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CONTENTS

ACRONYMS AND ABBREVIATIONS

CCT	Conditional Cash Transfer
CEPAL	United Nations Economic Commission for Latin America and the Caribbean
ESF	Emergency Social Fund (Bolivia)
FPS	National Productive and Social Investment Fund (Bolivia)
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
ILO	International Labor Organization
IMF	International Monetary Fund
MEC	Ministry of Education (Brazil)
NEP	New Economic Policy (Bolivia)
NGO	Non Governmental Organization
PAN	National Action Party (Mexico)
PRI	Institutional Revolutionary Party (Mexico)
Progresa	Program of Education, Health and Nutrition (Mexico)
Pronasol	National Solidarity Program (Mexico)
SEDESOL	Ministry of Social Development (Mexico)
SIF	Social Investment Fund
UN	United Nations
UNDP	United Nations Development Program
US	United States

1 INTRODUCTION

1.1 Background context

Poverty and vulnerability are enduring problems in Latin America. Although some countries attained significant growth in the past, widespread inequalities in the distribution of income and opportunities have persistently excluded large proportions of the population from the benefits of economic development.

These problems were exacerbated in the 1980s when the debt crisis led to a deep economic recession in the region and the beginning of structural adjustment programs. Income per capita declined in most countries, while cuts in public expenditure affected the provision of social services negatively, leading to an increase in poverty and inequality. The early 1990s saw slight recoveries, but the contagion effects of the Mexican crisis in 1995 and the Asian crisis in 1997 brought a new wave of recession. Thus, despite some progress in proportional terms, the absolute number of poor in Latin America is on the rise, exceeding 211 million in 1999 (CEPAL 2002).

TABLE 1
Latin America and selected countries—incidence of poverty and extreme poverty (1979-99)

	Year	% households below poverty line	% households below extreme poverty line
Latin America	1980	35.0	15.0
	1990	41.0	17.7
	1997	35.5	14.4
	1999	35.3	13.9
Bolivia	1989 (a)	49.4	22.1
	1994 (a)	45.6	16.8
	1997	56.7	32.7
	1999	54.7	32.6
Brazil	1979	39.0	17.0
	1990	41.4	18.3
	1996	28.6	10.5
	1999	29.9	9.6
Mexico	1984	34.0	11.0
	1994	35.8	11.8
	1996	43.4	15.6
	1998	38.0	13.2

Source: CEPAL 2000 and CEPAL 2002
a/ 8 department capitals and the city of El Alto

The aggregate levels of poverty in Latin America are linked to the region's economic performance and patterns of social provisioning. At the individual level, however, there is an interplay of characteristics that increase the possibilities of falling and remaining in poverty. Age, gender, location, occupational status and sector are all important determinants of income poverty, but a number of studies have identified schooling as the strongest correlated variable (Fizbein and Psacharopoulos 1995; CEPAL 2002).

This correlation has serious implications in a region where broad levels of access to basic education are counterbalanced by dramatic repetition and drop-out rates. These rates are positively correlated with the socioeconomic status of students. In general, poorer students tend to repeat more grades and drop out earlier from school than their better-off colleagues. And the economic reasons associated with school drop-out can be particularly aggravated in periods of economic recession.

Besides the direct costs of schooling, children's opportunity costs can be significant. Since the most abundant asset of the poor is labor, the usual coping strategy for economic shocks among poor households is the intensification of female and children's participation in the labor market. Both might end up leading to school drop-out, either because the child needs to engage in full-time income-earning activities herself or because, in the absence of adequate childcare services, older children must be pulled out of school to look after younger siblings (IDB 2000). Thus, a vicious circle of poverty is established and children born in poor households might have few chances to escape this intergenerational trap.

1.2 Prominent poverty reduction programs in the 1980s and 1990s

The persistence of high poverty rates in Latin America and worsening social conditions after the start of structural adjustment brought poverty concerns to the policy agenda with renewed impetus. At the same time, the main donors and international organizations shifted their focus to this topic, contributing to the creation and dissemination of safety net programs in the region. Two of these programs are discussed in this paper: social investment funds (SIFs) and conditional cash transfers (CCTs).

SIFs and CCTs were not devised to replace the myriad of social policies involved in poverty reduction. Rather, they were meant to be targeted components of a broader strategy, cushioning the effects of the economic crisis on the poor. In this sense, their importance is related to the absence of widespread social security coverage in the region, the typical safety net choice in richer countries.

Also, their visibility is not linked to their size, since they are typically much smaller than universal programs both in terms of expenditure and coverage. It has more to do with the attention they received among governments and donors alike, which resulted in their replication across several countries in a relatively short time span. As such, in distinct moments of the recent past, SIFs and CCTs came to occupy quite a central place in the development agenda of Latin America.

1.3 Social Investment Funds

By the late 1980s, most Latin American countries had structural adjustment underway, but there was growing awareness on the social costs of these programs. Not only would anticyclical measures of social protection provide necessary cushion mechanisms, they could also contribute to minimize the growing opposition to the adjustment process itself. This was the context in which SIFs emerged (Cornia 2002).

SIFs were put in place in several countries with support from the World Bank and the Inter-American Development Bank (IDB). They rapidly became their typical prescription for the fears of growing social exclusion in Latin America, due to the serious economic problems of the region and the inability of existing social programs to reach vulnerable populations.[1] They were devised as temporary safety nets, generally targeted at the poor, based on demand-driven projects. Despite great variation in terms of scope and functioning, cost-sharing with beneficiaries, administrative autonomy, decentralization and community involvement were their key operational elements (Glaessner et al. 1994).

Although their initial focus was mainly one of providing safety nets, SIFs evolved over time towards a greater emphasis on developing infrastructure and access to social services for disenfranchised communities. Thus, they attempted to move from purely compensatory measures towards more structural poverty alleviation, enlarging their scope from the ‘adjustment poor’ to the chronic poor (Cornia 2002).

The Bolivian Emergency Social Fund, set up in 1986, was the first initiative of

[1] According to Cornia (2002), at least 21 SIF-type programs were launched in Latin America since 1986. Their proliferation grew exponentially, from one experience in 1987 to five in 1990 and 10 in 1992.

this kind. Primarily funded by international organizations, the ESF was transformed into a permanent government agency in 1991. Its focus evolved from a temporary employment program amidst laid-off miners of state-owned enterprises to one of promoting several schemes of social protection in poverty-stricken areas. It later moved towards the construction of health and education infrastructure and, finally, it was directed at supporting the decentralization process initiated in Bolivia in the mid-90s.

The multiplicity of objectives of SIFs, their multisectoral approach and their constant evolution make any kind of impact assessment a complex task. In terms of providing a safety net for the poor, it seems that the results of SIFs have been modest (Stewart and van der Geest 1995). They have been more successful in providing infrastructure to poor communities than in generating additional employment and income. Participation of the poor in the projects was usually limited to providing unqualified and low-paid labor, since most of the skilled jobs were given to outside private contractors (IDB 2000). Moreover, under the requirement that community-designed projects compete for the funds, those with well organized community-based organizations or capable local governments were the ones more easily selected (Stewart and van der Geest 1995).

There were also complex institutional issues involved in the operation of SIFs. As they were set up as independent agencies, in order to ensure rapid disbursements and operational efficiency, potential tensions with line ministries and duplication of efforts could emerge (Cornia 2002). And as most SIFs relied heavily on external funding, there were considerable issues related to financial and institutional sustainability.

1.4 Conditional Cash Transfers

Although SIFs are still in place in most countries of the region, from the mid-90s onwards a new policy trend emerged in Latin America: the provision of cash transfers conditioned on certain behaviors of the recipients.

While it is true that this type of program was initiated in small-scale at the local level, it was only after the negative macroeconomic effects of the Asian crisis that they became widespread in the region.[2] Despite this similitude in origin, the scope of CCTs

[2] The Federal District and the municipality of Campinas, in Brazil, started CCTs as early as 1995, being followed by several local programs in that country before the first nation-wide CCT appeared in Mexico.

differs from SIFs by addressing demand-side constraints for structural poverty reduction. This is done through an incentive scheme which combines the short term objectives of safety nets with the long term goals of building human capital and breaking the vicious intergenerational circle of poverty traps. As such, CCTs aim at responding to two interrelated problems: the failure of universal social policies in reaching the poor (especially in the areas of education and health) and the failure of the social protection systems in place to provide effective cushion mechanisms during crises.

The operation of CCTs consists in the provision of money subsidies to targeted households, provided they assure school attendance of their school-aged children and, in some cases, make periodic visits to health centers. With this demand-side perspective, CCTs attempt to more effectively bridge the basic approaches to social policy identified by Drèze and Sen (1991): protection from deprivation and promotion of capabilities.

The Mexican Program of Education, Health and Nutrition – *Progresa* – was the pioneer national CCT experience, set up in 1997. The Brazilian federal program *Bolsa Escola* (School Stipend) was created in 2001 and, in absolute numbers, is the largest CCT in place, benefiting more than five million households.

Although originated with domestic funding both in Mexico and in Brazil, this type of program has received substantial support from the international community. UN agencies and development banks are unanimous in highlighting CCTs as one of the 'best practices' of social protection in Latin America. This support is not only rhetorical, but also practical as considerable funding has been given to the dissemination of program experiences, expansion of existing initiatives and replication of similar programs elsewhere. To date, there are records of at least nine countries with large-scale CCT programs in the region, either being formulated or already under implementation.[3]

The appeal of CCTs has much to do with their potential to tackle one key issue in the perpetuation of poverty in Latin America (i.e. educational attainment) and their fit into the current mainstream discourse on poverty reduction. Elements such as gender, human capital, community participation, empowerment and means-tested targeting are

[3] CCT-type programs are present in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, and Nicaragua. Guatemala and El Salvador have initiated small-scale pilot projects.

all included, to varying degrees, in CCT programs. But, there are high administrative requirements associated with the set up of conditional subsidies. There can also be significant political economy issues involved in these programs and potential conflicts between the counter-cyclical nature of safety nets and the natural trend of transfers to be perceived as permanent entitlements.

In terms of results, CCTs are quite recent initiatives, but initial evaluations have shown positive effects on school enrollment and nutrition patterns (Morley and Coady 2003; Guerrero 2001; Sedlacek et al. 2000). The impact on child labor seems smaller, since school attendance can be frequently combined with work (Bourguignon et al. 2002). The impact on poverty reduction is still not so clear. In the short run, the magnitude of effects on poverty rates varies by program, with Progresa yielding the most significant results. In the long run, the translation of higher educational attainment into higher earnings cannot be taken for granted, as it is mediated by the quality of the education received, rates of employment, absorption of skilled labor in the economic structure and general rates of return to education (Bourguignon et al. 2002; CEPAL 2002).

In sum, CCTs are no panacea, but their potential seems undeniable. They have become a fairly popular policy option in Latin America and their appeal seems to cut across political parties and ideological affiliations. In comparison with SIFs, they seem to be gaining considerably greater visibility and support from Latin American governments and the multilateral development community.

1.5 Objectives, scope, methodology and limitations of the research

This study explores why CCTs have come to occupy a central place in the poverty reduction agenda of Latin America. In this task, it follows a comparative perspective with the previous fashion of SIFs. The focus is not on the impacts of these programs, but on policy design and process. It may seem too early to assess the achievements of the multiple objectives of CCTs, especially the long term ones, but an understanding of their particular characteristics, selected implementation aspects and contextual factors helps to explain their recent prominence in the region.

Methodologically, the study approaches SIFs and CCTs through a policy analysis framework and three selected cases: the Emergency Social Fund and its successors (Bolivia), Progresa (Mexico) and Bolsa Escola (Brazil). The choice of the Bolivian and Mexican experiences are related to their pioneer character, which served of inspiration for the design of similar programs in other countries. In the condition of 'best practices', these interventions have been the object of quite a number of studies and the abundance of material is certainly an additional explanation for their choice. The large scope of the Brazilian program and the relatively little attention it has received from the academic community makes it an interesting object of study.[4]

A wide range of secondary sources are used throughout the paper, but there is one important limitation. Since CCTs are very recent initiatives, with considerable support from the donor community, most studies and reports have been published as grey literature, either by governments or international organizations. This material tends to highlight all the good things about CCTs, with little information on their potential problems, making it more difficult to convey an objective overview.

Additionally, there are huge challenges involved in the comparison of two different kinds of programs being implemented in different periods and within distinct social contexts. The scope of the paper prevents a thorough assessment of the particularities of each experience and a detailed analysis of the national realities in which they took place. Inevitably, not all aspects of the programs can be considered and important intervening factors might be neglected. Nonetheless, a systematic qualitative assessment provides indicative answers for the questions raised here.

1.6 Research questions and hypothesis

The main research question around which this paper is organized is:

> Why have conditional cash transfers become prominent in recent social safety net constructions and poverty reduction strategies in Latin America?

My hypothesis is that:

> The central place of conditional cash transfers is related to:
> a) particular aspects of the design and implementation of these programs, which helped to overcome the shortcomings of existing and previous mechanisms; and
> b) domestic and external factors that shaped policy choices towards their creation and replication.

[4] The extensive research on the Mexican experience is closely linked to the initial design of the program (as a perfect experiment, so as to allow the measurement of impacts) and to a thorough assessment contracted by the Mexican government with internationally renowned researchers.

Subsidiary questions addressed by the paper are:

- Did anything go wrong with SIFs or are CCTs just a ‘better idea’?
- What are the pros and cons of CCTs and SIFs in theory?
- What administrative, political economy and institutional factors are involved in the implementation of both types of intervention?
- What are the main stakeholders’ view on CCTs and SIFs?
- What are the stated and implicit objectives of these programs?
- What results have CCTs yielded so far? Are these any better than SIFs?

1.7 Structure of the paper

The remainder of this paper is organized as follows: chapter 2 clarifies central concepts related to social safety nets and depicts the policy analysis framework used. Chapter 3 introduces the case of the Bolivian SIF experience. Chapter 4 describes the cases of the Mexican Progresa and the Brazilian Bolsa Escola. Chapter 5 provides a criteria assessment of SIFs and CCTs. Chapter 6 analyses the factors related to the emergence of these programs in the context of the cases studied and their subsequent popularity in the region. Finally, chapter 7 concludes with a summary of main findings and remarks.

2 ANALYTICAL FRAMEWORK

This chapter explores the key concepts related to social safety nets, presents a criteria framework to understand policy options such as SIFs and CCTs, and describes factors that might explain why these programs have come about in their particular contexts.

2.1 Understanding social safety nets: two central concepts

Two key interrelated concepts permeate the discourse of multilateral organizations and the academic literature on social safety nets: poverty and vulnerability.

Understood as a multidimensional phenomenon, poverty encompasses multiple deprivations that go beyond low income and consumption. Lack of education, low health and nutrition status, inadequate housing conditions, powerlessness and voicelessness are all important aspects of poverty (World Bank 2001a). This definition goes beyond the narrow economic view of well-being as synonymous to ‘utility’ and embraces the notion of capabilities and functionings developed by Amartya Sen (1987).

Although widely recognized, this multidimensional perspective is not always put into practice, as it is not easy to measure and quantify. A few composite indicators of poverty and well-being have been developed, but they do not encompass the more intangible aspects of the phenomenon. Therefore, policy prescriptions are often based on proxy indicators related to living conditions or income poverty measures derived from a poverty line approach. These simplifications, while failing to capture important features of what it is like being poor, can be useful tools for research and policy since they allow comparisons over time and space and help establish thresholds for public action.

Vulnerability, in turn, broadly refers to the higher exposure of the poor to risks and/or to the absence of individual or social instruments to mitigate these risks and help the poor cope with their aftermath (World Bank, 2001a). It also refers to the possibility of the near poor falling into poverty in the presence of a shock or economic downturn. The latter carries the notion of ‘transient poverty’, in contrast with ‘chronic poverty’ which is usually associated with longer duration and persistence.

Thus, vulnerability is simultaneously a cause and a symptom of poverty. As such, it is a dynamic concept that brings the notion of risk-management into play. Every person is subject to uncertainties and events outside one’s control. Ill health, natural hazards, unemployment and macroeconomic crises are common examples. Since deprivation goes hand in hand with precarious livelihoods and dwellings, the poor are often more exposed to these risks than the better-off. Also, the ability of those with less savings and assets to deal with such crises is much more restricted. If there are no effective policy mechanisms of preventive and protective nature, external shocks can be devastating. And this is precisely the rationale behind the development of safety nets.

Although the emphasis on vulnerability highlights the need for social protection, poverty reduction encompasses two aspects. The prevention of declines in living standards, particularly during crisis, is one side of the coin. But the enhancement of normal living conditions is crucial to go beyond remedial interventions and eradicate persistent deprivation. Drèze and Sen (1991) call these two aspects ‘protection’ and ‘promotion’.

While analytically useful, this distinction might be blurred in real life. Protection and promotion are interdependent and have mutual reinforcements. Thus, effective anti-poverty strategies will necessarily address both.

2.2 Understanding policy options

The comparison of policy alternatives is a central instrument of policy analysis. In order to be carried out systematically, it requires the establishment of clearly specified criteria of assessment. This comparative exercise can be undertaken at distinct stages of the policy process, with different purposes. In the policy formulation stage, it can provide guidelines for identifying the best suited interventions for a particular problem. During or after implementation, it can provide useful insights into positive and negative aspects related to the continuity or popularity of certain policy choices in a specific context.

2.2.1 The criteria approach to policy analysis

There is a myriad of criteria in the literature of policy analysis. They range from objectively quantified measures to more qualitative and subjective judgments. The framework proposed by Patton and Sawicki (1996) contains a useful typology comprising the most commonly applied criteria under four basic categories:

a) political feasibility[5]

b) administrative operability

c) technical feasibility

d) economic and financial possibility

Political feasibility is related to the distribution of costs and benefits of policies across different groups in society. It is also concerned with the motivations, values and relative power of the actors involved, since these factors influence potential reactions. Its central element refers to the acceptability of particular policy options to

[5] The original framework proposed by Patton and Sawicki adopts the name ‘political *viability*’ for this category. However, political feasibility is a more widely accepted term in the field of policy analysis and seems to be more appropriate for this paper. While feasibility refers to what is possible to achieve given existing power structures and stakeholders, viability, in a strict dictionary definition, refers to what is able to work as intended, thus carrying an implicit dimension of success.

key stakeholders and their ability to facilitate or block initial adoption or successful implementation.

Administrative operability involves capability issues related to the implementing agency, as well as institutional commitment and support. It is closely linked to implementation success, as it uncovers the actual prospects and bottlenecks for bringing a policy out of paper and into the real world. It involves both concrete and quantifiable measures related to financial resources, staffing and equipment, as well as more intangible and subjective assessments related to organizational support, processes and values.

Under the category of technical feasibility, there are two key elements: effectiveness and adequacy. While effectiveness is a measure of accomplishment of objectives, adequacy is an assessment of the appropriateness of the objectives themselves. As such, adequacy is concerned with the extent to which a particular policy is in line with the problem to be solved, i.e. the fit between problem and proposed solution. Effectiveness, on the other hand, is close to an impact analysis of outcomes and, as such, is beyond the scope of this paper.

Economic and financial possibility is related to the comparison of costs and benefits of a policy. In a world of scarce resources and competing priorities, economic criteria usually have a prominent role in policy analysis. Furthermore, the appeal of allegedly precise quantification and measurement has contributed to make this type of criteria rather dominant in the field. However, economic and financial aspects will not be directly addressed here, since cost-benefit or cost-effectiveness analyses require quantitative techniques which are also out of the scope of this study.

In principle, this criteria framework is of a general nature. It could be applied to any kind of policy. Grosh (1995) advanced this framework by providing specific criteria which are relevant for the analysis of safety nets and poverty-reduction programs. This specific framework overlaps with some of the categories proposed by Patton and Sawicki, but it includes two additional criteria: collateral effects and accuracy of targeting.

The first is related to indirect impacts of the intervention, which can be negative, positive or neutral. (Dis)incentive effects for private transfers or labor supply, externalities and participation in other programs are some common examples of collateral effects. Accuracy of targeting, in turn, is related to the extent of inclusion and exclusion errors, i.e. to the undercoverage of the poor or the leakage of program benefits to the non-poor.

On the basis of these five central criteria (political feasibility, administrative operability, adequacy, collateral effects and targeting), this paper develops a critical assessment of both SIFs and CCTs, taking into account issues related to the design of these programs, as well as concrete implementation aspects presented in the literature.

2.3 Understanding policy choices

The framework proposed by Grindle and Thomas (1991) for the analysis of policy reform in developing countries is a useful tool to understand the factors behind the popularity of CCTs as a policy choice in Latin America in the late 1990s, following the prominence of SIFs in the previous period. According to it, policy change is a continuous process affected by many intervening variables. Particularly relevant are the environmental context of the policy, its agenda-setting circumstances and specific characteristics.

Decision-making, although closer to a series of formal and informal steps than to a single moment in time, does not happen in isolation from the environment. Historical, political, institutional and bureaucratic contexts combine with the background characteristics and perceptions of decision-makers to create the boundaries of policy-making.[6]

Within this environmental context, there are broadly two types of circumstances for the setting of policy agendas: crisis or 'politics as usual' situations. Crises are perceived as such when outside actions or events bring imperatives of immediate reaction, impinging 'pressing problems' upon governments. In contrast, policy-making in normal times is concerned with 'chosen problems', picked up by decision-makers because of their values and preferences. These two agenda-setting circumstances entail different dynamics in terms of decision-making and implementation.

In any case, implementation, a crucial determinant of policy success or failure, does not follow automatically from decision-making. On the contrary, getting a policy out of paper involves communication, bargaining, clearance points, compliance and resources. Unexpected reactions may cause delays or even turn a policy into a symbolic initiative, with no practical effects whatsoever. When the stakes involved

[6] The terms decision-makers, policy-makers and policy elites are used interchangeably.

are high, reactions might have drastic political consequences that challenge the survival of the regime in power itself.

But before implementation takes place, decision-makers shape their choices according not only to the environmental context and agenda-setting circumstances, but also to particular ‘lenses’ used to assess policy options.

2.3.1 Factors that shape decision-making

Grindle and Thomas (1991) identify four basic ‘lenses’ which shape policy choices: technical advice, bureaucratic implications, political stability and support, and international pressure and leverage.

Technical advice is a central element of the rational model of decision-making. It gained importance as the world of policy-making grew in complexity and interdependence, resulting in the increasing absorption of technocrats in middle and high-ranking bureaucratic positions, as well as the influence of consultancy services from universities, think tanks and, particularly in developing countries, international organizations.

Policy decisions are also affected by concerns on their implications in terms of power, prestige and budgets of the bureaucratic constituencies represented by decision-makers. Bargaining, rivalries and competition among government agencies might bear significant impacts in decision-making. Individual career considerations also matter. Policy-makers are frequently inclined to support policies that enhance the relative position of their organization or that contribute to their own professional ambitions. Less ‘mundane’ issues, such as administrative capacity, might also filter this process.

The same applies to concerns related to political stability and support. Every alternative entails a certain distribution of costs and benefits across different groups. How supporters of the regime are affected can have a considerable weight in the considerations of policy elites. On the other hand, options that present clear threats to the stability and survival of the regime and the particular leadership in power are seldom consciously adopted. As such, explicit or implicit political criteria might help explain choices that do not conform easily to purely technical analyses.

Last, but certainly not least, are considerations related to international pressure and leverage. This element grew in importance after the introduction of structural adjustment programs in most of the developing world in the 1980s. Since then, the conventional expertise power of international organizations and bilateral donors has been enlarged by the ‘power of the purse’ in terms of loans, access to credit and trade relations. Nevertheless, Grindle and Thomas (1991) caution against a simplistic view of this element and argue that most policy reforms do not result from external imposition. For them, the role of international organizations and the implications of particular options on a country’s relationship with them is only one of the elements that national decision-makers take into account when assessing options. Still, in their empirical evidence, international leverage, as well as technical advice, turned out to be more relevant than initially expected. The particular context of the 1980s, marked by complex debt negotiations and structural adjustment gave these elements a much higher prominence. As the same pattern might have endured in the 1990s, the importance of this element should not be underestimated.

These four lenses seem to be useful tools to explain the genesis and popularity of both SIFs and CCTs across Latin America, in the particular contexts where these programs emerged. Based on their stories in Bolivia, Mexico and Brazil, this paper attempts to distinguish the factors that shaped policy elites’ decisions towards adopting these programs and the particular circumstances in which these decisions took place.

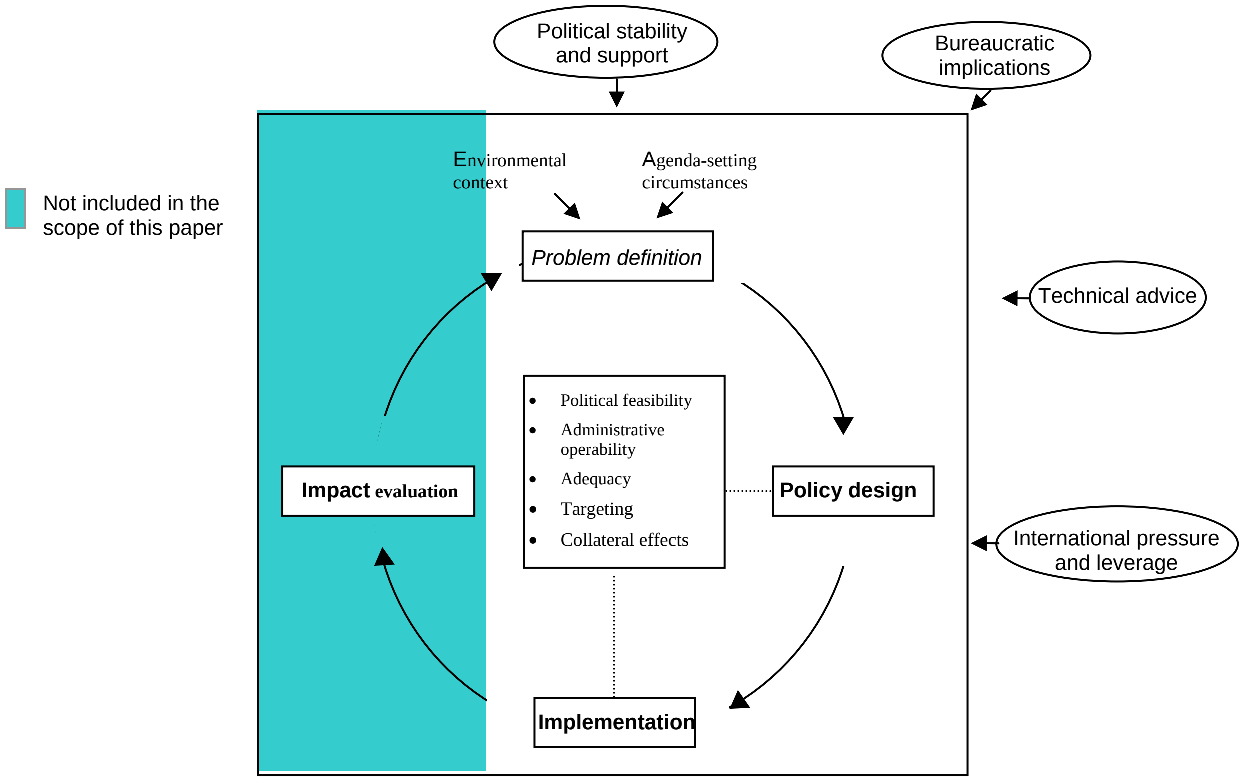
2.4 Linking options and choices

While the criteria framework provides a tool for assessing particular design and implementation aspects of CCTs and SIFs, the lenses that shape policy-makers’ choices bring a dimension of process into this paper. These two sets of analytical tools are used separately in the following chapters, but it is worth noticing that some of their components are related in mutual reinforcements and overlaps.

For instance, the criterion of political feasibility is closely connected to the lenses of political stability and support. Underlying both concepts are the notions of constituencies and stakeholders. Administrative operability, in turn, is linked to bureaucratic implications, as organizational capacity and institutional commitment permeate them. Adequacy is primarily a function of technical advice, since the fit between problem and response depends on precise diagnostics for policy formulation. Targeting is simultaneously related to bureaucratic implications (in the sense of capacity), technical advice (in terms of accuracy) and international leverage (as donors are its notorious advocates).

With these multiple relationships in mind, the analytical framework of this study is represented below:

FIGURE 1
Analytical framework[7]



3 SOCIAL INVESTMENT FUNDS: THE CASE OF BOLIVIA

This chapter presents the SIF experience of Bolivia, which pioneered this kind of intervention in 1986. It traces the origins and evolution of the temporary Emergency Social Fund (ESF) into its permanent successors, exploring their implicit and explicit rationales, features and results.

3.1 Genesis and evolution of an acclaimed program

The early 1980s were a time of deep economic crisis in Bolivia, as in most of Latin America. Foreign capital flows dried up, government deficits increased significantly and GDP fell steadily. By 1984, after a decline of more than 20% in

[7] Context-specificity is a defining characteristic of this framework. Weights to the different criteria and lenses might vary from case to case and no expected outcomes can be automatically inferred from it. Thus, it functions as an organizing tool for the review of SIFs and CCTs undertaken in this paper.

GDP per capita since the start of the decade (Grosh 1995), the country faced an annual inflation rate of 24,000% and widespread shortages, leading to extensive popular discontent around major cities (Jorgensen et al. 1992).

The same period was marked by political unrest and frequent changes in the government. Between 1981 and 1982, three successive military governments struggled with Bolivia's growing problems (US Department of State 2002). Democratic transition was completed in 1982, but the civilian president chosen by Congress called early elections to relinquish power one year before the end of his term (Graham 1992).

In 1985, a new government, led by Victor Paz Estensoro, took office and immediately put in place a comprehensive structural adjustment program to stabilize the economy and resume growth (US Department of State 2002). The package, known as the New Economic Policy (NEP), had the support of the multilateral financial institutions and included the typical orthodox measures of trade liberalization and deregulation, radical cuts in state expenditure and privatization of public enterprises. It was quite successful in taming hyperinflation, which fell to 11% in 1987 (Jorgensen et al. 1992), but its effects on long term economic recovery are still to be seen.

Adjustment was far from painless. Restructuring the state-owned tin mines led to the retrenchment of 23,000 miners, 77% of their workforce (Jorgensen et al. 1992). The economy stagnated and workers had to rely increasingly on the informal sector (Graham, 1992). General food subsidies were eliminated and fiscal austerity prevented full recovery of social spending (Jorgensen et al. 1992). Social issues ranked low in the initial priority agenda of macroeconomic stabilization.

Although there is considerable controversy if the negative social effects experienced during the NEP were the result of the earlier economic crisis or the adjustment process itself, there was a widespread perception that the already critical social conditions in Bolivia were deteriorating[8] and a wave of popular protests, led by the laid-off miners, shook the capital city of La Paz (Jorgensen et al. 1992).

In this context, Paz Estensoro's government realized that addressing social issues was critical for the survival of the NEP and, ultimately, to his cabinet's own

[8] In 1985, living conditions in Bolivia were (and still are today) the worst of South America. For instance, the infant mortality rate was 110 per 1,000 live births, the double of the regional average. 69% of the urban population had access to piped water (often not drinkable), while this proportion reached only 10% in rural areas (Jorgensen et al, 1992).

political survival (Jorgensen et al. 1992). A visible and quick policy response was needed, and, as the public pockets were empty, international assistance was essential. Discussions were initiated with the World Bank, so as to design a short term mechanism to compensate the losses of adjustment and protect the poor until growth resumed (Jorgensen et al. 1992). The Emergency Social Fund (*Fondo Social de Emergencia*) was the solution that emerged.[9]

The ESF was set up as a three-year program (later extended to four and a half). It was created by executive decree and placed under the direct supervision of the president's office (Glaessner et al. 1994). Its objectives were the provision of short-term employment to those most affected by adjustment and basic social services to the poor in a moment of reduced government capacity (Graham 1992). Basically, the ESF was a financial intermediary that would provide funding for small projects in four areas: economic infrastructure (mostly construction or upgrading of roads or irrigation), social infrastructure (construction or rehabilitation of schools and health posts), social assistance (nutrition programs and immunizations), and productive support (microcredit schemes). However, as the main initial emphasis of the fund was employment-generation, 87% of its funding was directed to labor-intensive construction projects (Jorgensen and van Domelen, 2001).

TABLE 2
Portfolio distribution of ESF projects (1986-91)

Economic Infrastructure	44%
Social Infrastructure	43%
Social Assistance	9%
Productive Support	3%

Source: Jorgensen and van Domelen (2001)

The novelty of the ESF was its institutional design and *modus operandi,* which became the distinguishing and commonly praised features of most social funds put in

[9] Jorgensen et al (1992) give a vivid account of the World Bank involvement in the set up of the ESF, describing it as 'joint venture' between the Bolivian government and the donor community. It was the first World Bank intervention addressing the 'social costs of adjustment', in a moment when strong criticism on the negative impacts of adjustment on the poor and the slowness of the Bank to act upon it was rising.

place in Latin America after the Bolivian model. The ESF was a small, semi-autonomous agency, granted with several exemptions from conventional public sector management (salary scales, hiring and firing procedures, procurement and disbursement rules etc). This was intended to allow private sector-like operations, with results-oriented teams and high quality management (Siri 1996). Quick disbursements and efficient operations, in a context of weak institutional capacity in line ministries and time-consuming bureaucratic procedures, were the expected results. An innovative computerized management information system was a key factor in this sense and contributed to the ESF procedures being considered 'transparent' and 'technical' (Jorgensen et al. 1992).

Moreover, the ESF was a demand-driven organization, in the sense that it financed projects chosen by the beneficiary communities themselves. These projects were presented through local governments, NGOs or grassroots organizations and their execution was usually carried out by private contractors (Glaessner et al. 1994). According to the World Bank experts who took part in the set-up of the ESF (Jorgensen et al. 1992), ideological and practical reasons were behind this choice. A demand-driven approach was in line with the dismantling of what was considered a 'paternalistic' state and could strengthen initiative and self-reliance among the population.[10] It also allowed the ESF to remain a small and flexible organization, contributing to the ownership of the projects by the communities. This particular aspect of the funds, and the public-private partnerships it ensued, came to be praised as the basis of an innovative model of service delivery, in line with the New Public Management doctrine (Tendler 2000).

Since the focus of the ESF was to get fast results, refined targeting mechanisms were not implemented. Funding goals were established for each Bolivian department and for the four programmatic areas, but targeting was done on a project-by-project basis through a discretionary appraisal of the ESF staff. But since the fund was mostly geared towards construction projects with low wages, the ESF was supposed to attract poor workers. The project menu was also supposed to benefit the poor through the provision of infrastructure to long neglected communities (Jorgensen

[10] When the ESF was created, participation was not a 'hot' topic in the development agenda yet (Abott and Covey 1996). As this concept became mainstreamed, the alleged demand-driven approach of most SIFs was additionally praised as participatory and empowering, as they relied on communities' choices.

et al. 1992). As the ESF evolved into more permanent institutions, targeting remained a key operational issue and initiatives to establish geographical criteria for resource allocation (i.e. poverty maps) were attempted.

A final key characteristic of the ESF, shared by most SIFs in Latin America, was its high reliance on donor funding. Although the initial operations were funded by the Bolivian government, so as to assure a fast start for the program, the ESF had more than 87% of its resources from foreign donors. Among those, around US$38.9 million came from the World Bank and roughly the same amount from the IDB (IDB 1998).

In total, the ESF financed more than 3,000 projects (Jorgensen et al, 1992) and generated nearly 20,000 persons-month of full employment at its peak (IDB, 2000). Estimates account for 1.2 million beneficiaries of the infrastructure provided, in a population of less than seven million when the ESF was implemented (IDB, 2000). Camacho (1998) argues that in 1990 the number of jobs created by the ESF equaled 1.8% of the economically active population and almost 1/3 of unemployed workers. According to him, the fund had a macroeconomic impact of 1.1% of GDP in that year.

By 1989 the ESF approached the end of its temporary mandate. National elections were close and the fund faced increased attempts of politicization at central and local levels (Graham 1992). At the same time, it was clear that adjustment was by no means finished, chronic poverty remained extremely high and economic recovery was taking much longer than initially foreseen. The successes of the ESF were well acknowledged, but awareness on its shortcomings was also arising. Issues of coordination of the fund’s activities with sectoral ministries, sustainability of the projects financed, inaccurate targeting and a much too narrow focus on low-cost activities with high employment spin-offs were being highlighted (Stewart and van der Geest 1995; Jorgensen et al. 1992). Discussions among the Bolivian government and the donors centered around three options: extend the ESF indefinitely, terminate the program or replace it by a permanent institution with a more limited mandate (Jorgensen et al, 1992). The latter was the alternative that prevailed and the ESF was transformed into the Social Investment Fund (*Fondo Social de Inversión).*

The SIF focused exclusively on projects in health and education, with the objective of contributing to Bolivia’s long term growth through human capital formation (Jorgensen et al. 1992). The focus on these areas was justified not only by their undeniable importance for growth, but also by the perverse combination of serious coverage deficits in poor areas and the weak institutional and investment capacity of the responsible line ministries (Glaessner et al. 1994). With this transformation, once again the Bolivian model set the pace for most SIFs in Latin America, as they moved away from income-generation towards longer term objectives (Cornia 2002).

The functioning of the new SIF did not differ much from the ESF, although there was greater emphasis on coordination with line agencies, explicit cost-sharing requirements and geographic targeting. Most projects were related to infrastructure or equipment provision to disenfranchised communities. Its magnitude was more limited though. Up to 1994, the SIF accounted for 0.38% of GDP and 4.5% of social expenditures, in contrast with 0.72% and 11% in the case of the ESF throughout its mandate (Cornia 2002).

During the 1990s, the Bolivian SIF received considerable support from foreign donors and became more integrated with other national policies. By mid-decade, as Bolivia started a comprehensive decentralization program, it acquired an important role of capacity-building at the local level (Camacho 1998).

In 2000, the fund was again transformed into a new institution: the National Productive and Social Investment Fund (*Fondo Nacional de Inversión Productiva y Social*). The basic features of the SIF were retained but the FPS has a much stronger role in the decentralization process to municipalities. Also, it is structured to finance the priority areas identified in the Bolivian Poverty Reduction Strategy Paper. The projects, however, can only be requested by municipal governments, which appears to be a step back in terms of direct community participation. In any case, the FPS'mission statement does not depart completely from the initial ESF objectives: 'to channel social and productive investment through conditioned transfers of resources to municipal projects, ... , so as to generate employment and reduce poverty' (Government of Bolivia 2003).

4 CONDITIONAL CASH TRANSFERS: THE CASES OF MEXICO AND BRAZIL

This chapter describes the large scale conditional cash transfers implemented in Mexico and Brazil, since 1997 and 2001 respectively. It analyses the general features of these programs and the context in which they emerged.

4.1 Mexico's *Progresa*[11]

In August 1997, President Ernesto Zedillo launched the first CCT program to be implemented in a national scale. Zedillo had taken office in December 1994, amidst a political and economic turmoil (Menocal 2001). The country was facing a time of high profile political assassinations and kidnappings, growing corruption and violence associated with drug trafficking. In that same year, a leftist uprising had emerged in Mexico's poorest state. And Zedillo himself had no strong backing from his own party, the all-powerful Institutional Revolutionary Party—PRI, which had ruled the country since the 1920s blurring the boundaries between the party and the state. He was a second choice candidate, who replaced the candidate chosen by the party and assassinated during the campaign.

Only a few weeks after Zedillo's inauguration, the crash of the Mexican peso reversed the patterns of economic recovery from previous years, leading the country to a severe crisis. The downturn had tremendous contagion effects for the whole of Latin America and resulted in Mexico's recurring to a bail-out from the IMF and the US under conditions of austerity as harsh as the first years of structural adjustment (Yaschine 1999).

Therefore, Zedillo's initial concerns were focused on achieving some political and economic stability for the survival of the regime. He took a series of decentralizing reforms at all levels, with the aim of redistributing some power traditionally overconcentrated in the presidency and dissociating his administration from the widely condemned practices of corruption and patronage of the PRI. In the social policy realm, these reforms meant the dismantling of the highly politicized SIF-like program created by his predecessor, Pronasol, and the transfer of 2/3 of its budget to states and municipalities (Menocal 2001).

[11] In 2002, the Mexican government transformed *Progresa* into a new program called *Oportunidades* (Opportunities). The basic features of Progresa were maintained, but its coverage and scope were expanded so as to reach urban areas and achieve greater coordination with other initiatives.

A consistent anti-poverty program at the federal level took some time to emerge and the first years of Zedillo's administration were commonly accused of a social policy vacuum (Yaschine 1999). Finally, in 1997 Progresa was launched as an innovative and apolitical program for poverty reduction. It was a targeted initiative, aiming at replacing the highly regressive and urban-biased general food subsidies in the country (Scott 1999).

The innovation of Progresa was related to its integrated approach to alleviating extreme poverty and promoting human development. It consisted on cash and in-kind transfers to beneficiary households, conditional on school attendance by the children of those families up to the age of 18 and regular visits to health centers by all its members.

Through its educational component, the largest one in budgetary terms, Progresa granted bimonthly cash benefits for each one of the beneficiary children enrolled in grades 3-9, up to a maximum amount per family, and additional cash support for school material to primary school students. Its health component combined primary health care, informative sessions and periodical check-ups for individuals of beneficiary households. The nutrition component included cash transfers and nutrition supplements to under-five children, pregnant and lactating women (SEDESOL 1999).[12] Although the program had a much smaller budget than Pronasol, the size of the transfers was not small and varied from US$10 to US$60, depending on the program component and the beneficiary children's grade and gender (Ayala 2003). Skoufias et al (2001) point out that the cash transfers provided by Progresa averaged 20% of the prior income of the recipients and might have had a non-negligible impact on the local economies of the areas served.

Besides this integrated approach, Progresa had a positive gender bias, for the cash benefits were addressed to the female heads of the recipient households. Moreover, the value of cash transfers for secondary students was around 15% higher for girls than for boys, in a clear recognition of the higher risks of drop-out faced by them (CEPAL 2002) and the positive externalities generated by higher female educational attainment.

[12] Oportunidades expanded the educational subsidies to upper secondary students and included a savings component for this group.

The apolitical claims of Progresa were related to its targeting and transfer mechanisms, intended to eliminate the discretional management of public funds of which previous programs had been commonly accused. The selection of recipient households was carried out in three steps (Skoufias et al. 2001). First, communities to be targeted by the program were selected on the basis of a composite measure of deprivation derived from census data. This provided the criteria for a geographical targeting to highly deprived areas.[13] The second step consisted in the selection of beneficiary households within the targeted communities, on the basis of household surveys. The central criterion used in this step was the household income per capita, which was compared to a poverty line based on the costs of a basic food basket. Other socioeconomic characteristics of the household (such as size, composition, assets, occupation and educational status) were used as discriminants in a statistical method of scoring. The final step of targeting in Progresa involved an element of community participation: before their actual inclusion in the program, the list of selected households was presented in a community meeting which should review the accuracy of the selection.

As for the actual transfers, they were directly addressed from the national program coordination to recipients, without intermediation through state or municipal budgets. Beneficiaries would collect their transfers every other month in organizations contracted for this purpose, such as post office branches or banks.

Progresa adopted a gradual approach to implementation. At its start, it was implemented in eleven states and benefited 300,000 families in rural areas. In 2002, already under the name of Oportunidades, the program reached more than 4 million households in all 31 Mexican states, including urban areas (SEDESOL 2003). Its coverage today represents around 20% of the Mexican population (Rawlings and Rubio 2003).

[13] But a high score in this index might not be sufficient to bring a community into the program. It had to be coupled by the actual existence of education and health services in that region, so as to allow beneficiary households to meet the conditionalities inherent to Progresa.

TABLE 3
Evolution of Progresa's coverage 1997-2002

	Municipalities	Households
1997	357	300,705
1998	1,750	1,930,032
1999	2,155	2,306,325
2000	2,166	2,455,783
2001	2,317	3,237,667
2002	2,354	4,240,000

Source: SEDESOL (2003)

In organizational terms, Progresa was set up as an inter-institutional program under the coordination of the Ministry of Social Development. At federal level, the Ministries of Education and Health and the Mexican Institute for Social Security were involved in its operation. The program also required a network of interlinkages and cooperation with state and municipal governments for its implementation, as well as the participation of beneficiary communities themselves (Scott 1999).[14] In this sense, a key element in the operation of Progresa was the local promotora, a program participant selected by her fellow beneficiaries to function as a liaison between themselves and Progresa's staff, providing information for both sides on operational aspects and problems (Adato 2000).

The program's budget, entirely funded by domestic resources, grew rapidly as Progresa expanded. In 2002, it reached US$1.8 billion, around 0.3% of the Mexican GDP (Ayala 2003).

International recognition did not take long to arise, due to its innovative and alleged transparent features, as well as the evidence of positive impacts emerging from carefully planned evaluations. As a result, in 2002 the Mexican government contracted its largest loan ever from the IDB, totaling US$1 billion, for the purposes of expanding Progresa's scope and coverage in the framework of the new Oportunidades program (IDB 2003a).

Gradually, Progresa became the centerpiece of the targeted poverty reduction strategy in Mexico. As such, contrary to the usual policy discontinuities of Latin

[14] States are responsible for the delivery of health and education services in Mexico, thus representing the supply side of Progresa's conditionalities. Municipalities had a limited role in assisting with Progresa's activities at the local level (i.e. targeting, registration of beneficiaries, assemblies).

America, the historic electoral defeat of the PRI in 2000 did not threaten its continuation, as the program was already well established and widely praised as a successful model in the development practice of Latin America.

4.2 Brazil's *Bolsa Escola*

Brazil's main federal CCT program was preceded by relatively successful programs at the local level. Since the mid-90s, Brazilian municipalities had introduced cash transfers conditioned on school attendance with relatively good results and high visibility in the media. Sedlacek (2000) reported that in 1998 more than 60 local CCT programs were already in operation in the country, covering around 200,000 families. These programs varied in their primary focus (safety net or access to education), but their main features did not differ significantly from Progresa's educational component.

In 2001, President Fernando Henrique Cardoso was responsible for the introduction of Bolsa Escola nationally, building upon a smaller program which transferred resources for municipalities to implement their own CCTs. The economic context was not as negative as 1997 in Mexico, but the macroeconomic stabilization package which had been in place since 1994 was showing some shortcomings. Poverty, for instance, had shown decreasing patterns since the introduction of the plan, but it started growing again after 1999 (Lahóz 2002). Also, presidential elections were scheduled for 2002 and the political scenario for the right-center government party was quite unclear.[15]

The proximity with the electoral race might help explain the speed with which Bolsa Escola was implemented. In February 2001, Cardoso launched the program through a presidential measure, with financial support from the newly created Fund for Eradicating Poverty.[16] By April, the program had been approved by Congress and became law. In one year of implementation, Bolsa Escola reached more than five million beneficiary households in around 5,500 municipalities (MEC, 2002a). This

[15] Cardoso's party candidate ended up losing the elections for the left-wing Luis Inacio Lula da Silva.

[16] This fund, expected to last until 2010, was created through a constitutional amendment with the objective of targeting resources to the poorest groups of the population. It was financed through a tax increase.

coverage represents approximately 99% of the Brazilian municipalities and 11% of households, while the program's budget is around 0.15% of GDP.

Bolsa Escola grants monthly transfers to poor households with children aged 6-15 enrolled in grades 1-8, on the condition that they have at least 85% of attendance in school. As in Progresa, the transfers are addressed to the female head of the household, with no intermediation through subnational budgets. But in the Brazilian case, the size of the transfers is smaller: around US$5 per child, up to US$15 per family. There are no variations on the transfers by age, gender or geographical location, but the decentralized fiscal arrangements in place in Brazil allow the national program to be combined with local ones. Thus, richer states and municipalities might top up the transfers or expand coverage.

For the operation of the program, the government established a poverty line of US$30 per month per capita, half the minimum wage at the time when the program was established.[17] Estimates of the target population in each municipality were calculated on the basis of national household sample surveys, the population census and the annual school census, so as to determine numerical parameters of coverage. But the implementation of targeting at the household level was left to the municipal governments, with no detailed requirements of the federal administration other than the respect to coverage estimates. Thus, local practices for targeting have shown considerable variation. In some places, the identification of beneficiaries was handled by the schools themselves; some municipalities have implemented queuing as a self-targeting mechanism; others reported to implement geographical targeting and household visits. In any case, a fairly sophisticated management and information system was developed to prevent multiple registers for the same household, but there seems to be repeated cases of exclusion of potential beneficiaries because the municipality had reached its coverage estimate (MEC 2002b). On the one hand, this problem might be related to failures in the estimates, which have proven to be quite sensitive depending on the data sources used and methodologies employed.[18] But on

[17] As yet, Brazil does not have an official poverty line. The monetary threshold for participation in Bolsa Escola is annually established by the the government and despite small increases in the minimum wage after the program started, it has never been adjusted.

[18] Simões (2003) argues that a recalculation of coverage estimates undertaken by the federal government in the second year of Bolsa Escola's implementation showed variations of between 24% and 143% across the Brazilian states, due to the use of different databases and methodologies.

the other hand, they can be also due to the inaccurate targeting methods employed, which potentially cause significant errors of leakage and undercoverage.

In order to participate in the program, municipalities have to create a community council of social control. This council should be made up of at least 50% of representatives from the civil society and is regarded as the main instrument for community participation in Bolsa Escola. Its tasks include the approval of the list of beneficiaries and the monitoring of attendance reports provided by schools.

Bolsa Escola is coordinated by the Ministry of Education and the operation of the transfers is contracted out to a public bank with wide capillarity in the national territory, through its own branches or franchise outlets in local stores. This institutional location points out to the primary educational focus of the program. Its rationale was linked to the efforts of universalization of basic education in Brazil, the main goal of Cardoso's administration in this area. In fact, net enrollment rates in grades 1-8, the mandatory education cycle, had increased from 87% to 96% from 1994 to 1999 (MEC 2003) and Bolsa Escola's main stated objective is to keep these children in school.

The program was initiated with domestic resources, but by the end of 2001 a US$500 million loan had been contracted with the IDB for improving the program in respect to targeting, impact evaluation, institutional organization and management (IDB 2002).[19] More recently, already under Lula's administration, the government took a step forward into combining Bolsa Escola and the other federal CCT programs under a single intervention, close to the integrated approach of Progresa.[20] Until this proposal gets implemented, Bolsa Escola remains the largest program of its kind in the region, in absolute figures of coverage, and possibly the one with the greatest operational decentralization.

5 ASSESSING SIFS AND CCTS THROUGH THE CRITERIA FRAMEWORK

This chapter outlines a critical assessment of SIFs and CCTs according to the criteria presented in chapter 2. The purpose is to identify design characteristics and

[19] The loan is addressed not only to Bolsa Escola but also to the other federal CCT programs related to human capital development.

[20] This new program, entitled Bolsa Familia (*Family Stipend*), was launched in October 2003.

implementation aspects which might explain their prominent role, paying attention at the same time to problematic issues and remaining challenges.

5.1 The claims *versus* the evidence regarding SIFs

The experience of SIFs has attracted significant attention in the development community. Donors have promoted enthusiastic support to these interventions, highlighting their advantages and successes. The IDB, while acknowledging a number of limitations of the SIF model in Latin America and the need to evolve towards a ‘new generation’ of programs, stated that SIFs are ‘perhaps one of the region’s, and the Bank’s, most important contributions to development’ (IDB 1998: p. 1). The World Bank website features these programs as a new mode of low cost social delivery, which empowers communities through a demand-based approach (World Bank 2003a).

Interestingly, these claims are based on a set of mixed evidence that does lead to straightforward conclusions. Evaluations show that the funds have serious limitations which cannot be easily overcome and their high ranking as a safety net or a new mode of infrastructure delivery for the poor cannot be automatically inferred (Tendler 2000).

In terms of the five criteria that underlie the analytical framework of this paper, the design and implementation of SIFs also present mixed results. And the fact that the initial programs evolved into permanent institutions, with different scope and objectives, makes this assessment more complicated. Still, based on the Bolivian case, some general considerations can be drawn.

Grosh (1995) argues that the political feasibility of SIFs is usually high, given that their demand-driven nature and streamlined procedures make this kind of intervention popular with beneficiaries. Local governments view SIFs as new sources of funding and workers value their job-generation features in critical economic periods. Political support from line agencies, on the other hand, might be much more problematic. SIFs have brand new budgets – which might be regarded as budgetary losses by the ministries in charge of their programmatic areas – as well as a special hierarchical position, operational autonomy, salaries above the public sector level and exemptions of normal bureaucratic procedures.

According to Grosh (1995: p.173), the fund faced an initial resistance from other government institutions, which was overcome by ‘concerted efforts of the ESF’s managers'. A possible explanation of the ESF's good standing against 'bureaucratic jealousy' is related to the strong political commitment it had from the top of the Bolivian government and the donors, which gave a significant amount of strength to the fund vis-à-vis other government agencies. The context in which it was created, of a perceived crisis with high stakes for the regime in power, might have contributed considerably for this. In addition, in terms of political economy, the creation of the ESF did not entail a set of direct and immediate losers. No budgetary redistribution was needed and no additional tax was levied to finance the program, which could count largely on external resources.[21]

Moreover, the ESF, despite being subject to political manipulation in electoral periods, managed to work with actors of different parties at the local level, building a constituency basis across the country. Local politicians, even if from the opposition party of the national government, were able to take credit for ESF projects (Graham 1992). In addition, as the focus of the ESF shifted from the most hit victims of adjustment (the retrenched miners) to the structural poor of long neglected communities, it was able to establish a much larger pool of stakeholders. In fact, Graham (1994) notes that the support of the 'adjustment poor' to adjustment measures is unlikely no matter the level of the compensation provided. For this reason, she suggests that redirecting resources to previously excluded groups might have higher payoffs for the government in the long run. The story of SIFs in Latin America is well fit to this finding, as most of them shifted their initial focus from the 'new poor' to the 'chronic poor' residing in marginal areas.

At the moment of the ESF creation, line agencies in Bolivia had serious institutional handicaps. For decision-makers, bypassing them seemed the only way to launch a fast and visible effort (Graham 1994). In this sense, Grosh (1995) considers that SIFs achieve excellence in the criteria of administrative operability, as they adopt private sector practices to overcome the red tape of traditional government programs.

However, there might be important qualifications to be taken into account. For instance, the choice of an 'add-on' structure might seem easier in the short term than

[21] That does not mean that ESF money was 'costless'. Part of it came in the form of soft loans, which, although had smaller than usual market interest rates, meant an additional burden for the national debt. Other parts were grants, which were given on the basis of macroeconomic conditionalities.

engaging in complex institutional reforms in the social sector (Stewart and van der Geest 1995). But it might cause a lack of coordination with sectoral ministries, entailing considerable difficulties in the long term sustainability of the infrastructure created. Subbarao et al. (1997) report this as a critical issue in the ESF, due to the perverse combination of its great level of autonomy and an excessive emphasis on yielding quick results.[22] Bypassing normal government structures in the Bolivian case was justified on the grounds of the urgent nature of the program and might have been a choice only appropriate at the temporary level (Fumo et al. 2000). Nevertheless, while the permanent SIF included some restraints for the 'procurement heresy' carried out by the ESF, retention of high quality staff depended on higher pay scales than those practiced by the public sector in general (Jorgensen et al. 1992) and most of the exemptions enjoyed by the emergency program were extended to its permanent successors.

In organizational terms, the establishment of the ESF entailed the creation of an agency from scratch (Jorgensen et al. 1992). The support of the donors for this enterprise was essential, as the flow of foreign resources and technical assistance allowed the development of a modern and fully equipped agency. A well developed, computerized management and information system was created and much of the alleged transparency in the ESF's operations is due to this tool, presumably absent from most government offices of the region at that time. However, the parallel schemes created by SIFs in Latin America generally made little progress in transferring their positive operational aspects to line ministries. They operated under very special circumstances and had relatively abundant resources, conditions that could not be easily replicated across the public sector (Cornia 2002). In fact, some authors argue that SIFs turned out to be potentially distracting factors for badly needed reforms in line ministries (Jorgensen and van Domelen 2001).

Regarding the adequacy of SIFs as a policy response, there is no easy answer. The initial rationale of the ESF was to provide a short-term safety net in a time of serious economic crisis. Although the politically powerful laid-off miners were not the sole focus of the ESF, the visibility of this group as the most hit by adjustment

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[22] There is anecdotal evidence of schools that were built where there was only need of rehabilitation of existing classrooms, health posts that never had nurses allocated to them and so on. As the ESF was transformed into the SIF, stronger coordination was attempted, including formal consultation mechanisms with line ministries in the stage of project appraisal.

was a key motivation for starting an emergency social program. But, in practice, the ESF and its successors had poor results in generating additional income and employment in a sustained basis for the victims of economic shocks and the poorest people as well. While the miners were only 10% of the ESF workers (IDB 2000), individuals from the first and second deciles in the income distribution accounted for no more than 8% of those (Lustig 1997). Overall, wages did not represent the bulk of ESF money, totaling only 1/3 of the expenditures (Siri 1996).

Lustig (1997) ironically called this type of program 'the safety nets which are not safety nets'. She argued that, while most SIFs (Bolivia's included) have stated objectives of safety nets, they tend to be created many years after crises started and incomes fell. Moreover, they fail to reach the poorest, because of their demand-driven nature. As such, their employment generation objectives, while always explicit, seem more rhetorical than anything else. And if the issue is smoothing income and consumption in times of economic downturn, SIFs might not be the appropriate intervention.

On the other hand, SIFs fulfilled other relevant objectives. The provision of infrastructure in poor areas and the expansion of social services to previously neglected communities are particularly relevant in a context of tight austerity and reduced development expenditures. The support for decentralization and capacity-building at the local level are equally important. As SIFs evolved towards longer term objectives, these were clearly identified as their comparative strengths. As such, SIFs appear to have been more adequate instruments to address chronic poverty, rather than transient deprivation. And this is by no means negligible, given the persistence of poverty in Latin America.

As for targeting, SIFs face an inherent contradiction with their demand-driven nature.[23] If they are not complemented by effective outreach and capacity-building, SIFs tend to benefit relatively better-off communities. And even where poverty maps are in place to guide the geographical allocation of resources, there is no guarantee that the poorest individuals and households will benefit from the intervention (Fumo et al. 2000). In this sense, the results of the Bolivian experience are insightful.

[23] In a study of SIFs' operations in Northeastern Brazil, Tendler (2000) found that they were far from being genuinely demand-driven, but this defining characteristic of SIFs remains uncontested by the bulk of the literature.

According to the IDB (2000), besides a clear under-representation of workers from the poorest deciles in the ESF, the poorest areas received comparatively smaller per capita expenditures (US$9.45, as opposed to US$23.97 in the least poor communities). Pradhan et al (1998) found that the Bolivian SIF's investments in health and sanitation tended to benefit better-off households. Similarly, Fumo et al (2000) argued that its education expenditures were skewed toward better-off communities with active NGOs.

The focus on the provision of infrastructure also contributed for excluding women from the jobs created. SIFs have not consistently included a gender dimension and the construction sector traditionally hires male workers in Latin America. The ILO (2001) reports that only 3% of the direct beneficiaries of the ESF were women and the Bolivian SIF increased this number to around 10%.

Finally, Grosh (1995) identifies the rehabilitation or expansion of Bolivia's insufficient infrastructure and social services as clear collateral benefits of the ESF. However, this can be questioned, since employment generation and provision of infrastructure and social services were the very objectives of the fund itself. Community empowerment through capacity-building for local governments, NGOs and grassroots organizations seems to be a less disputed collateral advantage of this type of intervention.

In sum, the mixed score of SIFs in this criteria analysis is depicted below:

TABLE 4
Summary matrix: Assessing SIFs through the criteria framework

	Positive aspects	Negative aspects
Political feasibility	No immediate losers and support from top government, donors, staff, beneficiaries/local governments.	Bureaucratic jealousy
Administrative operability	Speed, autonomy and resources	Problems of inter-institutional coordination and project sustainability
Adequacy	Good record in provision of infrastructure to disenfranchised communities	Poor safety net mechanism Poor record of employment and income-generation for target groups
Targeting	Introduction of poverty maps (allocation of resources to poor areas, not necessarily to poorest individuals)	Leakage and undercoverage effects, related to demand-based approach and gender bias
Collateral effects	Local capacity-building	

Although this analysis benefits from an *ex-post* perspective with a clearer understanding of positive and negative aspects, one would expect decision-makers to have applied a somewhat similar framework to opt for SIFs over alternative social programs and to decide on their continuity over time. Grosh (1995) describes this exercise in the process of creation of the ESF, comparing it with the alternatives that were devised in Bolivia at that time: general food subsidies, food stamps, food commodities distribution, school lunches and microenterprise credit schemes.

In her analysis, SIFs outperformed all the other alternatives in most of the criteria used. General subsidies, while popular and administratively feasible, had preclusive costs and high leakage rates. Their elimination was included in the very adjustment package. Food commodities distribution was regarded as paternalistic and administratively complex. These same problems applied to food stamps, which entailed an additional difficulty: the psychological rejection to a nominally denominated stamp in a country that had just emerged from hyperinflation. School lunches would face the same objections as the food distribution mechanism and would not be able to reach the poorest, whose children were not likely to be in school. Finally, microenterprise credit schemes would not be administratively feasible on the scale required for visibility and impact. In this *ex-ante* analysis, the social fund alternative seemed to exceed other policy options. However, as argued in this chapter, the Bolivian SIF experiment actually ended up having mixed results.

Despite this mixed score, the fact that the Bolivian social fund managed to be continually sustained in the 1990s draws attention to two important factors: its adaptability potential and the dynamics which surround the creation and perpetuation of government organizations. On the one hand, the high flexibility of the SIF mechanism as a financial intermediary allowed for its continuous transformation and redirection towards 'new' objectives, such as human development and decentralization. On the other hand, once created, government agencies build a constituency which might make it more difficult to dismantle. Beneficiaries are an important group in this sense, but they might not be vocal and organized enough to ensure continuity. The agency's staff and local level partners might have more power in this sense, particularly when, as in the case of the ESF, they count on tangible and intangible donor support.

However, one cannot say that the funds have the same degree of visibility and prominence today as they had by the early 1990s in Latin America. As much as donors might still direct resources to them, an attentive review of the most recent international publications related to poverty reduction shows that CCTs are now the typical 'best practice' of safety nets and social protection, influencing the development of a crop of similar programs in the region.[24]

5.2 CCTs: a different story than SIFs?

Since the assessment of SIFs through the five criteria used in this paper showed mixed results, it is worth exploring how CCTs score in this review. In this analysis, however, it should be noted that the two CCT cases discussed, despite sharing basic characteristics, show considerable differences in design and implementation.

The political feasibility of CCTs seems to be quite high. Linking cash transfers to a certain desirable behavior highlights the co-responsibility of beneficiaries in their own well-being and a move away from the notion of paternalistic social assistance (Coady 2003). Perhaps due to the ideological proximity with the liberal welfare model of the US or the prevalence of a neoliberal macroeconomic framework in the region, it looks like Latin Americans in general have a strong negative view of policies which create dependence of recipients, rather than empowering them to do without state support (Grosh 1995).[25] At the same time, there appears to be a broad consensus on the 'public' nature of goods such as education or health (Graham 2002). In this sense, the fact that CCTs are related to poor children's present living conditions and future human capital (with presumably positive effects in competitiveness) make them even more acceptable. They are seen as a way of helping the 'deserving poor' to escape poverty and, simultaneously, boosting the elusive phenomenon of sustained growth.

In the particular case of Progresa, narrow targeting associated with the phasing out of general subsidies might have entailed opposition from potential losers, especially in the urban areas which were not initially included in the program. However, the negative general view on previous interventions (considered regressive and politicized), the limited scope of Progresa and the lack of unity and organization

[24] See, for instance: IDB (2000); CEPAL (2002); World Bank (2003b); World Bank (2003c); IDB (2003b).

[25] In exploring the results of a recent survey on public attitudes in the region, Graham (2002) argues that Latin Americans show striking similarities in perceptions of poverty with US citizens: around 36% of both groups state that poverty is due to lack of effort by the poor themselves.

among potential losers might help explain why this opposition did not block the program's introduction. And eventually Progresa was expanded so as to cover the urban poor as well. Unfortunately, no detailed information on these issues was found in the course of this study, so one can only make general speculations about these possible tensions.

In the case of Bolsa Escola, the program was favored by a national consensus on the top priority of education in the development agenda of Brazil, built throughout the years of Cardoso's administration. Moreover, the successes of local CCT programs had been widely disseminated by the media, which contributed to an increasing degree of support from policy and economic elites to this kind of intervention. Finally, the decentralized operation of the national program allowed municipalities to share the credit for it and manage a crucial political instrument: the identification of beneficiaries at the local level.

Regarding administrative operability, CCTs might entail considerable costs and capability requirements, especially in their initial set-up. These programs involve relatively complex mechanisms for targeting and logistics for the delivery of transfers, besides the need of good coordination with service providers in health and education for the tasks of monitoring and supervision. As they expand, however, there can be economies of scale, which might contribute to keep overall administrative costs low (Morley and Coady 2003).[26] The complexities related to the set-up phase, however, are a possible explanation for their initial introduction only in middle-income countries. As CCTs expand to poorer countries and broaden their scope in the original programs, they rely increasingly more on external funding and design (Ayala 2003). The recent IDB loans to Brazil and Mexico illustrate this point, as well as other externally funded CCT experiences in Latin American countries inspired by the Mexican initiative.[27]

[26] Detailed cost information is only available for Progresa. According to Morley and Coady (2003), administrative costs averaged 9% of total program costs, of which around 30% were related to household targeting and 5% to geographical targeting. The remainder of administrative costs reflects monitoring of conditionalities compliance, delivery of transfers and follow-up operations.

[27] However, Morley and Coady (2003) make the point that CCTs are a fairly affordable and effective anti-poverty intervention, which do not require complex bureaucracies, except for initial set-ups, and need little international technical assistance for design or management (as the home-grown experiences of Mexico and Brazil show).

Integration of CCTs in line ministries' activities was the way pursued in Mexico and Brazil. While this might increase prospects of sustainability and institutionalization of these programs, important administrative challenges remain. For instance: cost-effective mechanisms for monitoring the compliance of conditionalities, which are at the same time timely and accurate, still need to be designed. Coady (2003) outlines the difficulties of this task, as households and service providers alike face incentives to report compliance, either because of the consequences of benefit withdrawal, in the first case, or because of community pressure and control mechanisms of excessive demand, in the second group. Also, no clear formula seems to be in place to determine the optimal amount of the transfers. In Mexico, the differentiated size of transfers by age and gender signals an attempt of covering the opportunity costs of children's education; but in Brazil the flat subsidy at a rather low value indicates an attempt to maximize the number of beneficiaries across the country. In the same way, there are no consistent rules and procedures being followed for the inclusion of new beneficiaries in already served communities or for the exclusion of recipients after a certain period of permanence in the program and/or due to improvements in their socioeconomic status.[28] Although these issues point out to administrative obstacles, they are also closely connected to political economy considerations, which affect the program's political feasibility. Not only might recertification of beneficiaries create tensions with current recipients, it can also lead to considerable budgetary redistributions across states, a particularly sensitive issue for federal governments (Morley and Coady 2003).

In terms of adequacy, CCTs have the advantage of tackling several problems in a single policy. They can effectively provide additional income to poor households, as they employ direct transfer mechanisms to beneficiaries. They also have significant impacts on human capital in general and schooling in particular, the single most important determinant of poverty in Latin America. For instance, a synthesis of Progresa's results provided by Coady (2003) shows that the program yielded significant impacts on the nutrition of infants, improved the health status of beneficiaries of all ages and increased school enrollments by 7-9%, particularly in the transition for lower secondary education, a common point of student drop-out. These

[28] Progresa's regulations establish recertification of beneficiaries every 3 years, but as yet these procedures have not been implemented. Bolsa Escola's regulations, on the other hand, are silent on this.

human capital gains are relatively permanent, yielding benefits long after the transfers have ceased (Székely 2001).

Also, since CCTs are handed out in cash, they entail less transaction costs than in kind transfers. And the direct transfer to the mothers might bring efficiency gains, for they presumably have better information on family needs than governments (Ayala 2003).

Nevertheless, as much as these programs try to bridge important gaps in social provisioning for poor households, they can only be an adequate solution where no supply biases and geographic barriers exist. In this sense, CCTs are cheaper than school building, for instance, but they can only work where schools already exist and are able to respond to the increase in demand that these programs might generate. Thus, CCTs can only be complements to broader social provisioning, never substitutes. As such, a crucial question that remains refers to the need of conditionalities in the first place. The assumption behind CCTs is that poor households would not automatically choose to invest in human capital, but this cannot be taken as given. Would the same impact of CCTs not be obtained through unconditional transfers combined with significant improvements in the delivery of social services? While this might be a logical question on the viewpoint of adequacy, the criteria of political feasibility (acceptability to the general population) and administrative operability (introducing a new program, even if complex, might still be easier than reforming existing supply-side policies) might help explain the inclusion of conditionalities in their design.

According to Morley and Coady (2003), as a safety net mechanism, CCTs might not be adequate to shield the poor from temporary macroeconomic shocks or natural disasters, as cyclical contractions or expansions are sensitive issues. Rather, they appear to be an effective mechanism to boost social development by tackling one structural cause of poverty. Other emergency safety nets have to be in place for short-run causes of deprivation, as well as different structural factors related to it. And even as an incentive for human capital accumulation, CCTs face an inevitable trade-off between their two central goals: education and poverty reduction. If beneficiaries are limited to subgroups with low enrollments, the educational impacts of these programs will be more significant, but the aggregate poverty impacts will be smaller due to greater undercoverage rates. Conversely, as more beneficiaries are included, more transfers are addressed to groups who already have high enrollment rates, thus minimizing educational impacts. This trade-off is particularly important for middle-income countries, like Brazil and Mexico, which have significant poverty indices and high enrollment rates. Progresa illustrates this tension clearly, as it started trying to limit eligibility so as to maximize the investment impact of the program in human capital, but was eventually expanded to urban areas, where half of the Mexican poor live, but where enrollment rates were already high.

This trade-off is linked to the issue of targeting, which needs two separate assessments. One for what CCTs state in theory, another for what is really done in practice. In theory, CCTs strive for the most accurate targeting to the poor. Progresa combines geographical targeting with proxy means tests and community participation so as to identify its beneficiaries. Bolsa Escola, in turn, adopts a poverty line approach and community control to targeting. From the start, however, both programs incur in undercoverage of poor households, as Progresa does not serve areas unattended by health and education services (usually the remotest communities) and Bolsa Escola excludes families without children in school as well as marginal groups outside conventional households, such as street children.

In practice, the targeting mechanisms employed have serious flaws. Although studies show that poor households receive twice as much in Progresa than they would in the absence of targeting and that Progresa's methodology outperform other targeting methods (Coady et al. 2002; Skoufias et al. 2001), community reviews have not taken place as originally envisioned. According to a study carried out by Adato (2000), only selected beneficiaries were informed of the meetings, while non-beneficiaries were generally not encouraged to attend (Adato 2000). As such, these community reviews might function as legitimizing instances for the previous "scientific" steps of targeting, instead of fulfilling their role of transparency, participation and accountability. Moreover, the general perception on Progresa at the grassroots level was of an unfair targeting system, where 'needy' households were excluded and, to a lesser extent, not so 'needy' ones were included. This evidence might suggest that there are some problems in the implementation of the targeting methods of Progresa.[29]

In Bolsa Escola, the problems are even more serious, as there were no agreed procedures for municipalities to implement targeting and the control at the federal level comprised only consistency checks on the number of beneficiaries through local aggregate indicators of affluence (Bourguignon et al. 2002). Thus, there could be significant room for political patronage and leakage of benefits, especially considering the speed with which the program was implemented.

In relation to collateral effects, one can consider the general positive impacts of CCTs on women. Addressing the transfers to the female heads of households was mainly motivated by previous evidence on better prospects for translating resources into higher levels of well-being for the children if those were controlled by the mother instead of the father. But this design component additionally contributed to empowering women beneficiaries, who had their role in household decision-making increased by receiving the transfers, participating in the programs' activities and so on (Adato et al. 2000; Coady 2003). There can be also positive multiplier impacts on the local economies of areas served by CCTs.[30] In Brazil, two additional collateral effects have been generally highlighted: incentives for civil registration (as official documents are required for the mothers to collect the transfers) and increased access of the poor to the financial system (as beneficiaries receive the transfers through magnetic cards of individual bank accounts).

But CCTs also entail costs to beneficiaries and their communities. At the individual level, there are private costs in terms of time and money for households to meet conditionalities and collect transfers, which again affect particularly women. At the community level, Adato (2000) reports adverse impacts of household targeting on social relations, which might undermine community cohesion and solidarity. There have been also reported problems of abuse of power on the part of the community *promotoras*, as well as teachers and health personnel, who are responsible for

[29] The main reason mentioned for exclusion errors referred to the use of household surveys. Some of the poor people were not at home when the survey enumerator passed by; others did not answer the survey because they did not know its purpose; others overstated their resources because they were ashamed of their own degree of poverty; finally, there were cases where the respondents did not understand the questions because of language problems (a great part of Progresa's target population belong to indigenous groups).

[30] On the negative side, cash transfers might create inflationary pressures in the communities where they operate, but the evidence from Progresa's evaluations does not point in that direction (Handa et al. 2001).

reporting compliance to the conditionalities. Scott (1999) argues that this problem could be significantly aggravated since teachers or nurses tended to be also *promotoras*, due to their higher levels of capacity and community involvement. The new *Oportunidades* program is trying to address this issue, by replacing the individual *promotoras* for local committees.

To conclude, the performance of CCTs in this criteria analysis is depicted below:

TABLE 5
Summary matrix: Assessing CCTs through the criteria framework

	Positive aspects	Negative aspects
Political feasibility	Conceptual design in line with general perceptions on poverty Room for political maneuver at local level (Bolsa Escola)	Opposition by potential losers from replacement of universal subsidies (Progresa)
Administrative operability	Coordination with line ministries	Complex targeting and logistics, unresolved operational issues
Adequacy	Effective income transfers with multiple impacts on human capital and efficiency gains Potential for structural poverty reduction through human development	No substitute for supply-side intervention and emergency safety nets Trade-off between goals (poverty reduction x education)
Targeting	Design focus on the poorest	Operational problems in practice
Collateral effects	Gender impacts and multiplier effects in local economies Increase in civil registrations and access to financial system for the poor (Bolsa Escola)	Private and social costs

On balance, CCTs seem to exceed SIFs in some of the criteria, like coordination with line ministries, gender impacts and targeting (at least in theory). But they still present some problems and challenges in terms of design and implementation. Based on a purely rational analysis, they appear to be attractive social programs, which presumably scored better than possible alternatives considered by the governments of Brazil and Mexico at the time of their introduction. Since no published information describes the decision-making processes that took place in these countries, a detailed discussion of this aspect cannot be pursued without access to primary data. Hypothetically, however, at least one clear alternative was at hand for policy-makers: not introducing any new social program. In this sense, governments could have chosen to boost existing education or health interventions with the funding that was used to start up Progresa and Bolsa Escola. While this option could seem easier than designing whole new programs, it was likely to be less visible as well and focus only on supply-side issues.

All in all, the reasons behind CCTs' popularity might not be related only to their basic characteristics. The next chapter elaborates on this observation by applying the lenses proposed by Grindle and Thomas (1991) in order to understand how these programs emerged and got replicated.

6 SIFS, CCTS AND THE LENSES OF POLICY CHOICE

This chapter discusses the factors that appear to have shaped the policy choices leading to the creation of SIFs and CCTs in the cases studied and which might also explain why these programs were replicated across Latin America. As highlighted in chapter 2, some elements included here overlap with the criteria assessment of the previous chapter. Nevertheless, the focus of this section is somewhat different, as it is concerned with policy process. Although decision-makers might apply a similar criteria analysis to make their policy choices, not all aspects of a program are thought through before implementation takes place. Also, according to the environmental context and agenda-setting circumstances, stakeholders might value each criterion differently, giving more weight to one or another. The purpose of this chapter, therefore, is to go one step beyond the negative and positive aspects of SIFs and CCTs, in order to understand other intervening factors that explain their emergence and popularity.

6.1 SIFs: the creation and replication of the Bolivian model

The context in which the ESF was created in Bolivia was not 'politics as usual'. The deep macroeconomic crisis and the harsh adjustment measures put in place to deal with it could have serious political consequences for the government. The stakes were high and the top executive officials realized that failure to launch a fast and visible action in the social area could threaten the survival of the regime itself. A 'pressing problem' was pushed on the policy agenda and several alternatives were considered by the Bolivian government before the decision to create a social fund was taken (Grosh 1995).

In this process, it seems that all the four factors identified by Grindle and Thomas (1991) have shaped decision-making. Technical advice was central in devising an appropriate policy response and weighing the implications of the different alternatives considered (Grosh 1995). The World Bank had a particularly important contribution in this sense, as it took a central role in the Bolivian debate on social issues by the time the ESF was devised and assisted in the detailed design of the fund (Jorgensen et al. 1992).

Concerns related to political stability and support led policy elites to strive for a program that would compensate the 'social costs of adjustment'. Although attempts to benefit the loudest victims (the laid-off miners) through the ESF can be considered quite unsuccessful, the fund managed to build support for the government and ultimately for structural adjustment (Graham 1992). Cornia (2002) argues that the ESF and subsequently the Bolivian SIF did not compensate the falls in social expenditure of the adjustment era. However, as they reached long neglected communities and developed positive partnerships with traditionally hostile NGOs, they were crucial instruments in maintaining the sustainability of the adjustment process (Graham 1992).

Bureaucratic implications were also important. As the institutional capacities of social ministries were rather weak, the government opted for a program that would be implemented by a new, autonomous organization. Bureaucratic jealousy existed, as the fund had a privileged position vis-à-vis line ministries, but donor support to the new agency might have been crucial to overcome this. Bolivia had a record of poor implementation of donor-funded projects and it was unlikely that donors would agree to channel a great flow of foreign capital through the existing organizations (Jorgensen et al. 1992).

Finally, in accordance with the empirical findings of Grindle and Thomas (1991), international leverage appears to have been a key factor. The support of donors was essential for the ESF, as the Bolivian government had a huge public deficit and was undergoing tight austerity measures. The World Bank was involved in the decisions leading to the creation of the ESF since the beginning and this was a decisive element to gather support from the other multilateral and bilateral donors (Jorgensen et al. 1992).

International leverage also appears to be the key element explaining how the SIF experiment spread from Bolivia to the rest of Latin America and a large number of developing countries in other regions.[31] Abbot and Covey (1996: p.6) argue that the ESF '...produced a core of Bank personnel who now specialize in SIFs and move from project to project, taking their original model with them'. Tendler (2000) sustains that SIFs' popularity is related to the way big donors function, rather than to the funds' institutional innovations or results. In this sense, she characterizes the popularity of SIFs as 'supply-driven'. Officials of large donor organizations find SIFs more satisfying to work with than traditional government organizations, since they are faster and more open to donor monitoring and influence. Also, SIFs promote self-reinforcing ties between national governments (who see these interventions as effective instruments to get extra international resources) and donor bureaucrats (who suggest SIFs as complements to larger, and often bitter, structural adjustment lendings). Since the early 90s, donors invested a considerable amount of resources in creating and supporting a pro-SIF network across the globe, as SIF professionals share experiences in international meetings and learn about other SIFs best practices. As such, SIFs were converted into a successful 'development narrative' with an appealing and straightforward blueprint for action. Thus, if in Bolivia a combination of domestic and external factors contributed to the creation of the ESF; in other countries international leverage seems to have been the decisive factor for the introduction of SIFs.

6.2 CCTs: understanding their emergence and popularity

It is difficult to assess if the emergence of CCTs in Brazil and Mexico took place in as dramatic a context as the one in Bolivia in 1986. The Mexican crisis of 1995 had very serious proportions, but by the time Progresa was started, the country had already overcome its most drastic aspects. Similarly, when Bolsa Escola was initiated, Brazil was facing a downturn, but due to the macroeconomic stabilization achieved the situation was nonetheless better than the devastating crisis of the 80s. Still, the region as a whole was plunged in a repetitive circle of small recoveries followed by downturns. In this context, what are the factors that seem to have shaped decision-makers choices towards CCTs?

[31] Tendler (2000) accounted for more than 40 countries with SIF-like projects implemented since 1986, in Latin America and the Caribbean, Africa, the Middle East, Asia and Eastern Europe.

Electoral concerns seem to have had a marked importance in both countries. Cash transfers establish a direct and regular link between the government and beneficiaries and Bolsa Escola could make this very visible, through a magnetic card which reached five million households one year before presidential elections. Thus, the logic of the program seems to have been to preserve or win votes for the government party through the maximization of the number of beneficiaries, even if the amount of the transfers was kept rather low. As for Progresa, although the program was launched in the middle of Zedillo's term, its greater expansion in coverage took place in the two years that preceded elections. While the program's implementation showed some positive changes in relation to the clientelistic practices of previous interventions, Menocal (2001) shows that its expansion did not follow only poverty indices; it had a political rationale behind it. The government set up a strategy of winning votes through establishing a wide network of beneficiary households in PRI-dominated states and 'punishing' (by smaller coverage expansions) states dominated by the main opposition challenge in the presidential race, the National Action Party (PAN).

Therefore, it seems that the lenses of political stability and support played a key role in the creation of CCTs, although in a different way than SIFs. The stakes involved were not the survival of the regime per se, but the maintenance of the government parties in power, given the limits set by the democratic game. Interestingly, in Brazil and Mexico alike, the government candidates lost the electoral races, but, as mentioned above, this development did not compromise the continuity of both CCT programs studied.

Besides political considerations, technical advice seems to have played an important role in shaping the decisions which led to the creation of CCTs. Previous studies and research had already shown the correlations between human capital and poverty, as well as the synergies between the components of these programs. Their complex operational design, especially Progresa's, resulted from a careful process of trial and error and pilot tests (Scott 1999; Yaschine 1999). The inclusion of an experimental evaluation in the initial design of the program illustrates the importance of technical advice in this process, as Progresa addressed one of the most common shortcomings of social programs in developing countries: the lack of reliable and systematic data for impact assessments.[32]

Bureaucratic implications do not appear to have had such a high prominence as in the design of SIFs. Both Progresa and Bolsa Escola were integrated into existing line ministries, as regular government programs. The acceptable capacity levels of central ministries in middle-income countries might be related to this, since later CCT initiatives implemented in different settings have followed the solution adopted by SIFs: they were placed in departments directly linked to the top executive office (Ayala 2003).

International pressure and leverage, in turn, appear to have had a smaller role in the original creation of CCTs than SIFs'. Coady (2003) and Yaschine (1999) point out that the design of Progresa was 'home-grown', although the World Bank and the IDB had important roles in encouraging discussions and facilitating meetings between program designers and international experts in the conception stage of the program. The fact that Progresa was fully financed by domestic resources signals in the same direction. It is the same with Bolsa Escola: the federal program was mostly inspired by local initiatives, rather than international advice, and it relied solely on government financing.

However, international leverage seems to be the key factor explaining the replication of these initiatives in other countries in a relatively short time span (the Colombian Families in Action program, created in 2001, the Nicaraguan Social Safety Net, created in 2000, and the Honduras Family Allowance program, transformed into a CCT in 1998, are just a few examples). If the innovative characteristics of CCTs matched many of the concerns of the international agenda on poverty (like participation, gender, safety nets, human development), the visibility of these programs to the international donors was enhanced by at least two other factors: their scientifically 'proven' results (which were made possible by the experimental evaluation of Progresa) and the close links of the program's designers with the

[32] There was heated debate on the ethical grounds of maintaining a control group excluded from Progresa, just for the sake of evaluation. The government justified this choice on the grounds of budgetary constraints and the control group was eventually covered by Progresa's expansion. Still, this initial design seemed to cater more for the interests of researchers and policy-makers than for the poor themselves.

multilateral financial institutions.[33] This visibility, in turn, accounts for the high popularity of these programs elsewhere, as additional loans and funds are made available for governments willing to implement them. Moreover, it is translated in considerable efforts of dissemination, as donor agencies increasingly adopt the approach of intermediaries for the diffusion of 'best practices' and the sharing of experiences among developing countries. As CCTs figure prominently among reports of development organizations and international conferences and meetings, a body of CCT specialists emerges and the same supply-driven effects that contributed to the spread of SIFs across the developing world take place.

7 CONCLUSION

Through a comparative approach with SIFs, this paper explored the reasons for the recent prominence of CCTs in the poverty reduction agenda of Latin America from two interrelated sets of tools: a criteria approach and a policy choice framework. This chapter summarizes the conclusions reached and raises some final remarks.

7.1 Key parallels and differences between SIFs and CCTs

The hypothesis stated in chapter 1 attributed the current centrality of CCTs to certain design and implementation features that helped overcome previous mechanisms, as well as domestic and external factors which shaped policy choices towards their creation and replication. To test the first proposition of this hypothesis, an assessment of SIFs and CCTs through a criteria framework was carried out. Its results were mixed, since both types of intervention simultaneously had a number of positive and negative aspects.

For instance, the political feasibility of SIFs was boosted by the absence of immediate losers and the support from a wide pool of stakeholders, but their special nature and procedures were a source of bureaucratic jealousy among government agencies. As for CCTs, despite being originally created through redistributive mechanisms (tax increase or reduction of subsidies), they were in line with the values

[33] For instance, Zedillo's Under-Secretary for Expenditures, Santiago Levy, considered the intellect behind Progresa's conception and design was a former World Bank researcher.

of policy elites and their constituencies, by including the co-responsibility of the poor towards their own well-being.

While SIFs had the advantage of speed, due to their hierarchical position, special regulations and abundant resources, they suffered from a lack of coordination with sectoral ministries, which compromised the long run sustainability of the projects they financed. CCTs, in turn, were better integrated with line ministries. But they entailed fairly complex and expensive requirements for their initial set up and as yet have not been able to resolve several administrative and operational issues.

In terms of adequacy as poverty reduction interventions, SIFs have scored poorly as safety nets, but they have succeeded in providing economic and social infrastructure to poor communities. In the same way, CCTs were not judged effective safety nets for emergency situations, neither substitutes for supply-side interventions. However, they had the advantage of tackling several problems in a single policy response, combining short-run poverty alleviation through income transfers with incentives for long-run human capital accumulation. Although there seems to be an inevitable trade-off between these two goals, it is perhaps this combination that accounts for the true innovation brought forth by CCTs, allowing them to play a crucial role in asset-building for the poor and thus effectively contributing to structural poverty reduction.

Targeting in SIFs was much looser than what CCTs intended to achieve. The introduction of poverty maps was an important advance of the former, but the type of projects financed contributed to excluding women from the jobs created and the demand-driven approach adopted did not necessarily benefit the poorest. CCTs brought targeting to the household level, trying to reach the poorest families, not only the poorest communities. Nevertheless, several flaws were identified in the actual targeting methods employed in the cases studied.

Regarding collateral effects, SIFs have contributed to capacity-building at the local level through their demand-driven features and support to decentralization processes. CCTs, in turn, while contributing to empowering women and generating multiplier effects in local economies, have also entailed significant private and social costs at the household and community levels.

These mixed records should not be all surprising, since there cannot be something such as a ‘perfect policy’, with no drawbacks or shortcomings. Still, this assessment confirms that CCTs indeed exceed SIFs in some aspects. Other negative aspects have emerged, but they are in general quite different from the negative features of SIFs.

All in all, CCTs seem to be a logical and complementary follow-up of SIFs. While the funds had a crucial role in the provision of social services and infrastructure to the poor, they have only addressed supply-side constraints. The presence of a health post or a school in a poor community is not automatically translated into greater investments in human capital. Demand-side incentives might be necessary for making sure that these services and infrastructure effectively reach the poor. And CCTs can fill this gap.

7.2 SIFs and CCTs as policy choices

To test the second part of this paper's hypothesis, an analysis of the policy processes which led to the creation and replication of SIFs and CCTs was carried out, focusing on contexts, agenda-setting circumstances and four factors that shape decision-making. Two of these factors were primarily domestic (political stability and support and bureaucratic implications), one was external (international pressure and leverage) and one was both domestic and external (technical advice).

This analysis allowed for some conclusions, but it was constrained by the lack of primary data, as many crucial aspects of decision-making are not registered and can only be recovered through interviews with those who took part in or were close witnesses of those moments. Also, the analysis was restricted to the circumstances surrounding the cases studied. Therefore, some of the conclusions drawn might not be generalizable to all SIFs and CCT programs created in Latin America.

Overall, the environmental context that surrounded the creation of the ESF, Progresa and Bolsa Escola was one of economic crisis and adjustment. Macroeconomic stabilization was the number one priority of most Latin American governments throughout the 1980s and 1990s and Bolivia, Brazil and Mexico followed the same pattern. However, at the moment of the creation of these programs, perceptions on the acuteness of the crisis might have varied, thus entailing different agenda-setting circumstances. In Bolivia, the perceived stakes involved seem to have been somewhat higher than in Mexico and much higher than in Brazil.

Still, in the three cases studied, all the four factors analyzed appear to have played an important role, although with some variations in degree. Political stability and support ranked high in all the cases, but for different reasons and in different moments. While in Bolivia the creation of the ESF was regarded as a crucial element for the survival of the regime, the CCT programs of Mexico and Brazil had electoral considerations behind their coverage expansions.

Bureaucratic implications seem to have had a higher prominence in the initial design of SIFs than CCTs. Issues of institutional capacity in Bolivian line ministries led to bypassing them altogether, while Mexico and Brazil integrated their CCT programs into existing ministries, as regular government programs.

Technical advice, both domestic and external, was important in all three experiences. The World Bank and the IDB played an important role in this sense, especially in the design of the Bolivian ESF and, to a lesser extent, the Mexican Progresa.

These same agencies were the main drive behind the international leverage and support which helps explaining the popularity of both SIFs and CCTs across the Latin American region. Interestingly, this factor was much more important in the creation of the Bolivian ESF than Progresa or Bolsa Escola, which were home-grown initiatives. As such, the creation of ESF seems to have followed a more top-down approach from the national government's perspective. However, from the perspective of states, local governments or communities, Progresa and Bolsa Escola can be equally considered top-down initiatives.

The spread of both SIFs and CCTs in Latin America is inextricably linked to international leverage. As these interventions gain popularity in donor reports and international conferences, and as additional funds and technical assistance are made available for governments willing to introduce them, strong incentives for their replication are created. This illustrates how international organizations are increasingly shaping the discourse and practice of social policy around the developing world (Deacon et al. 1997), but it does not lead to a clear cut conclusion that governments have no choices or room for maneuver in their poverty-reduction policies. The home-grown experiences of Progresa and Bolsa Escola show how this phenomenon can also work the other way around: they were national 'inventions' which were 'bought' by donors and 'sold' as innovative solutions elsewhere.

7.3 Final remarks

As much as CCTs might have an important role in structural poverty reduction, there are limits to what these interventions can achieve. Although low levels of human capital are a central reason for the low incomes of the poor in Latin America, this is only one part of the story. Complementary macroeconomic policies, which take into account the balance between social protection and macroeconomic stabilization, are essential for long-term sustainable poverty reduction (Cornia 2002). Also crucial are interventions to alter deeply rooted and reproduced inequalities, as well as to foster the accumulation of other assets by the poor (Székely 2001).

In this sense, the increasing prominence of CCTs in the development agenda of Latin America should be regarded with caution. They can be a step forward conventional safety nets in the direction of 'enabling springboards', as devised in a recent World Bank strategy for the social sector (World Bank 2001b). They can be win-win alternatives for donors and recipients, in the words of Morley and Coady (2003), as the year 2015 draws closer and the advances towards the Millennium Development Goals remain rather disappointing. But they just cannot do it all.

Governments have to consider their own country specificities carefully before adopting CCTs indiscriminately. If the poor are located in remote areas, with no access to social services whatsoever, a SIF-type program or another kind of supply-side intervention might be required before any kind of CCT is put in place. If the quality of public education is at an unacceptable low level, a CCT program will only have symbolic results, with no real impacts in terms of human capital accumulation. More importantly, if the country's macroeconomic model is one that perpetuates inequality, limits productive investment, restricts employment and generates poverty, CCTs end up functioning as a mere relief measure with localized impacts. In the words of Székely (2001: p. 11 and p. 27):

> Relying on these programs [CCTs] as the full social strategy of a country is like throwing the poor a lifesaver that may keep them temporarily afloat but doing nothing about the storm that is drowning them. (...)
>
> If other elements of the economic environment are not modified, these types of government intervention will always be swimming against the tide.

Unless this is taken into account, CCTs risk remaining only a fashionable set of programs with laudable objectives.

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