

Asian Development Bank (ADB)

Conditional Cash Transfers (CCTs) in Asia to Reduce Poverty

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Cash transfers are not a magic bullet, but they are an effective means of directly assisting the poorest and most vulnerable members of a society.

In the complex world of development, the simple act of directly giving cash to the people who need it most remains a powerful tool. Cash transfers, as they are popularly known, have for decades been provided to those in need, particularly in the aftermath of disasters.

In the last 15 years, conditions have been attached to these transfers, making them a much more powerful form of social assistance.

Influencing behavior

Conditional cash transfers, which started in Latin America in the late 1990s and have effectively driven down poverty rates in the region, are payments made to individuals in return for usually personal acts, or changes in behavior, that benefit their families and society as a whole.

Watch a video (<http://www.adb.org/news/videos/conditional-cash-program-ensures-more-children-have-access-health-care-education>) : Conditional Cash Program Ensures More Children Have Access to Health Care, Education

Payments are made most often for actions related to education and children's health. For example, families who vaccinate their children, or enroll them in school, might receive a payment once it is verified that these actions have been taken.

In some cases, conditional cash transfers have been used for broader environmental goals, such as making payments to people living near forests in return for protecting the area rather than damaging it in order to earn income. In the form of grants to the elderly, they are a tool for strengthening social protection systems.

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But whether conditional or unconditional, cash transfers represent an investment in human capital, which is society's greatest resource. In this sense, one of the main conclusions of the 2009 ADB regional workshop on social assistance and conditional cash transfers (<http://www.adb.org/publications/social-assistance-and-conditional-cash-transfers-proceedings-regional-workshop>) was that social protection is not a rescue package for the poor and vulnerable against the impacts of economic downturn. Rather, it is an investment in the future for the development of human capital and a tool for poverty reduction.

Asian way to cash transfer

In Asia, conditional cash transfers have particular resonance because many countries in the region are grappling with issues of inequality. Though the economies of the region have grown quickly, many people have remained poor.

Conditional cash transfers are used to help the families in need, while the required actions, or conditions, have a long-term societal impact on making people less poor. In other words, the payments can be used to pay the bills but the effect of having more poor children healthy and educated is long-term and powerful.

In the Philippines, for example, the government is using a cash transfer program to provide payments to poor families who comply with conditions such as sending children to school, ensuring they receive regular checkups, and participating in nutrition programs. The program, known as Pantawid Pamilyang Pilipino Program (<http://www.adb.org/projects/43407-013/main>), is supported by the Asian Development Bank (ADB).

No magic bullet

Though conditional cash transfers have been shown to be a powerful and effective tool to empower the very poor, they are not a "magic bullet" to reduce poverty. There are limitations to such programs.

Countries that provide conditional cash transfers must have the social services in place to meet the demand created by such programs, according to the report Conditional Cash Transfer Programs: An Effective Tool for Poverty Alleviation? (<http://www.adb.org/publications>)

/conditional-cash-transfer-programs-effective-tool-poverty-alleviation) , by ADB's Economics and Research Department.

"For instance, in many developing countries, children, particularly in rural areas, face supply-related problems, i.e., there are not enough schools, classrooms, or teachers to offer adequate education to those who need or want them," the report noted. "In such circumstances, pouring resources into a conditional cash transfer program may not be able to achieve the educational objective."

Some critics have noted that such programs can be difficult to administer and have limited impact in the absence of a graduation strategy of beneficiaries.

"Another concern often raised comes from the view that conditional cash transfers can be perceived as demeaning because the government imposes conditions on the poor people irrespective of their preferences," the same ADB report also stated.

Yet conditional cash transfers can be highly effective, especially if they are adapted to local conditions.

A study (<http://www.povertyactionlab.org/publication/redesigning-conditional-cash-transfers>) by the Abdul Latif Jameel Poverty Action Lab, at the Massachusetts Institute of Technology in the United States, found that students who were offered a large reward for graduation were 49 percent more likely to enroll in a higher education institution.

Delicate environment

Conditional cash transfers need to be carefully monitored and rigorously evaluated. The programs also need high-level political support because they are implemented by multiple government agencies that need to work in coordination.

A balance must also be found in how beneficiaries are targeted and how conditions are imposed, so that costs are kept under control. In addition, programs that support and complement the cash transfer plan need to be in place.

Photo

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