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Conditional-cash transfers are good. They could be even better

Jul 29th 2010

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CELIA ORBOC, a cake-seller in the Philippines, spent her little stipend on a wooden shack, giving her five children a roof over their heads for the first time. In Kyrgyzstan Sharmant Oktomanova spent hers buying flour to feed six children. In Haiti President René Prével praises a dairy co-operative that gives mothers milk and yogurt when their children go to school.

These are examples of the world's favourite new anti-poverty device, the conditional cash-transfer programme (CCT) in poor and middle-income countries. These schemes give stipends and food to the poorest if they meet certain conditions, such as that their children attend school, or their babies are vaccinated. Ten years ago there were a handful of such programmes and most were small. Now they are on every continent—even New York City has one—and they benefit millions.

The programmes have spread because they work. They cut poverty. They improve income distribution. And they do so cheaply. All this has been a pleasant surprise: when they were introduced or expanded, critics feared they would either make the poor dependent on hand-outs or cost far too much. In fact, they are cheap (Brazil's, the biggest, costs 0.5% of GDP). And they show income transfers can work nationally: in the past, middle-income countries usually left income-transfer programmes to local

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governments—if they bothered at all.

CCTs work because they are rules-based and relatively uncorrupt. Though the stipends are usually a pittance, they make a difference to the poorest because they are reliable—unlike the rest of the poor's income. CCTs also help the next generation. By requiring children to have lessons and health checks, the programmes should make children better educated and healthier than their parents. Schemes in Bangladesh, Cambodia and Pakistan have all got more girls into education. That is good in itself and good for getting jobs.

But CCTs are not magic bullets. Even Brazil's, one of the best as well as the biggest, works less well in urban areas than rural ones (see [article](#)). Others have an even greater rural bias. They work worse in cities because the problems of poverty are different there.

In rural areas poverty leads to a lack of the basics: food, water, primary schools, simple health care. CCTs are good at providing those because, however small the stipend, it gives children an incentive to go to school and encourages markets to develop in the goods and services that were lacking before. In cities, by contrast, the problems of poverty are compounded by violence, drugs, family breakdown and child labour. These require different interventions: in law and order, in programmes to stop domestic abuse, and so on. And they require more than the state to step in: commerce and churches are just as important. Such problems will become greater in future because the largest concentrations of poverty are no longer in the backward rural areas but in the anarchic megapolises of developing countries, like Lagos and Mumbai.

A good start

Governments tend to treat CCTs as a panacea. They imagine that, if they don't have one, all they need to do is introduce it; if they do, they have sorted out the problems of social protection. A few have woken up to their limitations, and are thinking about the next generation of programmes, which might require children who are about to leave school to go for vocational training in exchange for continuing to receive the stipend, or encouraging cities to add an urban top-up to the nationwide scheme, perhaps paid for by the municipal authority. The more that follow, the better. CCTs are a good start. But they are only a start.

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
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