



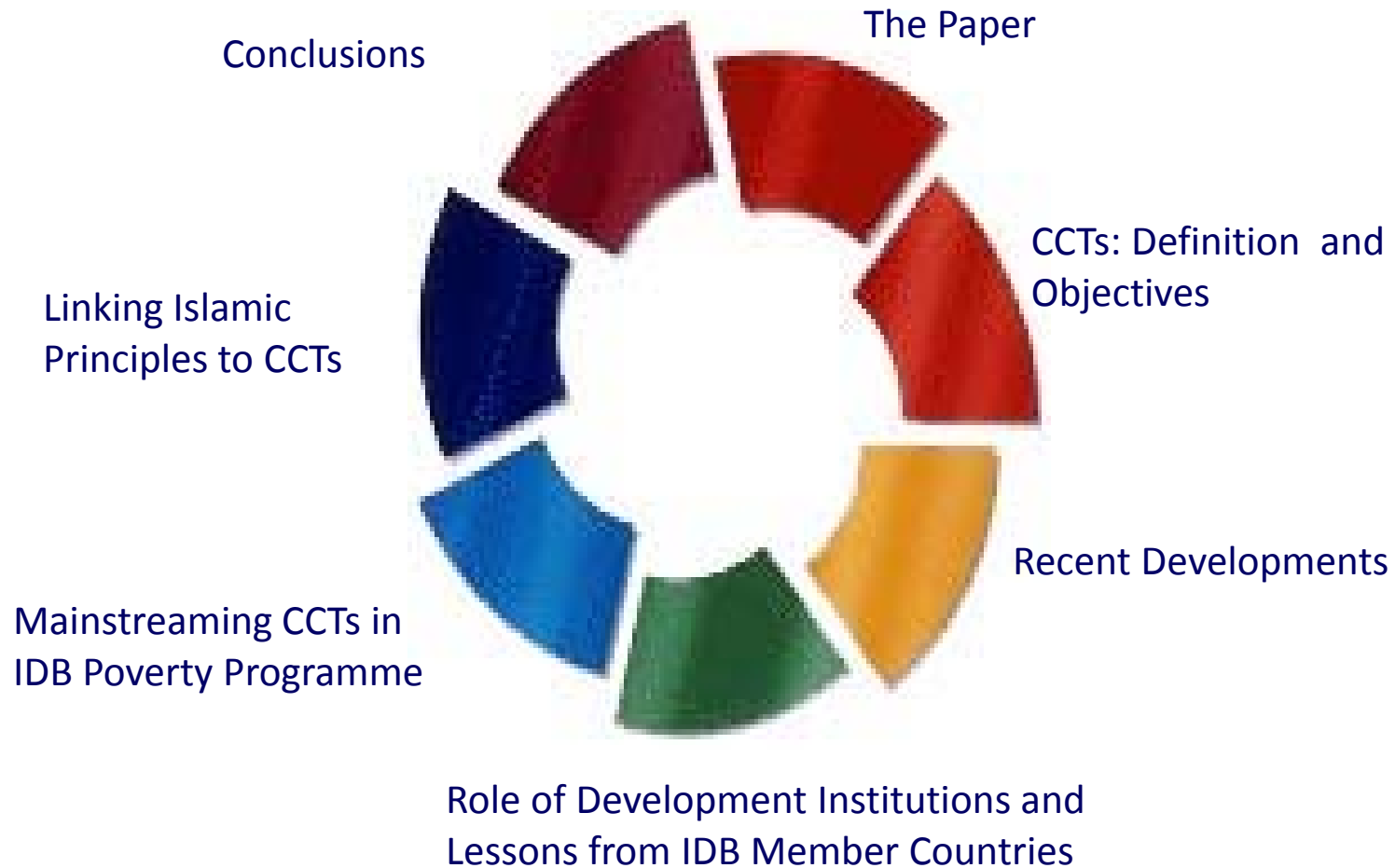
Evaluating the Relevance of Conditional Cash Transfers in IsDB Poverty Programme

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All findings, interpretations, and conclusions are solely of the authors' opinion and do not necessarily represent the views of the Islamic Development Bank.



Presentation outline





The paper

Motivation:

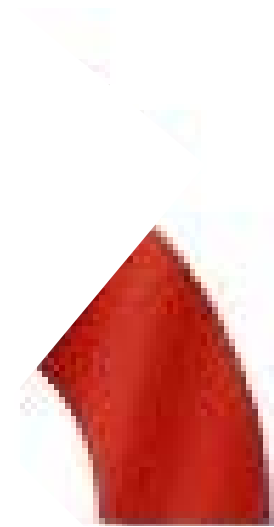
- CCTs have widely spread in many continents
- CCTs have been widely promoted by international institutions, MDBs, NGOs
- CCTs was not adopted in any of IDB poverty programme

Objective:

- Review the recent developments of CCTs
- Identify challenges of implementing CCTs
- Explore how to mainstream CCTs in IDB poverty programme



CCTs: Definition and Objective



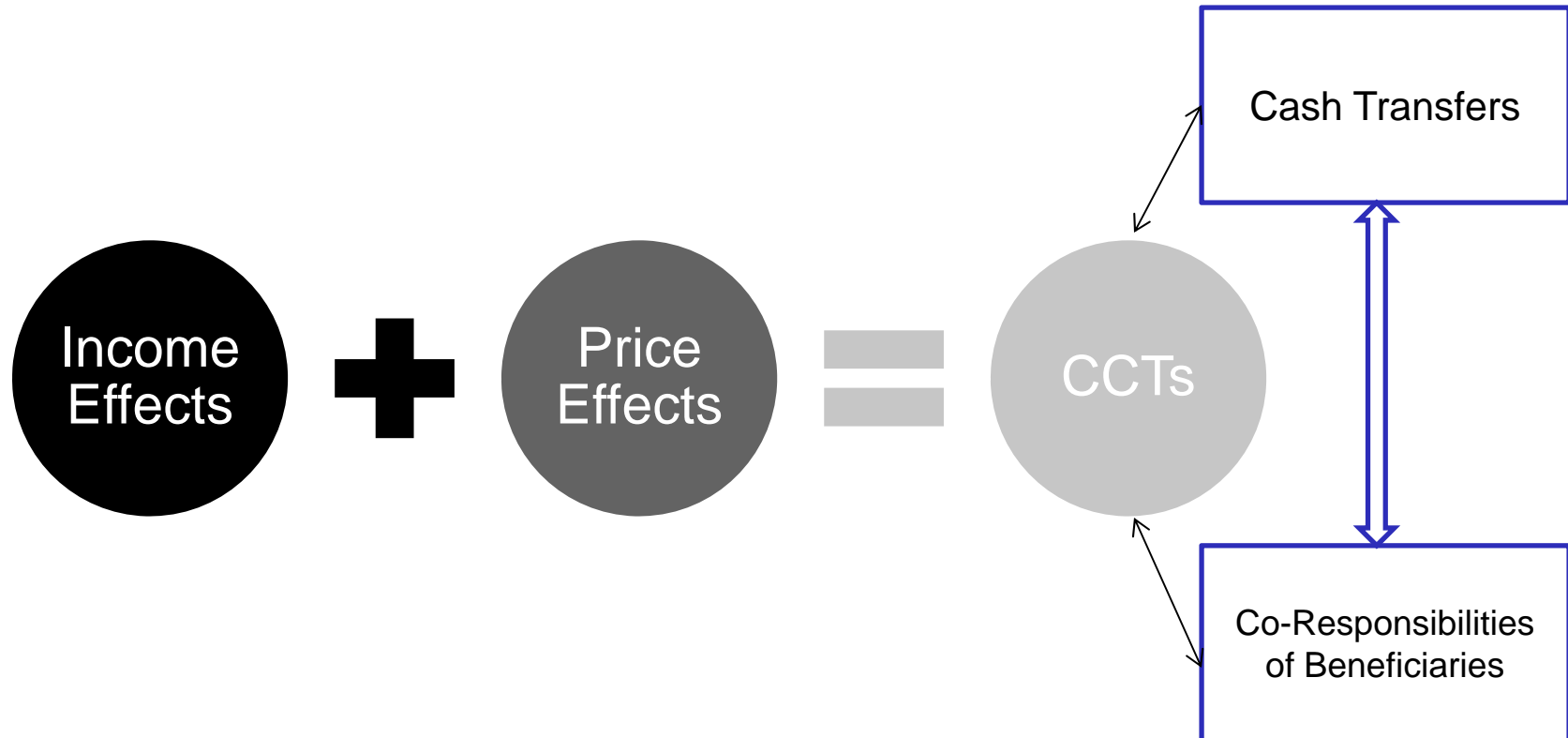


CCTs: definition and objective

- CCTs can be defined as regular payments of money (in-kind benefits)
- In exchange for active compliance with human capital conditionalities
- The objective is to decrease chronic or shock induced-poverty, at the same time promote human capital development
- Conditional on household members investing in education, health and nutrition
- CCTs share a common basic structure of three components: a cash transfer, a targeting mechanism and conditionalities



CCTs: the mechanics





Overall impacts of CCTs

- Improved the well-being of recipients in many countries (Fiszbein and Schady, 2009)
- On education enrolments (Skoufias and McClafferty, 2001; Schultz, 2004)
- Positive effects on cognitive development in early childhood (Fernald, et al. 2008; Macours, et al. 2008; Paxson and Schady 2008)
- Higher impact on girls' participation in social and economic activities (Shurman, 2009)
- Improved health and increased demand for healthcare services (Morris, et al 2004; Gertler, 2004; Behrman and Hoddinott, 2005)



Recent Developments



CCTs have spread in many continents and countries



- The role of CCTs varies from place to place in both designs and the context in which they operate
- All CCTs share the common objective of reducing poverty
- In early years CCTs only run by few countries – Mexico, Brazil, Bangladesh.
- At present, CCTs is implemented in as many as 35 countries
- Follow a dual policy strategy: short-term income support and long-term capital investment
- Variations in design of these aspects applied by individual countries

Development of CCTs across continents



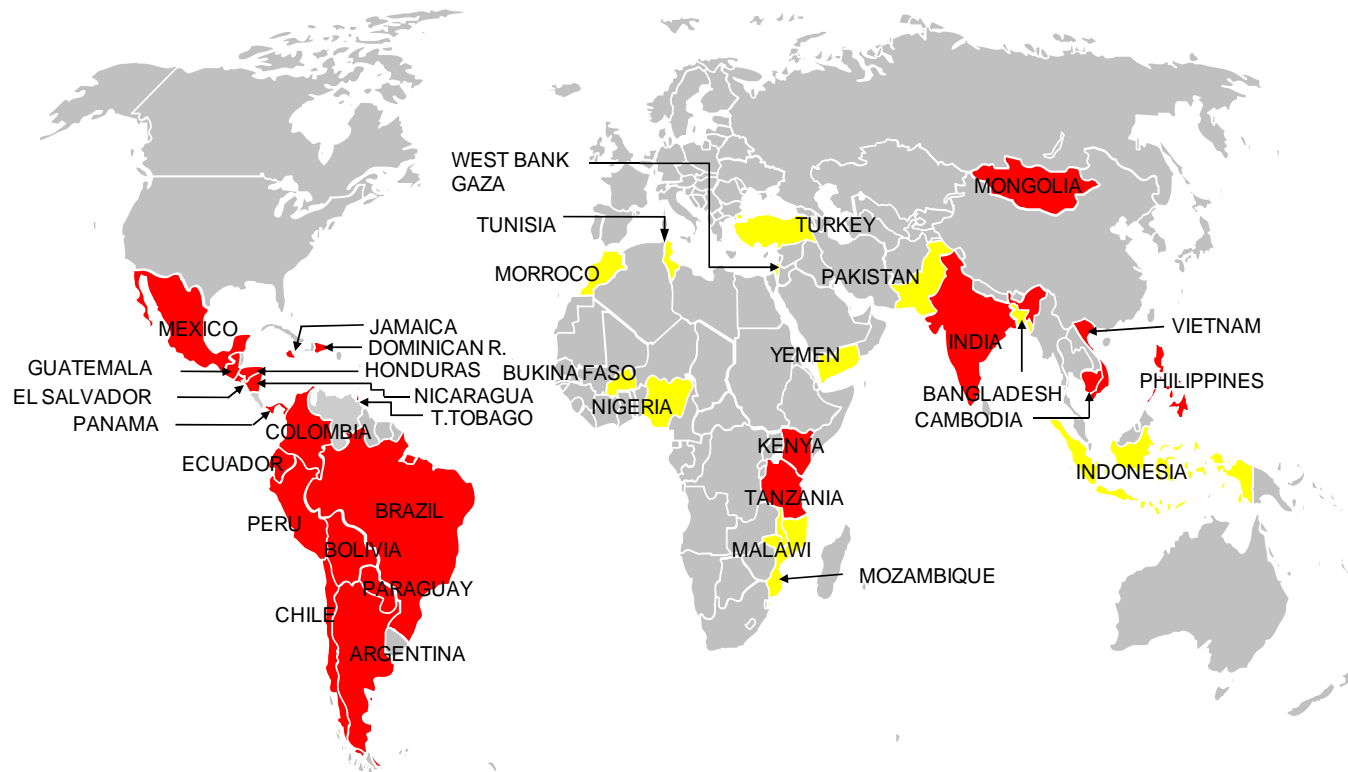
1997



Development of CCTs across continents



2010



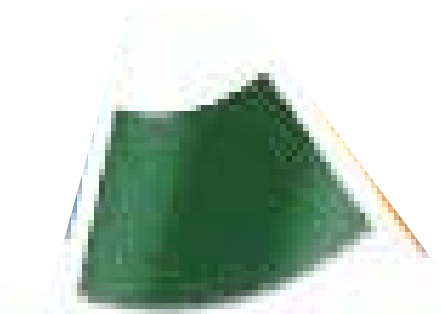


CCTs conditionalities, cost and coverage

- Target young children (0-6 years), pregnant women, school-aged (7-11 years)
- Require minimum attendance of 75-95% for education; regular attendance of health clinics for health
- Involvement in the community activities, no child labour, obtain identity card.
- Relative coverage ranges from 40% (Ecuador) to 1% (Cambodia); absolute coverage range from 11 millions (Brazil) to few thousand (pilot programmes)
- Costs range from about 0.5-0.8% of GDP (Brazil, Mexico) to 0.08% of GDP (Chile) to few hundred thousands; externally finance or national budget
- Benefits based on mean HH consumption ranges from 20% (Mexico) to 4% (Honduras) even less in Cambodia, Bangladesh
- Transfer amounts vary substantially (between and within countries); targeted through combination of geographical, HH and individual surveys
- Rigorous monitoring system, independent evaluations, exit strategy



Role of Development Institutions and Lessons from IDB Member Countries



Support from MDBs and other development institutions



- IDB, World Bank, AsDB and other developmental institutions have provided finance to CCTs
- Part of human capital loans along with physical investment
- Form part of broader objectives to consolidate the social safety net
- IDB approved the largest loan in its history to support the expansion of *Oportunidades*
- AsDB collaborating with GOP approved \$400 million loans for CCTs (Pantawid Pamilyang Pilipino Program)
- New York City Center for Economic Opportunity with private funds approved \$43 million for CCTs

Poverty, education and health indicators for Bangladesh, Indonesia and Turkey



Indicators	Bangladesh	Indonesia	Pakistan	Turkey
Population	148.7 million (2010)	239.9 million (2010)	173.6 million (2010)	72.7 million (2010)
GDP Per Capita (PPP, 2010 \$)	673	2,945	1,006	10,106
Poverty Headcount Ratio at US\$2/day	81.3% (2005)	50.6% (2009)	61% (2006)	9.1% (2005)
Literacy Rate - Youth (% of Male, 15-24 years)	76.8% (2009)	99.4% (2009)	79% (2008)	96.6% (2009)
- Youth (% of Female, 15-24 years)	74.1% (2009)	99.5% (2009)	59% (2008)	99% (2009)
- Total (% of People, 15-24 years)	75.5% (2009)	99.5% (2009)	71.1% (2008)	97.8% (2009)
Net Enrolment in Primary School	86.3% total (2009) 89.9% for girls, 82.9% for boys	95.3% total (2009) 94.4% for girls, 97% for boys	66.4% total (2009) 60.2% for girls, 72.1% for boys	94.7% total (2008) 93.6% for girls, 95.8% for boys
Net Enrolment in Secondary School	40.1% total (2004) 40.2% for girls, 41.8% for boys	69% total (2009) 68.4% for girls, 69.5% for boys	32.7% total (2009) 28.7% for girls, 36.5% for boys	73.9% total (2008) 70.3% for girls, 77.5% for boys
Prevalence of Child Malnutrition (Height)	43.2% (2007)	35.6% (2010)	41.5% (2001)	15.6% (2004)
Birth Attended by Skilled Health Staff	24.4% (2009)	74.9% (2008)	38.8% (2007)	95% (2009)

Source: World Development Indicators database (2010)



Tremendous challenges in the form of high level of poverty, gender disparity and economic vulnerabilities



Lessons from Indonesia

- Program Keluarga Harapan: Health & Nutrition; Education; PNPM Generasi
- Problems are mostly ones of execution rather than design
- Issues with field-level facilitators, management information system, payment mechanism
- Most issues can be resolved with more preparation prior to start up
- Issues are remarkably similar to ones encountered in other countries
- It will take time until everything runs smoothly



Lessons from Turkey

- CCTs was part of Social Risk Mitigation Project (SRMP) to mitigate the impact of recent economic crisis on the poor
- Two elements: rapid response and investment
- Increase in enrolment rates (girl), school attendance, and use of health facilities (Par Consultant, 2005; Akhter et al., 2006)
- Strong ownership from Government leaders and civil servants
- Issues: too short-period in design; lack of database
- Monitoring and evaluation activities are hard and costly, programme started simultaneously throughout the country



Lessons from Bangladesh

- Female Secondary School Assistance Program (FSSAP) positive impacts on girls' lives (Pathmark Associates, 2003; Khandker and Pitt, 2003)
- Community involvement is essential for enhancing the effectiveness and accountability
- The institutional arrangements of the project were not very sound.
- The issues of fake attendance and enrollment need to be tackled effectively – require strong monitoring and supervision
- Stipends alone may not be sufficient to generate demand - broader structural change and efficiency of delivery
- Better incentive systems for teachers need to be enforced - the GOB less concerned with reform and restructuring due to political decisions.



Overall Lessons

- The basic idea of CCTs is replicable, it varies from country to country by nature and characters
- Implementation depends on the compulsion and constraints of the community
- Designed in the context of the vast regional/provincial diversities and disparity as well as pervasive poverty
- It is one of the government effective tools to tackling poverty
- Implementation of CCTs revolved around operational design than the impacts.



Mainstreaming CCTs in IDB Programme





Poverty Programmes in IsDB

- Majority of IDB member countries, place poverty reduction as a central objective of national socio-economic strategy
- Fostering social and development of its member countries at the core of the fundamental goal of the IDB
- Islamic Solidarity Fund for Development is the poverty alleviation arm of IDB, with approved target capital of \$10 billion
- Concessional financing for IDB LDMCs - since inception (2007), cumulative project approvals of \$234 million for 43 operations.
- Among the main flagship programmes – Vocational Literacy Program (VOLIP), Microfinance Support Program (MFSP) and Sustainable Village (SVP) and Millennium Village Project (MVP)

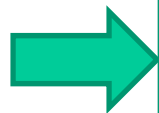


CCTs: the case for IsDB

Programme	Bolsa Escola	Familias	PRAF II	Progresa	RPS
<i>Outcome</i>					
School enrolment	√*	√		√*	√*
Preventive health check-ups		√*	√*	√*	√*
Vaccinations		√*	√*	√*	√
Pre-natal care			√*		√
<i>Impacts</i>					
Food availability		√		√*	√*
School achievement				√	
Nutritional status (height)		√	√	√*	√*
Anaemia			√	√*	√
<i>Indirect Effects</i>					
Child labour	√	√		√	√
Women status		√		√*	
Spillover				√*	√*
Investment spending				√*	

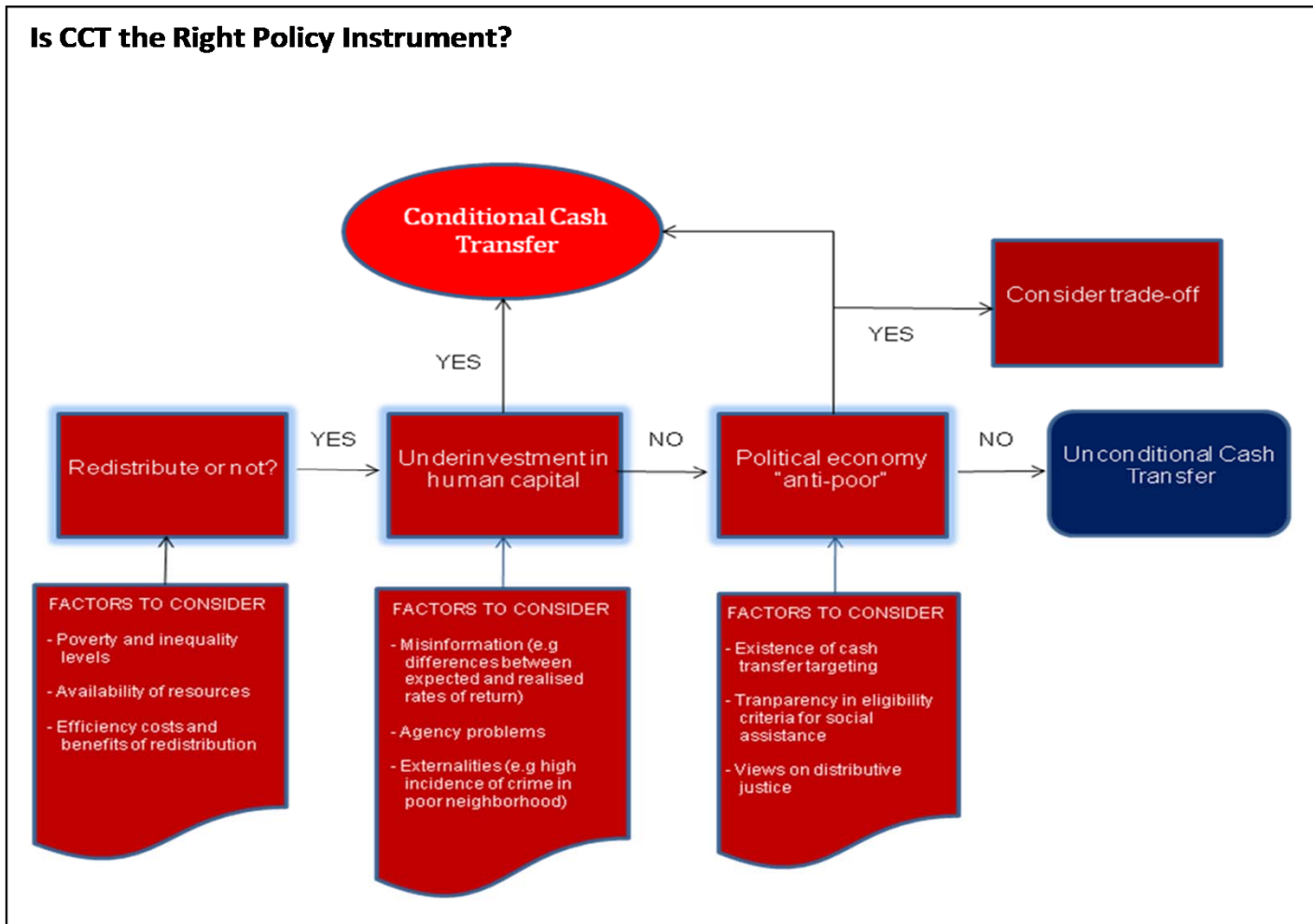
Notes: √ indicates the indicator was evaluated; * indicates unambiguous impact in the expected direction.

Source: Handa and Davis (2006)



CCTs programmes in developing countries has been positive secondary effects over and above the primary goal of poverty reduction

Mainstreaming CCTs for IsDB?



Source: Based on Fizbein and Schady (2009)

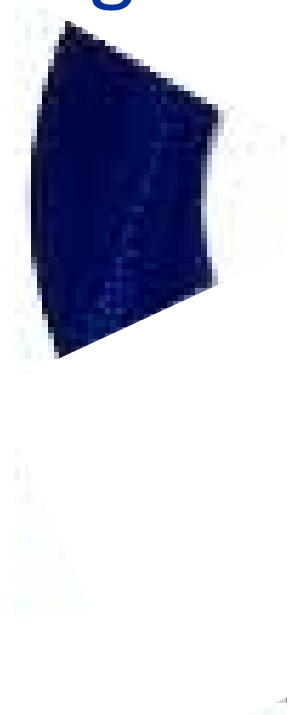


Practical issues for IsDB

- Several important practical issues:
 - how do we design appropriate programmes for country's specific social and policy context?
 - what are the institutional and management arrangements required to most effectively deliver social cash transfers to poor households?
 - what systems and procedures work best?
- The implementation should be framed into:
 - policy rationale
 - targeting
 - cash transfer and conditionalities
 - duration and exit
 - cost and financing
 - institutional responsibilities
 - resource mobilisation



Linking Islamic Principles to CCTs

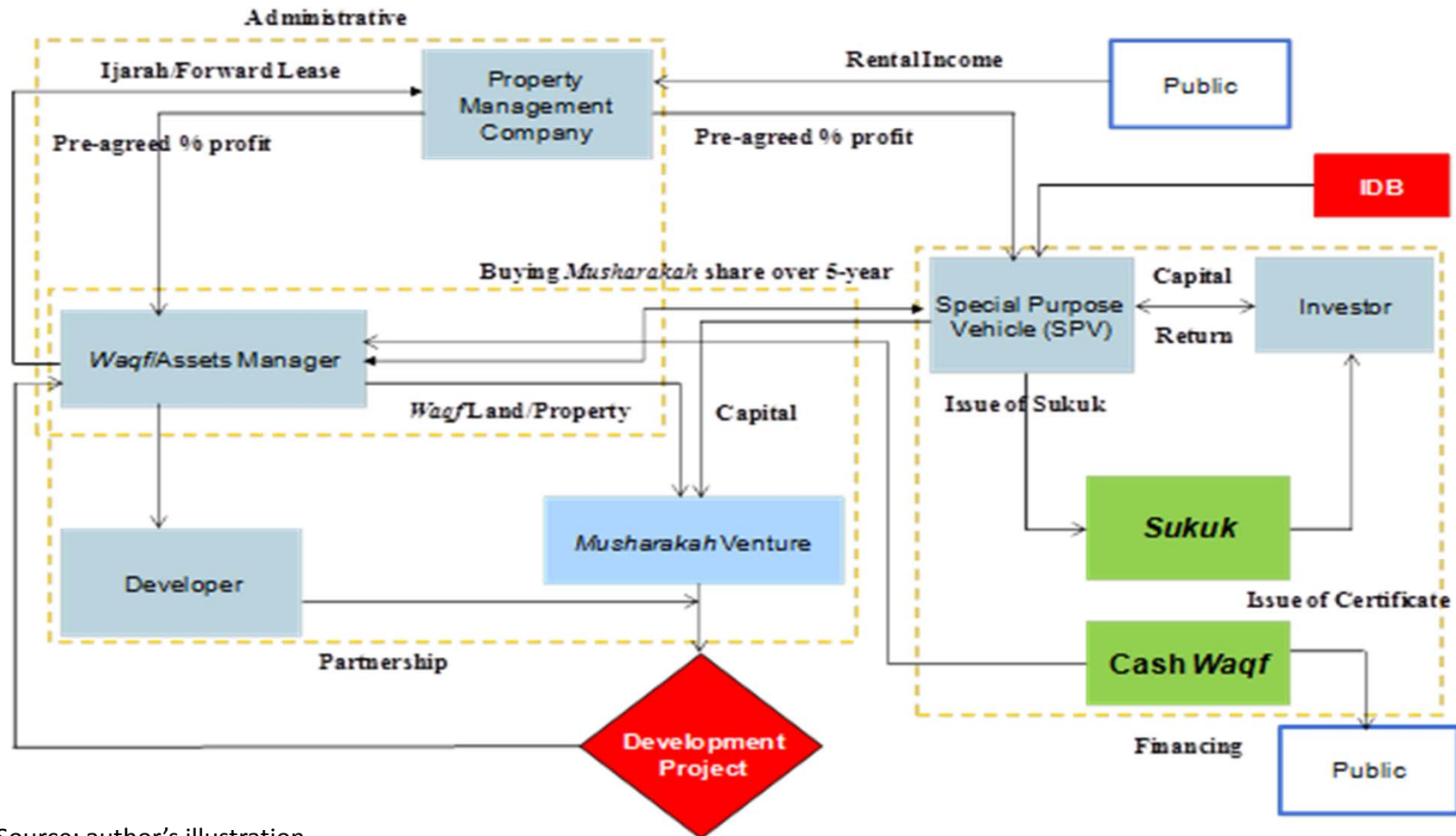


CCTs through zakat, sadaqat, awqaf and qard al-hassan



- The estimated potential of *zakat* in the world a year is between US\$50 to \$130 billion (Shirazi and Amin, 2009).
- 17 out of 39 IsDB member countries can alleviate the poorest living with income under \$1.25 per day out of the poverty via Zakat collection alone (Mohieldin et al., 2011)
- *Zakat* and *waqf* institutions can be used to to address socio-economic issues - i) education; ii) skills and micro entrepreneurial development; iii) health care; d) water and sanitation facilities in rural areas
- The concept of CCT is line with the underlying principle of Islam to eradicate poverty via cash distribution approach.
- *Awqaf* applies to non-perishable properties such fixed property, land or buildings, the concept of CCT is also conform to *Awqaf* principle

Illustration of Waqf Resource Mobilization



Source: author's illustration



Conclusions



What is there for us?

- The probability of IDB successful mainstreaming strategy of CCTs programmes depends on at least five factors:
 - **political will** and the commitment of politically relevant groups within comprehensive social protection strategies;
 - **administrative capacity** to implement cost-effective broad scale CCTs programmes;
 - **financial resources** required to implement CCTs programmes in a sustainable manner;
 - **specific needs** of the country must be tailored and for which adequate supply exists in the areas where the programme is to be implemented;
 - **development cooperation** with other multilateral development institutions.
- None of CCT programme explores and integrates the potential of Islamic instruments in Muslim countries
- As a double-edged poverty reduction strategy of enhancing social welfare, while increasing effectiveness of *Zakat* and *Awqaf* institutions
- For IsDB to pilot CCT in selected social sector financing - 7.5% of the US\$2.4 million or US\$180,000 per year