities that are aligned with the policy priorities of the Ministry of Public Health.

Women who are pregnant must get five pre-natal check-ups, children under 5 years of age must get a series of health check-ups in accordance with their age, and household members of child-bearing age must attend at least one talk annually on family planning (Table 1).

There are some supporting administrative records to monitor compliance with health conditionalities, such as the clinical history and the health card for children. However, the records in the clinical history of the health units do not necessarily include the number of the patient's identification card, which provides more of a person's clinical history.

### Education

All members of the household between 5 and 18 years of age must be enrolled and regularly attend a primary or

Table 1: Frequency of Health Visits in Accordance with the Age of the Household Member in 2013

Member of the Household	Required Health Visits
<b>Pregnant women</b>	2 check-ups in the first quarter
	2 check-ups in the second quarter
	1 check-up at the end of the pregnancy
<b>Children under 1 year of age</b>	2 check-ups when 0 to 4 months old
	2 check-ups between 5 and 8 months old
	2 check-ups between 9 and 12 months old
<b>Children under 5 years of age</b>	At least 2 annual check-ups
<b>Persons of child-bearing age</b>	Attend at least one talk annually on family planning

SOURCE: PREPARED BY THE AUTHORS BASED ON INFORMATION FROM THE MINISTRY OF ECONOMIC AND SOCIAL INCLUSION (MIES 2013).

secondary school. To comply with this rule, the student must not be absent without justification from more than 20% of the classes annually.

#### Other Conditionalities

In addition to health and education, conditions were added in 2013 in the areas of housing and child labor. Families must refrain from building improperly constructed housing or other buildings. In addition, they

must maintain their house and neighborhood in good condition. In addition, the parents promise that children under 15 years of age will not work or beg.

The penalty for noncompliance with any of these conditions is temporary or permanent suspension of the BDH. However, there are neither administrative records nor mechanisms being implemented to support verification of compliance with conditionalities.

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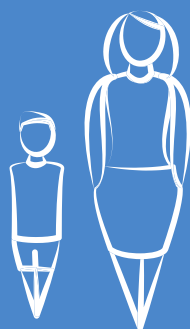
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