

# Conditional Cash Transfers

Connect International wants to do a 3 year CCT pilot among 50.000 poor people in rural areas in Mozambique

It will achieve all household level MDG's among the target group + significantly reduce their birth rates.

Cost: 4,5 million euro (30 euro/beneficiary/year)

# Conditional Cash Transfers

Conditional cash transfers are transfers of money, for which the person or household receiving the money has to do something in return.

# WHY?

- People buy low cost WASH solutions produced by local companies trained and guided by our programs but the pace is slow, very slow.
- People need money to invest in their basic needs and are serious to do so, but they have no money, at least, not enough. And they are hesitant to take credits as they need to be paid back while income is low and interest rates are high.
- We experiment with low interest rate credits for WASH solutions and other basic needs that are often partly used for income generation as well. But people have to repay the loans which takes them over a year per credit cycle while still the financial risks are high as income generation is not always successful with the investments. So progress is slow, very slow.
- Therefore we are looking into ways how development of poor rural communities can be speeded up to eradicate poverty within years instead of decades. Adding CCT's to our development concept provides the answer. It significantly speeds up development at household level and enhances local economies against low cost.
- Also we worry a lot about the unprecedented population growth in developing countries. With CCT's we believe something can really be done about that too.

# Conditional Cash Transfers - history

- Europe after WWII - redistributive programs by governments
- South America – country wide government CCT's reaching millions of poor families. Focus: primary education + basic health care of the poor (Mexico, Brazil). Described widely to be successful in educating children and improving health.
- In many countries CCT programs focus on education.
- Many CCT programs in developed countries. E.g. CCT program in Alaska.

# Other types of Cash or cash like programs

- Food for work or cash for work – often in emergencies
- School feeding programs. Effective but expensive.
- Unconditional cash transfers – cash donations with no conditions attached – several programs in Africa have found that even if no conditions are attached the poor spend the money wisely and it has no negative effect on their work attitude. Experience is limited.

# General conclusions of CCT programs

- The poor spend CCT's wisely.
- CCT's strengthen work attitude.
- CCT's are mainly spent on child nutrition, clothing, school stuff, income generation (agriculture, trading).
- CCT's enable people to successfully obtain and repay credits for investments in their basic needs and income generation.
- Stress on families is reduced, less child labour.
- Possibly in some cases danger for inflation (in case of very large CCT programs).
- Local economies benefit - money circulates locally, provides multiplier locally, local economic growth.
- Relatively low administrative costs for universal CCT grants (to everybody, not targeted to specific groups)

# Success principles

- Fairness – people should perceive it as fair.
- Assured – grant must come every month, for years.
- Practical – easy to implement + manage in the context. CCT programs that failed (Mongolia, Zambia) were often not practical.
- High quality management of CCT programs is a must.
- Most successful if conditions are attached (vs. unconditional cash transfers).
- Good monitoring and audit systems required + consequences (e.g. reduction of the CCT) for households not trying hard enough to fulfil the conditions.
- CCT's should fit to and aim at the causes of people's poverty.
- CCT amount – not too high and not too low (often a percentage of the locally determined poverty level, e.g. 15 to 30% of the household income).
- Households should be allowed to use their CCT's in a flexible way.
- Political support – the government and future governments should support it.
- Implement and expand CCT programs gradually.
- Good guidance, especially through community groups, is required.

# Main challenge of CCT programs

- **Institutions** required – financial transfers (M-PESA, mobile banks), training and guidance of targeted population (by NGO's), CCT audits among targeted population, evidence collection.
- Availability of **CCT related services** - also investment in the supply and improvement of services needed (e.g. proper schools).
- **No exit strategy** - process instead of project with a long term horizon. Redefining of 'sustainability' needed. Donors need to change from project to process funding.

# What do we want to achieve with our CCT pilot program?

- Proof that a broad spectrum CCT program in Africa can be set up effectively, achieves the MDG's and stimulates local economies more cost effectively and quicker than other approaches.
- Knowledge and tools required for replication and expansion of the approach to other areas.
- Awareness among large donors and powers about the importance of CCT's for the poorest developing countries, for the reduction of population growth in the world and for the environmental survival of our planet.

# The question is

- Are we going to accept that poverty and suffering in Africa and other poor areas continues widespread for over 50 years to come?
- Are we going to stand by and look at the planet's population to roar to impossible heights?
- Are we going to accept the planet to sink deeper and deeper in the ecological disaster which is already disrupting so much today?

Development projects and programs are not going to solve the above problems that do and will affect us all. Not sufficiently. Not timely enough!

Other approaches are needed. Quickly. They need to be developed now!

CCT's comprise a very promising approach. There is ample proof that it works.

**Let's go for it!**