

**BACK TO THE DRAWING BOARD?:
DEVELOPING HUMAN CAPITAL IN LATIN AMERICA
THROUGH CONDITIONAL CASH TRANSFER PROGRAMS**

by

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ABSTRACT

Conditional Cash Transfer programs (CCTs) are widely supported as an effective strategy to reduce poverty. CCTs provide cash to motivate poor households to invest in human capital development. Implemented extensively in Latin America, CCT represent hope for expanding the benefits of education to previously excluded groups with the ultimate goal of breaking the cycle of poverty. This paper concludes that CCTs, alone, cannot achieve this. An examination of CCT design reveals deficiencies based on a limited view of both poverty and education. It is argued that CCTs are part of the answer but will need to be complemented by other interventions such as improvements to quality of education and opportunities for employment. The analysis concludes that an integrated strategy based on a broad understanding of poverty will maximize the effectiveness of CCTs in achieving the long-term goal of breaking the poverty cycle.

Keywords: Conditional Cash Transfer Programs CCTs; Human Capital Development; Social Assistance; Poverty; Development; PROGRESA - Oportunidades; Bolsa Escola - Bolsa Familia

Subject terms: Transfer payments - Developing countries; School attendance - Economic aspects; Human capital - Latin America; Poverty; Poor – Services for

For my mum.

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1 INTRODUCTION

From 1970 to 1990 poverty increased by 40 percent in Latin America. The number of poor increased and many people who were already poor became even poorer (CEPAL, 2005b). Almost two decades later, poverty remains vast and persistent. Like an unrelenting storm, poverty continues to be a powerful force preventing many from moving ahead and out of its destructive wake. The urgency of addressing poverty is apparent to development agencies, international financial institutions, NGOs, and governments, all of which continue search for an effective response to this problem.

Education is a primary strategy in poverty reduction. An abundance of international conferences on this topic, the eight Millennium Development Goals (MDGs) directly or indirectly related to education, and the pervasiveness of social programs employing human capital theory are just a sample of several initiatives from the last two decades with an orientation towards education.

Persistent poverty in Latin America is attributed to a lack of human capital (CEPAL, 2005a). Given this, it seems fitting that a response focusing on human capital development would be appropriate. Education, being the primary means of increasing human capital, is lacking in the region. Other areas of the world with similar GDP per capita have much higher levels of education (Bonai, 2007). Education possesses great potential for generating social reform but its absence reproduces a status quo that continues to ignore the poor.

Although most Latin American countries report to be approaching universal access to primary education, children from poor families are still not receiving an education. Even in countries where education is accessible, completion levels among the poor continue to be low. In fifteen countries in Latin America just 83 percent of the children successfully completed primary education. The remaining 17 percent are mostly students who are indigenous, rural, and poor (Reimers, 2000). Completion at the secondary level among poor students is lower still (CEPAL, 2005). Completion rates among the poorest income categories compared with students from higher income categories are disproportionately low (Reimers, 2000).

Conditional cash transfer programs (CCTs) were created in part as a response to this educational deficit and have become the main strategy for poverty alleviation in the region. Seven-teen countries in Latin America have implemented CCTs over the last decade. The popularity of CCTs can be attributed to the perceived success of the pioneering programs: Bolsa Escola in Brazil (later renamed Bolsa Familia) and Programa de Educación, Salud y Alimentación or PROGRESA (later renamed Oportunidades) in Mexico. These two programs are the largest and arguably the most successful CCTs. Both programs have grown to include 25 percent of their total populations. Bolsa Familia reaches 11.1 million families, about 46 million people, while Oportunidades reaches about 5 million families, about 26 million people. Programs of this scale require sizeable budgets. 2006 figures show that significant portions of annual budgets in Brazil and Mexico were allotted to CCTs:

\$700 million and \$2.6 million respectively. Oportunidades is now the largest program in Mexico's federal budget consuming 0.3 percent of GDP and 20 percent of federal budget for poverty alleviation (Handa & Davis, 2006).

The premise behind CCTs is that poverty is mainly an economic problem in which poorer families are not investing in their children's education because they cannot afford to do so. CCTs are designed to fill this economic gap by providing a cash amount to pay for both the direct costs associated with school, such as uniforms, materials, and transportation, as well as the opportunity cost of lost income. In combination with efforts to increase education, CCTs seek to improve other aspects crucial to the success of human capital development. As they are seen to enable and enhance learning, health and nutrition programs are implemented along-side education. By concentrating efforts at increasing enrolment through cash transfers, more families send their children to school, increasing enrolment and the demand for education. In this way CCTs stimulate the demand-side of education and contrast with previous policy approaches have consisted of supply-side interventions such as building schools, providing school materials, improving teacher training, and reforming curriculum. The inherent danger with CCTs, though, is a neglect of the supply-side, which must match and balance the demand-side in order for CCTs to be effective in accomplishing their intended objectives.

When compared to previous social assistance programs, CCTs correspond more closely with the values of the international lending community. They relieve poverty in the short-term but also attempt to address poverty in the

long-term through human capital development. Learning allows for the accumulation of human capital. Human capital makes the move out of poverty possible, because it broadens opportunities for employment and access to quality employment is understood to be the most critical means of overcoming poverty. As a generation moves out of poverty, it is hoped that the cycle of intergenerational poverty will be broken.

Central to securing funding for these programs has been their innovations of conditionality and built-in impact assessment. In making cash conditional, proponents hope to change the behaviour of poor families by motivating them to invest in human capital, which they would not do otherwise. This mechanism serves to self-select and diminish program abuse, as only those families who are in most need are those who will comply with the conditions. Requiring participation functions as an accountability measure. In this way, impact assessment also serves to monitor and ensure efficiency.

Built-in impact assessment is another key selling point of CCTs and a major reason for their political success (Mongiorgi & Bloom, 2006). The World Bank and the IDB, the main lenders to CCTs in Latin America, emphasize assessment and monitoring. As a result of the checks and balances associated with conditionality and evaluation, CCTs have managed to garner tremendous political backing and financial support from international lending agencies.

Enthusiasm for these programs has not yet translated into evidence of success in breaking the poverty cycle through human capital development. Part of the difficulty in measuring human capital may be the lengthy “gestation period”

between the application of educational inputs and the emergence of the human capital, which would be embodied in the graduates of educational institutions (Laroche, Mérette, & Ruggeri; 1999). Even though there is no way yet to assess the impact over the long-term, the data suggest that CCTs have yielded minimal increases in enrolments. This said, an examination of the factors that influence student learning and educational attainment (human capital development) held up against program design can provide insight into expected outcomes of CCTs.

Discouraging enrolment figures beg the question of whether or not CCTs should be disposed of altogether. Although alternatives to CCTs may be considered, disposing of CCTs at this time would mean laying waste to the tremendous political will in support of these programs. Between 2000 and 2005, for example, the Inter-American Bank (IDB) designated \$4.6 billion US for cash transfer programs in the region and in 2001 it approved the largest loan in its history to support the expansion of Oportunidades. Another big lender to CCTs, the World Bank, designated of \$572.2 million US in 2003 to be spent over four years on Bolsa Familia (Lindert; 2006). Political and financial support does not seem to be slowing. For this reason an analysis of the potential of CCTs to achieve their intended objectives and an exploration of the role of complementary interventions is particularly relevant to social policy discussion.

This paper aims to shed some light on the questions of how CCTs are contributing to human capital development and, ultimately, poverty reduction. The discussion will argue that the reason that CCTs alone will not break the poverty cycle stems from the narrowness of their design. CCTs ignore the

complexity of poverty, in particular the dynamics between social and political as well as economic factors that perpetuate poverty.

In this way, CCTs do not constitute a 'silver bullet' for poverty alleviation in Latin America. However, by complementing CCTs with supply-side interventions and economic strategies their effectiveness may be maximized. Without complementary measures, CCTs are like lifesavers in that they will not bring those in the storm to safety. CCTs assume that boosts to enrolment will lead to poverty reduction. In doing so they overlook two vital connections: the connection of investment to learning and the connection of learning to employment. Supply-side interventions concerning quality improvements to education address the first connection by ensuring that students sitting at desks acquire the kinds of skills and knowledge that provide a real chance for escaping the poverty cycle. Matching the supply of skills with the demand will be the beginning of bridging learning to employment.

Creating employment opportunities will also be a key to ensuring that human capital has a place for insertion in the marketplace and that this insertion will translate into better incomes. Without employment opportunities, successful human capital formation results in a generation of educated people who are unemployed. Ignoring the social and political dynamics and neglecting to respond to other barriers to employment, such as discrimination, will keep the poor in poverty. Interventions that address these realities are necessary to complement CCTs in efforts to reduce poverty.

The paper will flesh out some of the aforementioned issues beginning with a description of the economic, political and cultural context from which CCTs arose in Latin America. This will provide some context and history of these social programs, highlighting reoccurring challenges in education and social policy. CCTs' contributions to social policy in these areas of program design, delivery, selection mechanisms, and implementation will be explored. A survey of the current literature on CCTs will outline the current debates and discussion concerning their effectiveness, thus situating the present discussion within broader debates about CCTs. Next, the value and appropriateness of CCTs will be assessed in terms of program design. Lastly, CCTs will be brought "back to the drawing board" to explore the role of complementary interventions in maximizing CCT effectiveness in breaking the poverty cycle. In doing the above, this paper seeks to contribute to the emerging dialogue that critically examines the effectiveness of CCTs to reach their long-term goal of poverty alleviation.

2 BACKGROUND

2.1 Introduction

IDB economists calculated education's contribution to economic growth and found that if schooling were increased by one year above current trends, potential growth could be raised by one percentage point per year (IDB, 2006). This GDP growth is the equivalent to half of the estimated effect of structural adjustment programs (SAPs) to date (Sanchez, 2003). To many in the development field, education's potential is indisputable. Policymakers and development organizations herald education as the one-way ticket out of poverty, positing that investment in human capital will break the intergenerational cycle of poverty. In using education as tool for fighting poverty, CCTs embody several innovations to social assistance. However, before delving into an analysis of the particular contribution to social policy, it is helpful to outline the context in which CCTs originated and the social and economic situation to which they were meant to be a response.

In keeping with the focus of this paper, the following discussion will focus on changes in education policy and on a broader scale changes in social policy. First, a historical outline of education will show how social and economic factors influenced its evolution. Second, a discussion of the changing role of the state will illustrate how these three factors influenced its role, and consequently,

affected the kind of social provision. Third, this section will look at the key theories or models that have informed education policy.

2.2 Historical Outline of Education

Studies show that while in the 1960s Latin America averaged more years of schooling than other developing regions, it now lags behind several developing regions (Bonaf, 2007; Beech, 2002; PREAL, 2001). Latin American students are completing fewer years of schooling when compared to students in other regions of similar level of development. Not only are Latin American students spending less time in school but also the quality of education they receive is questionable. Mizala and Momaguera's review of the education policy literature on Latin America provides ample evidence that the quality of education is deficient. Below average performance on international and national tests suggest that quality is low. Figures show that educational achievement varies widely within each country, reflecting persisting inequality in the region (Mizala & Momaguera, 2002). Compared with other regions, education level is both low and unequal.

Inequality in Latin America has been integrally tied to the extension of power and consolidation of the elite, and the consequential exclusion of individuals based on gender, race and class (Arnove, Franz & Morse, 1987). Beginning in the late 1800s to the mid 1900s, as nation-states were forming, Latin American countries made universal public education a constitutional guarantee. These guarantees, however, were not fulfilled and the decades following independence were characterized by alternating phases of growth and

retrenchment of education, a pattern that, to some degree, continues to the present.

With the United Nations Declaration of Human Rights (1948) and rapid industrialization governments renewed their commitment to universal education. During this period, primary education expanded to include most children. These so-called 'golden years' of economic growth and newly acquired international financial support for education allowed for increased public spending. Educational expansion during import substitution industrialization (ISI) produced the highest rates of educational growth in the world (Torres and Puiggrós, 1995). At the 1956 Lima Conference on education new plans for primary education were created alongside social and economic development strategies. A few years later, UNESCO commissioned the first "Major Project in the Field of Education in Latin America and the Caribbean," which outlined policy objectives for the next twenty years including achieving universal access for eight years of basic education, overcoming illiteracy, and improving the quality and efficiency of education systems, (UNESCO, 2007). With funding, international support, and clear policy objectives the prospects for improving education quality and access during this period were promising.

Unfortunately, well-intentioned efforts to improve education were interrupted by the "lost decade" of the 1980s, when economic efficiency and reform, responses to the debt crisis, meant cuts to public spending. Traditional strategies to improve education were abandoned when ISI proved unsustainable. The cost of subsidies was simply prohibitive and with escalating inflation,

currency devaluations and stagnant growth, policy priorities shifted to stabilizing the economy. Countries suffering from severe recession were doubly hit by the international oil crisis, which further exacerbated financial situations. Unable to meet debt repayment schedules, international agencies exhorted Latin American to adopt SAPs to address the fiscal deficits and payment deficiencies (Arnove, Torres, Franz & Morse, 1996). This combination turned out to have dire social costs including a 40 percent increase in the number of Latin Americans living below the poverty line (CEPAL, 2005b). Addressing poverty was not a priority as funding prioritised economic stabilization and recovery (Henales & Edwards, 2002).

Funds were concentrated where they were expected to produce the biggest gains for the economy. Priority was accorded to the provision of primary education and higher education and adult education took a back seat. Spending cuts negated the effects of improvements implemented in previous decades and held back educational reforms designed in the 1970s and early 1980s from being implemented. Decreased educational expenditures meant decreased quality. Teachers were left to use outdated pedagogies and curricula from the 1960s to confront the challenges of the late 1980s and early 1990s. Recurrent expenditures like the purchase of teaching materials, the maintenance of school buildings, and teachers' salaries also suffered during this period.(Arnove, Torres, Franz & Morse, 1996).).

Social policy during this time also had an economic purpose. Efforts concentrated on minimizing the role of the state to increase efficiency and fiscal

savings. Responsibilities that were once the sole responsibility of the state were to be shared with civil society and the relationship between citizens and state changed to relationship of so-called “co-responsibility” (Ticehurst; 1998). An economy in crisis coupled with cuts to education at the lower levels left certain groups behind, in particular, the poor.

The increasing poverty and exclusion during this period and international pressure prompted Latin American governments to recommit to universal education at the World Education Conference in Jomtien, Thailand in 1990. Within this commitment, they included a mandate to reach excluded groups and design innovative programs to address their basic learning needs. ECLAC and UNESCO prepared a policy framework that stressed fostering economic development with an added goal of the promotion of equity. In 1998, the Summit of Presidents of the Americas in Santiago, Chile also focused on education, and more specifically, its links to the objective of alleviating poverty. The first item of the action plan designed at the summit called for compensatory policies (CPs) to address the issue of persistent poverty and inequality in the region (Riemers, 2001). Through various measures, such as providing food subsidies, CPs aimed to lessen the everyday burdens of the poor. Instituted as a response to increased poverty brought on by SAP, CPs were meant to provide a safety net to those particularly vulnerable to economic shocks.

CCTs were an improvement on CPs in that they were intended to act both as a safety net and as a means to escaping poverty. Two key features distinguish the CCT approach from the previous generations: one, a focus on

building human capital and two, human capital development as an integral part of the overall development strategy (Székely, 2001). Developing human capital was thought to improve income-earning capacities thereby reducing poverty in the longer-term. The benefits to individuals were also thought to contribute to some extent to overall economic growth (Duryea & Pagés, 2002).

The story mentioned thus far shows the perpetual contraction and expansion cycles of support for social intervention, with special regard to education. The way in which social policies are influenced by the social and economic milieu is also evident in the changing role of state. As primary provider of social assistance, the state wields the power to determine the direction and focus of social policy. To understand the evolution of social policy, then, an examination of the changing role the state and its relationship with society is relevant.

2.3 The Changing Role of the State

According to Cortés, the role of the state shifted in two different phases(2008). The role of the state contracted with the abandonment of ISI and the adoption of Neoliberalism (characterized by SAPs). Then, after the crisis of neoliberal strategies and into the initial years of the 21st century, the state resumed a more active role in social intervention but in a new capacity. The role of the state changed from one of provider to one of facilitator or manager of services (2008). How the state interacts with citizens, the kind of role the state plays in the provision of social services, and how it responds to social issues is key to the development of social policy. Torres and Puiggrós' (1995) analysis of

the changing role of the state and Henales and Edwards' (2002) examination of neoliberal policies provide more details for this discussion.

Torres and Puiggrós note that the predominant state model from the mid nineteenth century and into the first three decades of the last century was the liberal or “oligarchical” state. In keeping with the goal of state consolidation, the state exercised tight control over the political process and at times used open repression to maintain dominance. It is within this restrictive context, one that sought to establish the foundations of nation and citizenship, which education systems developed. Ensuring social stability and integration was the central role of education. Within this “reproductionist” framework, children were to be “socialized” into adult life by instilling in them prevailing social and behavioural norms, thus reproducing the status quo (Ornelas, 2004).

Following the collapse of the oligarchic order in the 1930s, Latin American states were reorganized in a variety of ways. An element common to these states was the experience of populism and the growing presence of trade unions. The demands made by the masses translated into public policies with a welfare orientation. While in some respects it resembled welfare state models akin to those of Western Europe and North America, inequality and power imbalances, economic vulnerability, and a lack of unemployment insurance and welfare benefits (as well as the tax revenues to fund them) inhibited the development of fully-fledged welfare states (Torres & Puiggrós, 1995).

The 1970s was for the most part a decade of authoritarian rule (frequently military dictatorships), many of which seized power and ruled with brutal force.

Along with the dismantlement of these violent regimes in the 1980s and 1990s came the implementation new liberal-democratic forms of government. Yet the fiscal constraints of this period due to the economic crisis made for fragile democracies. Restructuring of the economy as well as the state-society relationship formed a new social order, which came to be known as the neoliberal state (Henales & Edwards, 2002; Beech, 2002).

Henales and Edwards view education during this era as a tool used to maintain neoliberal policies. These authors argue that the same market-oriented policies, which proved incapable of improving living standards and income, were extended to educational reform during the 1980s. Stated differently, the rationale for education was to promote economic growth rather than to overcome social injustice or inequity. Services formerly provided by the state were contracted out to the private sector. Through privatisation and diminishing welfare expenditures, the state retreated into the background while market forces were brought to the fore. The new political-economic reality left the social purpose of education obscured (Torres and Puiggrós, 1995).

During the mid 1990s, around the same time as the creation of CCTs, the state resumed a more involved role in social assistance and poverty alleviation. Although CCT design reflects some of the elements characteristic of the neoliberal era, such as targeting or efficient use of funds and a focus on individual responsibility and productivity, it also shows a renewed concern for poverty. The resurgence of social programs such as CCTs during recent years

may indicate that trends are moving back in the direction of a more involved state.

This discussion has described the changing shape of the state and its implications for economic and social reforms. Having shed oligarchic characteristics, the state took on many of the appearances of a welfare state during ISI, retreated during the neoliberal era, and is now showing signs of renewed involvement. A look at the development of social and education policy and the changing role of the state have contributed to understanding the background of CCTs. Understanding the role of the state sheds light on the kinds of social programs that will be likely to be implemented. Delineating a few key ideas and theories that have influenced social policy will further enhance this picture.

2.4 Influential Theories

While many different theories have influenced education in the region, the three mentioned here are thought to have played a particularly influential role on educational research. Akkari and Perez (1998) and Tedesco (1987) discuss some of the main ideas influencing trends in education in Latin America. ISI stimulated employment and with it the potential for improving livelihoods and reducing income inequality. From 1950 to 1965, the framework for education in the region drew from studies conducted by the Comisión Económica para América Latina y el Caribe or CEPAL (Economic Commission for Latin America and the Caribbean or ECLAC). The commission saw this as an opportune moment for Latin American countries to increase individual productivity for the

purpose of greater economic independence. Lessening dependence on large landowners, it was thought, would create more equal societies where power would no longer be dominated by a minority but shared among all citizens.

CEPAL's model, therefore, called for generous funding for education as well as measures which would expand accessibility to schooling, particularly for excluded sectors of the population.

Some thought CEPAL's model too passive and appealed for a more radical approach, one informed more strictly by dependency theory. Dependency theory understands economics as a hegemonic in that developing countries are at the mercy of developed countries. At the internal level, it portrays a system of domination whereby dominant groups attempt to perpetuate relationships of inequality to reinforce their dominant position. Shades of dependency theory can be found in many theories concerning education, including the pedagogical work of Paulo Freire.

Freire's 'educación popular' or popular education, based on dependency theory, borrowed from Liberation Theology and Illich's work on "de-schooling". As much about education as it was about politics, educación popular was a movement for liberation. Those who were once objects of learning would become the subjects of their own learning and the ones in control of education.

Education, in the hands of citizens, would be a tool for individual and collective emancipation. Education would be to transform society rather than the other way around. According to this model, education should be a natural outgrowth of a community and not something mandated from above. This theory conjured much

debate in the 1970s and served as an impetus for research into participatory education design and implementation.

CEPAL's studies, dependency theory, and the work of Freire on 'educación popular' are three approaches which impacted and continue to influence educational policy in Latin America.

2.5 Conclusion

A historical overview reveals that support for education has ebbed and flowed, largely according to economic tides. A look at how role of the state changed through time aids in understanding the importance of the citizen-state relationship and its consequences for both education and social policy. The changing directions, focus, and purpose of education are also a result of influential ideas. The story told thus far shows that efforts to expand access and improve quality are not new and that social, political and economic changes in Latin America play a significant role in determining the pace, purpose and scope of social policy (Torres and Puiggrós, 1995). Alluded to here is the obstacle that inequality and power imbalances pose for meaningful inclusion in accessing the benefits of education (Grindle, 2004). As has been seen here, education can be used as a vehicle for reproduction or change of society, economic stabilization, and most recently, poverty alleviation. Distinctive strategies applied throughout the 20th Century appear to be a reaction to those that preceded them. CCTs can thus be seen as a product of a longer-term evolution. Tracing these trends establishes the background of education and social policy within which CCTs are best understood.

3 INNOVATION IN SOCIAL ASSISTANCE

3.1 Introduction

To help countries in the region accelerate social progress and achieve the MDGs, the Inter-American Development Bank's *Social Development Strategy* promoted reforms in health, education and housing, life-long human development, social inclusion and prevention of social ills and delivery of integrated social services that geographically targeted to reduce poverty (IDB, 2006). Innovations to social policy introduced by CCT design aligned with several components of the IDB strategy. CCTs contribute to social assistance in their design, delivery, and implementation and address some of the shortcomings of traditional social assistance programs, including faulty targeting, inefficiency, a lack of project coordination, the use of assistance mechanisms for political patronage, and an overly narrow focus which pays little attention to issues of long-term poverty (Rawlings & Rubio; 2005).

Social assistance programs in both Mexico and Brazil preceding CCTs provide examples of these shortcomings. Mexico's tortilla subsidy program is often cited as an example of a social assistance program that failed to target the most needy sectors of society. Considerable "leakage" to non-poor individuals was a major problem, making this kind of program inefficient as a social assistance program aimed to alleviate poverty. In Brazil several subsidy programs for gas, nutrition supplements, educational needs functioned each with

their own management and administration. The goals of each of these programs often overlapped and produced redundancies with other programs. Consolidating these programs as one program allowed for coordination for improved monitoring, information gathering, and delivery.

There is widespread accord that CCTs represent a significant departure from past social assistance. Many analysts recognize this break from the past as a move toward a more responsive poverty alleviation strategy (Cuenca, 2007; Britto, 2005; Ehrenpreis, 2006; Lindert, Skoufias, & Shapiro, 2005). There are several key conclusions. One is that CCTs have accomplished better ways of targeting the poorest sectors of society. Lindert, Skoufias, and Shapiro note that when compared to other social assistance programs, CCTs make the biggest difference for the poorest sectors of society; in that, they deliver a greater proportion of benefits to the lowest income quartiles than previous programs (2005). In this way, CCTs are an improved response to poverty. A second argument in favour of CCTs is their increased efficiency in financial terms as well as their efficiency in targeting the poorest of society. A third argument emphasizes the innovation of targeting the poorest families and the women within those families, on the grounds that women are expected to spend more of the transfer on household needs than men and move to an enhanced position of power with control over monetary decisions. Closely related to this, a fourth argument suggests the potential of CCTs to empower citizens through program functioning and a fifth argument explores CCTs potential to contribute to institution-building and skill-building. A sixth argument looks at the innovation of

“co-responsibility” as it relates to participation. The next argument explains the political acceptability of CCTs while the following argument highlights impact assessment as one of the keys to their political acceptability. The last argument will look at CCTs contribution of a multisectoral approach to social assistance. The following section addresses each of these in turn.

While not without their own set of flaws and limitations, many evaluations offer overwhelming support CCTs as a positive alternative in poverty alleviation. The following is a compilation of these strengths and is not meant to be comprehensive and nor is it meant to suggest that every CCT is successful with regard to each strength described. It is important to keep in mind that each individual CCT is distinctive. Delineating the main strengths of CCTs is useful for understanding the role that CCTs can play in poverty alleviation.

3.2 Cash over In-kind Transfers

In many Latin American countries, CCTs replaced in-kind transfers or vouchers, which were usually universally available. In the case of the tortilla subsidies in Mexico, for example, cash transfers are a more efficient use of public funds in that cash eliminates transportation and spoilage costs. Unlike food, cash does not compete with local food production. On the contrary, cash stimulates food production by increasing demand. The IRPRI report on Mexico’s CCT program shows that during the first two years of the program, administration costs tended to be much higher than previous in-kind programs. However, over the longer term, the costs diminished significantly (Skoufias, 2001).

Administration costs for in-kind programs were 4.6 out of 8.2 pesos, over half,

while the CCT program, when calculated over the longer term, lowered this to only 8.2 out of 100 pesos, less than one-tenth (IADB, 2005). In addition to improved efficiency, the shift to cash was seen to be less paternalistic than previous programs as it enabled individuals to make their own consumption decisions.

The shift in educational spending from the supply-side to the demand-side also generated savings. Coady, Parker and Morely agree about the cost-effectiveness of CCTs and find that demand-side subsidies are substantially more cost-effective than supply-side expansion (2004; 2003). This is because demand-side subsidies are fixed at a determined amount per beneficiary whereas supply-side expansion is less predictable and multi-faceted. Supply-side interventions range from the provision of teaching materials and school transportation to teacher-training and curriculum development. Said another way, these authors determined that it is more expensive to make the necessary supply-side interventions that would increase enrolment than to implement demand-side subsidies that motivate recipients to increase enrolment.

3.3 Targeting

Targeting the poor is regarded as the continuation of the so-called “compensatory programs” which aimed to compensate for the negative effects of economic restructuring (Székley, 2001). Diverging with past practices, these transfers were no longer universal. Targeting is a kind of redistribution mechanism, in that; funds are allocated for the benefit of the poorest sectors of the population. It makes sense in contexts of inequality, where there is gap

between the poor and the rest of the population. In countries where everyone is poor, however, the logic conducting eligibility tests to target the poor becomes dubious.

Poor families were targeted through various mechanisms ranging from anecdotal to econometric. Geographical area targeting, household proxy means-testing, marginality indices, census information, surveys, and community meetings were employed, sometimes in combination, to identify program beneficiaries. At the household level mothers were targeted as household recipients.

Female heads of households were designated the family recipient based on a two-fold rationale. Firstly, several studies indicate that women tend to spend more on a family's needs than men and so in designating female head of household family recipient, a greater proportion of the transfer is expected to go towards family needs (cited in CEPAL, 2005a; CEPAL, 2005b; PREAL, 2001; Ferreira, 2003). Secondly, by giving mothers control over a portion of the household budget, they are endowed with increased power. Some CCTs provide higher cash transfers to female students to encourage girls to enrol and stay in school. Several studies conducted by the major international development agencies show that a schooling bias persists for boys and that girls are more commonly expected to stay at home to help with domestic work (United Nations, 1998; PREAL, 2001;). Targeting girls also fits with the third Millennium Development Goal (MGD) concerned with the promotion of gender equality

(UNESCO, 2007). Targeting the poorest sectors of society may represent innovation in theoretical perspectives on the issue.

3.4 Theoretical Perspectives

From a theoretical perspective, CCTs have introduced a number of innovations to social assistance. They target the poorest in society, which renders visible those who remained invisible under previous regimes. Identifying the poor, and counting the numbers of poor, could suggest a move towards greater inclusion. Where details of CCT programs are widely publicized and citizens are informed of their benefits, the poor may be more inclined to take action in the face of corruption or neglect. Informed citizens will be more likely to put demands on the state and hold the state accountable by voicing complaints when corruption or neglect occurs. Empowered by knowledge of their rights, citizens may also self-monitor the implementation of CCTs at the local level. Mechanisms such as these that cut down on corruption, recreate the rules governing behaviour (Farrington & Slater, 2006). CCTs are able to do this in a formal sense, as well. Institutions, rules that govern behaviour, created under CCTs may contribute to changing the longstanding culture of corruption associated with social assistance.

3.5 Institutions and skill building

CCTs are shown to enhance institutions associated with their functioning. By their implementation, they may make institutions more transparent, better organized, and more accountable to both the state and citizens. In countries

lacking institutions, CCTs serve as a catalyst for the creation or improvement of institutions. This creates opportunities to improve the way that transactions are conducted, not just within CCTs, but within other programs too. Beneficiaries participating in CCTs may also acquire skills that can expand their capacity to access other services.

Brazil's CCT is one example of this indirect skill building. Bolsa Familia uses a debit card system to transfer cash to beneficiaries. Beneficiaries are trained to use banking technology and educated in the benefits of interest-bearing savings accounts. This approach simultaneously cuts down on opportunities for the siphoning of cash and empowers citizens with banking skills. This may provide the means towards participation in other banking activities such as loans and savings (IDB; 2006). This debit transfer mode of delivery, innovated in Brazil, can also be used with other kinds of social assistance.

3.6 Co-responsibility

CCTs changed relationships on the household level as well as on the societal level. CCTs adopted the rhetoric of “co-responsibility” between citizens and state. This is meant to change the relationship between beneficiaries and service providers by engaging citizens as an active participant in development (Székely, 2001 and Rawlings; 2005). Cash transfers cover both the direct costs of schooling, such as uniforms, materials, and transportation, and opportunity costs of schooling, such as lost income due to lost labour. This enables poor families to invest in their children’s education. These cash benefits are typically conditional. School attendance and participation in health checks and nutrition

programs is required to secure transfers. Failure to meet these conditions results first in a temporary and then a permanent loss of benefits. Most cash transfer programs across the region have opted for conditional cash transfer programs (De Janvry & Sadoulet, 2006).

Conditionality serves several functions. Placing limiting criteria on cash advances increases the likelihood that cash will be utilized for its intended purposes of human capital development. By requiring that families take action, it is thought to make them “co-responsible” with the state (Székely, 2001). Whether conditionality empowers or subjugates the poor is debatable. The political function of conditionality, however, may be more apparent.

3.7 Political Acceptability

The political acceptability of CCTs rests on their efficiency in addressing poverty. Teichman mentions some of the reasons for the political success of CCTs stating:

[CCTs ‘] claim to efficiency in state spending makes such programs appealing, and they offer immediate amelioration to politically embarrassing poverty figures. Moreover, they come with enthusiastic financial and intellectual support from multilateral lending agencies (Teichman, 2008, p. 448).

The enthusiastic financial and intellectual support of which this author speaks is attributed to the alignment of the CCT approach with the goals pursued by multilateral agencies such as beneficiary participation, positive gender discrimination, creation of safety nets and human capital development. Britto

agrees with this assessment and mentions two other factors which can be attributed to CCTs political success, stating:

If the innovative characteristics of CCTs matched many of the concerns of the international agenda on poverty..., the visibility of these programs to the international donors was enhanced by at least two other factors: their scientifically 'proven' results...and the close links of the programs designers with the multilateral financial institutions (Britto, 2005, p.17).

Britto refers to evaluations, built-in to CCT design and implementation, which helped to establish CCTs within the realm of multilateral agency activities. The "close links" of programs designers and with multilateral institutions also played an important role in paving the way for the CCT approach to poverty alleviation. Santiago Levy, creator of PROGRESA (now called Oportunidades), is one example of these links. Levy worked as an economist at the World Bank before serving as finance minister during the Zedillo administration (1994-2000). The "close links" mentioned by Britto are a key to the proliferation of CCTs, which have managed to garner tremendous international support, the kind that was not visible with many of the previous social assistance programs in the region. Achieving this support is arguably one of the greatest successes of CCTs (2005).

Uncharacteristic of most social assistance programs in Latin America, which tend to change along with leadership changes, CCTs exhibit a curious staying power. Due to their political feasibility, CCTs have managed to persist through leadership changes and in some cases, expand under new leadership. In Mexico, PROGRESA was the innovation of the Zedillo administration in 1994. Expanded and renamed Oportunidades under president Fox (2000-2006), this

CCT continues today under the reign of Calderon. Bolsa Escola, started in Brazil in the early 1990's, also boasts over 10 years of existence. Adopted as the flagship of Lula's presidential campaign in 2002, Bolsa Escola became Bolsa Familia consolidating various social assistance programs under one umbrella (De Oliveira, 2006)

What is also striking is that these programs have enjoyed the political backing of both the Right and the Left in Latin America. CCTs were the creation of finance minister Santiago Levy under a conservative administration in Mexico. In Brazil CCTs began with the right-leaning Cardoso administration but were later consolidated with other social programs and significantly expanded under the leftist Worker's Party or Partido dos Trabalhadores (PT) led by Lula (De Oliveira, 2006). CCTs appeal to governments of various political persuasions and they have managed to survive the transition from one administration to the next. Making cash transfers conditional on investment in education proved more politically acceptable than subsidies or transfers alone. CCTs target spending on the poor, but the proportion of spending designated to these programs is consistent with previous trends in social spending.

While funds for CCTs in both Mexico and Brazil have increased, social spending trends have remained the same (Hall, 2006). Government expenditures for pensions far out-weigh funds spent on CCTs and other kinds of social assistance. In both cases redistribution of income was negligible. They illustrate that political consensus over CCTs has proved feasible in part due to the maintenance of the status quo.

Authors agree that while CCTs have garnered more funding, social spending trends have not changed dramatically. In a discussion of social programs in Brazil, Hall agrees that pension spending has not changed dramatically in Latin American countries over the last two decades (2006). In her discussion of the redistributive conflict, Teichman also notes that the Mexican state quickly acquiesced when elites objected to proposed increases to income taxes (2008). The modest funds secured and allocated through CCTs may be, however, the most effective means of redistribution.

More efficient use of public funds, tied to something that is seen to be valuable for the long-term, like education, make for more politically attractive programs. In addition efficiency, conditionality, and unchanging trends in public spending point to the persistence of CCTs in the region and explain their success in gaining and maintaining support from various stakeholders at the country level as well as on an international scale.

3.8 Impact Assessment

In much the same way as conditionality, impact assessment helped to maintain social accountability and thereby secure political support. Reimers, Da Silva, and Trevino agree that using evaluations to inform public decision-making is a significant innovation for social assistance (2006). Impact assessments are useful for identifying and remedying program weakness. Critical analysis plays an important role in stimulating public debate of social policy. Built-in impact assessment is a key selling point of CCTs and a major reason for their political success (Mongiorgi & Bloom, 2006).

The earliest CCTs, in Mexico and Brazil, began as pilot programs that implemented CCTs in particular geographic areas to test their effectiveness. Rigorous evaluations were conducted to assess their impact on health and education outcomes. Governments conducted their own evaluations and many employed independent think tanks to ensure an unbiased assessment. Initial programs, such as Mexico's PROGRESA, were evaluated through randomised experiments. Selected communities were randomly assigned CCTs (treatment) or no CCTs (control) and evaluations were conducted before and after program commencement. Newer programs have tended to employ easier and less costly to implement quasi-random experiments that yield less robust results. Nonetheless, program evaluation has been, and continues to be, an intrinsic part of CCTs.

The first series of evaluations of Mexico's CCT led to an expansion of the program in two ways. Enrolment figures revealed that numbers decreased significantly at the secondary level. To combat the high rate of dropouts between primary and secondary levels, the program extended the age of student eligibility to include secondary school and increased the amount of cash transferred along with age. This first innovation proved successful in attracting more students to stay in school and continue through the secondary grades. The second way the program expanded was in terms of geography. Evaluations concluded that the program feasible and largely successful in the rural areas, areas which were the initial targets of the program. Positive evaluations and a recognition of the issue

of urban poverty led to an expansion of Oportunidades to the rural areas (De Janvry & Sadoulet, 2005).

3.9 Synergies

As mentioned in the introduction of this section, one of the main inefficiencies of previous programs was the multiplicity of overlapping or unrelated goals. CCTs tackle this issue by encouraging synergies between the respective government bodies responsible for education, health and social assistance (security, development, etc.). Coordinating programs and ministries has the potential to decrease bureaucracy and lead to more efficient and streamlined social policy. In line with the Oportunidades program model, the creation of CCTs meant the consolidation of programs involving multiple components such as education, health, and nutrition, under one centralized national administration. Several initiatives in Brazil, including Bolsa Escola, a CCT focused on school attendance; Bolsa Alimentação, a nutrition program; Cartão Alimentação, a nutrition card program, and Vale-gás, a cooking fuel supplement program, were combined into Bolsa Família.

From an economic standpoint, consolidation may reduce administration costs. Although targeting and monitoring soak up a large portion of administrative expenditures, the enhancements to institutional development associated with these mechanisms may be applied to other social assistance programs.

Synergies promote the sharing of information, which not only has potential to cut down on administration but also lends itself to an improved response to

poverty. These kinds of programs tend to be more comprehensive as they deal simultaneously with different dimensions of human capital. Most CCTs focus a combination of factors affecting human capital including health, nutrition, and education.

Focusing on these three factors simultaneously recognizes the complementary relationships that exist between them. Each factor contributes to the effectiveness of the others in a multi-directional way. A child who has regular health checks and improved nutrition is more likely to perform better at school. A child who eats better is less likely to become ill and less likely to miss days at school. An educated child is likely to earn a better income than his or her parents. As parents, these children will be better informed and more financially able to tend to the health, nutritional, and learning needs of their own children.

As illustrated by the above scenarios, maximizing the synergies between health, nutrition, and education is imperative for the effectiveness of each. Fostering these synergies recognizes that the provision of other basic inputs such as adequate nutrition and health, are complementary to investments in human capital (Rawlings, 2005). Approaching poverty in this way suggests a positive shift in social policy towards a more accurate understanding of poverty and ultimately a better response to poverty (Villatoro, 2005; CEPAL, 2005a).

Morley and Coady's book, aptly titled, *From Social Assistance to Social Development* criticizes social assistance for focusing solely on the short-term goal of reducing current poverty (2003). This focus fails to generate a sustained decrease in poverty independent of the transfers themselves. Transfers of this

kind may serve as a safety net but do not contribute to breaking the poverty cycle. CCTs intend to accomplish both short-term and the long-term goals. These authors claim that conditionality is what makes the difference between social assistance and social development (2003). The gains from CCTs intend to be permanent; that is, they aim to contribute to development.

3.10 Conclusion

For reasons detailed in the discussion above, CCTs address some of the shortcomings encountered in past programs and offer several innovations to social assistance. Their multi-dimensional approach and dual objectives of addressing short term and long-term poverty set them apart from past social assistance programs. They have managed to garner tremendous political and financial support. Yet CCTs are not a perfect solution and have their own set of inherent problems and limitations. There may be a gap between the intended improvements and the actual achievements. The following section will elucidate on some of the major criticisms found in current literature.

4 EVALUATING EFFECTIVENESS

4.1 Introduction

The picture described thus far has focused on the contribution of CCTs rather than their limitations. Upon critical examination, though, several shortcomings of CCTs become apparent. For purposes of this discussion, issues raised in the literature will be divided into two categories. One category concerns functional issues- assessing the effectiveness of CCTs to impact social change understood in terms of inequality, exclusion, and poverty reduction. The second category deals with operational issues- the mechanisms of delivery and implementation such as exit strategies, the mechanisms through which beneficiaries graduate out of dependence on CCTs; conditionality; transfer amounts; and transferability,(suitability of CCTs as an appropriate program for varying contexts). Much has been written on the operational issues, but literature assessing the functionality of CCTs to reduce poverty in the long-term is scarce. This is due in part, perhaps, to their relatively recent vintage as a poverty alleviation strategy and to the difficulty in measuring outcomes for human capital development. The following survey will aid in situating the topic of this paper within the scholarly dialogue on the effectiveness of CCTs.

4.2 Inequality and Exclusion

A study by Soares et al. of the Brazilian Institute for Applied Economic Research (IPEA) together with the International Poverty Centre and the Bureau

for Development Policy (part of the United Nations Development Programme) found that income from CCTs in Brazil and Mexico made an important contribution to decreasing inequality in the period of 1996 to 2004. Suggesting that CCTs may be an economically attractive way of reducing inequality, these authors also acknowledge the limits of CCTs to sustain these changes. In order for inequality reduction to be long-term, the biased system, evidenced by imbalances in allocations of social security spending, will need to be addressed (2007; Lindert, Skoufias & Shapiro, 2005).

Experts at the IDB concur that CCTs can play a role in the inclusion of previously excluded groups. Improving the productive capacity of the poor will allow for more places of entry into the labor market and thereby result in increased inclusion (2006). Inclusion and reducing inequality are intimately tied to poverty reduction. Real opportunities must be made available for improving livelihoods and inclusion in sharing more equal social benefits (Londoño, 1996).

4.3 Poverty Reduction

Adato and Hoddinott support CCTs as part of the answer to poverty. However, poverty reduction, say these authors, must involve strategies that go beyond school-age cohorts to include impoverished individuals at other stages of the life cycle (2007). Villatoro concurs with this assessment, agreeing that long-term poverty will be defeated only if a household's income generating capacity is increased. This does not come automatically; rather, it is contingent on the quality of learning and employment opportunities (2005). Silva determines that CCTs can act as a safety net to positively impact poverty reduction in the short-

term but may not change poverty in the long-term (2008). A key to breaking this cycle is exit-door strategies, the pathways leading out simultaneously out of CCTs and poverty.

4.4 “Exit-door” Strategies

Mexico’s Oportunidades program has produced very low percentage of ‘graduations’. Only 0.11 percent, of beneficiaries, about 1 in 1000, have “exited” since the start of the program in 1997 (Soares & Britto, 2007). When it comes to exits, Ferreira warns that complacency must be avoided in order for conditionality to remain credible, for the program to remain only a temporary intervention, and to avoid a culture of dependency. To prevent these outcomes, this author calls for a strict enforcement of exit rules applied to households that fail to meet conditions or no longer qualify for benefits (2003). Dependency, however, is a risk with any kind of social assistance. CCTs, as discussed in the previous section on innovation in social assistance, are thought to have diminished the risk of dependency by including human capital development as a main goal (Cuenca, 2007). The integrity of CCTs rests, therefore, on graduations and adherence to conditionality.

4.5 Conditionality

Das, Do and Özler survey the literature dealing with the conditionality of CCTs and find that CCTs are used for two purposes. The first purpose being to change individuals’ behaviour when it does not match societal preferences and the second being to screen out and induce self-selection so that members of the

targeted group participate and others opt out. A third justification for conditionality, say these authors, is that humans often violate the economist's concept of rationality (2005). These are key considerations for deciding when to use a CCT approach.

De Janvry and Sadoulet assess when to use a CCT as opposed to a cash transfer (CT). Where poor families would not automatically choose to invest in human capital, as might be the case where families may choose to spend cash transfers on something outside the realm of program goals, conditionality may be needed (2006). Here conditionality serves to "protect people from their own irrationalities". The economic lens offered by Das, Do and Özler helps to understand the conditionality debate. Although cash transfers (that is, without conditions) may be more economically efficient, as they do not incur the targeting and monitoring costs associated with CCTs, they may not change behaviour (2005). Deciphering whether or not to employ conditionality is a complicated equation that must take behaviour and economic efficiency into account (2005).

Several authors, including Britto of the Ministry of Social Development of Brazil, suggest that conditionality may serve a purpose beyond economics. Britto questions the behaviour change motivations of conditionality. He suggests that the desired effect of families investing in human capital could be achieved through CTs if CTs were to be combined with significant improvements to the supply-side. Better schools, more relevant curriculum, and greater opportunities for employment may motivate investment in education just as well as a cash

transfer. For this reason, political feasibility, according to this author, may be conditionality's greatest appeal (2005).

4.6 Transfer amount

Transfer amounts need to be sufficient enough to ensure students actually go to school. The preferences and budgetary constraints of families must be understood in full to determine the correct amount of the transfer. Skoufias and Parker's economic model explains this balance and offers a way of determining the minimum transfer needed to produce these incentives (2001). Opportunity costs (the size of the transfer should be enough to offset whatever gains or incomes the households can obtain from other activities), costs involved in sending a child to school, and number of children in a family should also be considered. To motivate participation in the health and nutrition components of CCTs, the transfer includes a cost to compensate for travel time to and waiting time at the health centres (Cuenca, 2007). Determining the appropriate transfer amount will necessitate an assessment of the specific circumstances of each context and in turn, each context will require a different combination of strategies.

4.7 Transferability

Several works mention the transferability of CCTs. CCTs were first implemented in what are considered low-middle income countries such as Mexico and Brazil. Now, however, CCTs are being promoted as a strategy for low-income countries as well. Whether or not CCTs can be effective in poorer countries that have fewer funds available to CCTs, inferior infrastructure and

institutions, and divided political support is debatable (Adato & Hoddinott, 2007).

Farrington, Harvey, and Slater cite government commitment as central to reducing poverty. This is certainly the case for CCTs; governments must secure a long-term availability of funds either from taxation or from donor resources to ensure project success and sustainability (2005a). In a later article with Rebecca Holmes, these authors offer a framework, which includes, in addition to government commitment, technical and infrastructural capacity and other prerequisites for the implementation of CCTs (2007).

Evidence on countries with weaker infrastructure suggests that CCTs may not be suitable or that a significant supply-side component be implemented simultaneously. CCTs in Nicaragua and Honduras, two low-income countries, included investments in infrastructure and a portion of the program budget was set aside for building schools and health centres (Son, 2008). Reflecting on the experience of CCTs in Latin America, Handa and Davis cite some lessons that should be considered for CCTs in low-income contexts. They note fiscal sustainability as a key issue, especially in countries where federal funds are scarce and government support is insecure. In countries where education and health services are weak or insufficient, CCTs may not be the most cost-effective or sustainable solution. Solid institutional and infrastructural capacity is also essential to effective CCT operations (2006)

It is no coincidence that the shining stars of the CCT approach, Mexico and Brazil, are among the higher-income countries in the region. Coady and Parker affirm that the success of CCTs in Mexico is in large part due to adequate

supply-side interventions such as improved schools, curriculum, and teaching (2004). In addition, relatively well-established infrastructure and institutions, the CCT approach seemed an appropriate fit for these contexts. The appropriateness of CCTs in other contexts will have to consider these issues as well as policy alternatives, which may be more effective as a response to the issues facing low-income countries.

4.8 Conclusion

Most of the literature assesses the effectiveness of CCTs in the short-term. The shortcomings of mechanics and implementation are analysed. While some studies allude to problems with CCT design in terms of their potential to break the poverty cycle, most do not delve deeply into this issue. Using this literature as a springboard, this paper will proceed to analyse what part CCTs can play in a strategy for poverty alleviation. While there is evidence that CCTs are an improvement over past practices, knowledge of their overall performance is still in the early stages. It is important then to begin to look at how CCTs fare in terms of achieving the long-term goal of breaking the poverty cycle.

5 A NARROW VIEW OF POVERTY

5.1 Introduction

A weakness of CCT design is its narrow view of poverty. The following arguments will explain how and why CCTs are likely to be deficient in achieving the intended goal of breaking the poverty cycle. First, a look at the intricacies of CCT design, specifically the framework and ideas informing CCTs, will suggest reasons why CCTs are not likely to deliver. Next, the discussion will turn to an investigation of two areas that are imperative in achieving the poverty reduction but are nonetheless neglected by CCTs. Related to this, the factors which to continue to pose obstacles to poverty alleviation, but are not addressed by CCTs, will also be introduced. The section will argue that CCTs do not guarantee quality learning nor does their impact automatically result in improved quality of life.

5.2 Created in a Black Box

The challenge for all policy-making is to develop appropriate responses based on sound understanding of an issue. Problems arise when an issue is viewed as a “black box”, or in other words, primarily in terms of its input and output characteristics. A conception of poverty limited to a “black box”, is oversimplified, incomplete, and removed from reality. A multidimensional issue such as poverty, viewed through this kind of framework, will limit understanding. It follows logically, then, that any response founded on this kind of view, is also likely to have limited impacts.

By employing this partial view, which by definition ignores certain aspects of an issue, CCTs respond to only one part of a multi-faceted problem. Creating a response in this way assumes as well as ignores. As an example, CCTs ignore what happens inside schools as well as what happens in the broader context, within labour markets. CCTs make several incorrect assumptions concerning behaviour, learning, and the nature of the relationship between education and income. CCTs are a clear example of the disconnect that occurs when the response is created in a “black box”.

Reimers, Da Silva, and Trevino’s analysis of the educational value of CCTs lends particular insight for a discussion of problems with the “black box” (2006). Alluding to the disconnect between policy and practice, these authors state: “Much of the thinking in the development community has approached education as a ‘black box’- where inputs and outputs implicit in the programme theory underlying a policy option are known, but the casual pathway in between is not” (p. 72). As a central part of CCTs’ poverty alleviation approach, education is viewed in a similar way to the overall problem of poverty. CCTs view education in a ‘black box’ and rely too heavily on theories, such as Human capital theory (HCT) and not enough on reality. HCT forms the foundation of CCT design, and, it will be argued, explains the narrow view of poverty and education as well as the economic focus of CCTs (Cuenca, 2007).

5.3 Human Capital and CCTs

As elucidated in Sections 2 and 3, HCT introduced a productive element to social assistance. CCTs incorporated investment in human capital as a way of

broadening the impact of social protection (Villatoro, 2005; CEPAL, 2005a). Responding to increasing poverty in the 1990s, international funding institutions began promoting targeted social spending and investment in human capital. Investment in human capital, endorsed as a means to promote growth and competitiveness in globalized markets, continues to be a strategy of choice of international financial institutions (Dion, 2007).

Laroche, Mireille, M. Mérette, and G.C. Ruggeri note that the popularisation of literature dealing with endogenous growth sparked economists' interests in the role of human capital as a determinant of economic growth. In response to criticisms of the neo-classical theory, which understands growth as determined by the macro-economic factors, endogenous growth theory views growth as determined by variables within the domestic economy. Maximizing output per worker through technological and human capital investments were seen to yield the best returns for growth. This represented a shift away from resource-based to knowledge-based economies, making human capital a top priority on development agendas (1999).

5.4 Human Capital Theory

For over twenty years, HCT has influenced the design of social assistance. Academic investigation into the development of this theory has resulted in five related Nobel Prizes since 1970. Schugurensky, of the Ontario Institute for Studies in Education of the University of Toronto (OISE/UT), reviews Theodore W. Schultz (1961) work that popularized the idea of knowledge and skills as a kind of capital. Unlike other kinds of capital, which produced a limited output,

human capital would not lead to diminishing returns. The return on investment would far outweigh the initial investment. Increased opportunities would benefit workers with increased earnings and these benefits would extend to society by contributing to overall economic growth. Two early proponents of HCT, Becker (1964) and Denison (1962), calculated that investment in human capital explained up to 43 percent of national income growth (cited in Sweetland, 1996). The policy implications of this theory called for investment in human capital and in particular investment in the human capital development of those on the periphery of society who lacked these endowments (Schugurensky, 2000). While this rationale makes sense in theory, it does not function this way in reality.

5.5 Assumptions

The rationale for HCT and how it is intended to function, outlined above, leaves many issues dangling. The theory makes assumptions concerning the nature of education, labour markets, and the dynamic between these two. Benson (1978) criticizes HCT methodology pointing out that HCT rests on two faulty assumptions. First, it assumes that education improves the capacity of the worker to be productive. Secondly, it assumes that earned income is a reflection of productivity (cited in Sweetland, 1996). The first assumption takes the quality and relevance of education to be a given and the second overlooks other factors that may be greater determinants of earnings. Tedesco agrees with this assessment eloquently stating:

The differences in dynamism of educational expansion and rigidity in the creation of jobs produces a growing homogenizing phenomenon in labour demand, which, in turn, forces the market

itself to develop differentiating mechanisms relatively independent of the educational variable... [studies of employers] using education as a recruitment criterion show that, even though schooling is requested as background information, it is not processed by the agencies, for supply highly exceeds this demand (Tedesco, 1987, p. 514).

Tedesco reminds the reader that where supply for skills exceeds demand for skills, education may not be as important to securing a job as other “differentiating mechanisms”, including class and ethnicity as well as the availability of jobs themselves. This underlines the reality that social factors influence whether and how education can be translated into a better job, and ultimately a better life.

The World Bank’s poverty reduction strategy reflects some of these same assumptions. Education, it maintains, reduces poverty in three ways: it improves the skills that will earn a better wage, it produces a more skilled labour force that will improve the international competitiveness of a country, and it improves the distribution of income by reducing the large income differentials enjoyed by the better-educated (1997). While education may indeed have a potential to do all of these things, to assume that it will do all of things automatically is to overlook several intermediary connections that are required to increase incomes.

5.6 Problems with HCT

Where the employment climate is receptive to the kinds of human capital being developed, incomes are more likely to increase. Where jobs are not available, the return on investment, especially for workers with lower levels of education, may not be enough to convince individuals to invest in human capital.

Likewise, without a match between the kinds of human capital development and the kinds of knowledge and skills that are in demand, human capital will not deliver (Elias & Fernández, 2000). Schultz's theory makes these assumptions and in doing so fails to acknowledge the social forces at play in a labour market, which prevent some from having equal access to employment, regardless of skills and experience. Ignoring these forces entirely, Schultz instead holds the individual as solely responsible and blames any difficulties encountered in finding an application of human capital on the individual.

Placing the responsibility on the individual distracts from intervening factors. Another author, Bonal, adds that this may be a way for the state to shirk its responsibility of dealing with social constraints (2007). It allows the state to ignore the powers at play in a biased system where constraints based on class, for example, may impede an individual's insertion into a place in the productive economy. In a region such as Latin America where extreme inequality persists, a biased system is liable to influence outcomes.

In "Human Capital Policies: What they Can and Cannot do for Productivity and Poverty Reduction in Latin America", Duryea and Pagés examine this dynamic as well. They find that education's potential for raising labour productivity is limited by underlying conditions, which pose barriers to getting work and escaping poverty. Their figures show that for a large share of workers in Latin American countries, wages, to the extent that they reflect productivity, are very low (2002). This suggests that higher wages be determined by factors outside of individual human capital endowments. In recognizing the factors

influencing employment opportunity, one is lead to doubt the value of education as a priority for employment.

Bonal finds that education's contribution to overcoming poverty is less than encouraging. He argues that the hoped-for relationship between education and poverty is failing, in part, due to an underestimation of the reverse relationship, the effect that poverty has on education (Bonal, 2007). CCTs have begun to address some of the effects poverty has on education, primarily, the economic constraints, but a more dynamic response is still needed. Although critical of HCT, Bonal affirms that hope is not lost. While the link between education and poverty may appear weak, this is certainly not reason enough to abandon efforts in education. This is especially the case in our globalized economy where knowledge is of utmost value. The shortcomings pointed out by Bonal and others, indicate areas that have been overlooked during the design and implementation of CCTs (2007; Handa & Davis, 2006; Soares et al., 2007). Those involved should be motivated by these challenges and moved to look for better ways of maximizing the potential of education.

5.7 A Key Resource

An attractive feature of CCTs is their focus on improving outcomes for the poorest households. According to the Philippine Institute for Development Studies, CCTs are one of the few successful programs to combine social assistance with human development (2007). Children from poorer families typically have low enrolment rates, high dropout rates, low numbers of students progressing to the next grade on schedule, and low graduation (Reimers, 2000).

The 1997 World Development Report by the World Bank, along several other international agencies, views education as playing the leading role in the fight to combat poverty. Indispensable to an overall development strategy, proponents agree that education is “a key resource available to all countries is the human capital potential of its citizens”. Yet, in poor countries, this potential is currently being lost due to both social and economic factors. The higher drop out and repetition rates are attributed to economic constraints: the costs of schooling and the costs of forgone earnings. CCTs address the economic factors but neglect many of the social factors. When constraints to human capital development are seen in these terms, CCTs appear to be an appropriate response.

5.8 Not Educating

Most studies analysing human capital outcomes report minimal increases in education from CCTs. When the kinds of measurements are examined; however, the real value of these impacts is diminished further. Most evaluations use enrolment and attendance figures as measures of educational attainment. Enrolment and attendance, however, are not proxies for educational attainment. A student’s name on school roster or a student’s presence at a desk is not equitable with learning. Despite the reported increased numbers of students attending school, there is little evidence that CCTs are leading to improved results on standardized tests.

Though scant, the available evidence relating to the impact on the academic achievement among CCT beneficiaries indicates that improvements

are small and long-term impacts are, at best inconclusive (Reimers et al., 2006). Reports by UNESCO and Inter-America Bank indicate that illiteracy is actually on the rise in the region (2007; 2006). Studies show that Latin American students consistently score lower than other students on international tests and that student from lower income sectors within these countries remain even farther behind (Reimers, 2000).

A lack of improvement in learning, indicates that CCTs may not be achieving their hoped impact on human capital development. An investigation into how to improve learning is needed to ensure this. Assuming that improvements to quality were made and CCTs were successful in developing human capital, the question still remains as to how human capital will translate into better incomes.

5.9 Educated for What?

Low levels of education are consistently singled out as the main obstacle to higher productivity in Latin America (Duryea & Pagés, 2002). Education without opportunities for application, however, will not lead to higher productivity. For the poor education may be considered an unaffordable luxury when meeting basic needs, for example, is a struggle. Seen in this way, from the perspective of a family in extreme poverty, human capital may only have value in as much as its potential to lead to increased income. The right kind of labour and economic environment is needed to bring investment in education to fruition. Without this connection to the real world, one is left asking “Educated for What?”

Well-known economist William Easterly addresses this question in his book *The Elusive Quest for Growth*. Creating people with high skills in countries where the only profitable activity is lobbying the government for favours is not a formula for success. Higher skills where there is no technology to use them is also not going to result in economic growth (2001). Quoting several studies, which found that growth of education did not correspond with growth in GDP per capita, Easterly attributes this disconnect as a lack of a conducive environment. A mismatch between the supply and demand for skills is an example of where this may be lacking.

The kind of knowledge and skills cultivated by investments in human capital must match knowledge and skills demanded by the marketplace. More than education is needed for economic growth. Easterly echoes this stating, "...administrative targets for enrolment rates and overwrought rhetoric from international commissions do not in themselves create the incentive to grow" (2001, p.84). Countries, which hope to build human capital, must look beyond the education system to the broader economic environment. More than human capital is needed to have tangible affect on breaking of the poverty cycle.

5.10 Conclusion

CCTs do not seem to have an impact on human capital development in the ways in which they were intended. The reasons for this, as outlined at length above, are associated with their design. Based on HCT, CCTs view poverty in a black box. Seen within this framework, poverty is artificially reduced to an equation of inputs and outputs. Building a response on this view of poverty has

resulted in an inadequate response, one that does not address the real problem. CCTs also view educational attainment in an oversimplified way. They concentrate on access; that is, getting more students in desks, but neglect quality. CCTs are increasing numbers but do not appear to be achieving dramatic improvements in educational attainment. If CCTs hope to make a real impact on education in a region where illiteracy is rising, energies will have to be invested to better understanding the constraints to learning.

HCT says that individuals and society derive economic benefits from investments in people. Investments will yield returns only where there is opportunity for growth. Education, without a connection to the broader economic context, is left unproductive. Investments in education do not automatically result in learning. Likewise, learning does not naturally find employment. Reinforcing these connections- the connection between investments in education and learning and the connection between learning and employment- are of paramount importance. This requires, first, the retrieval of poverty from the black box. Second, the hard and expensive work of developing education systems that provide meaningful learning and fostering links from education to the broader economic environment. To do this, the messy social, political and economic realities of poverty must be unveiled. Farrington, Harvey and Slater's comment says it well, "Even if local spending power of the poor is increased substantially through cash transfers, this still leaves them facing markets, bureaucracies and political systems which disadvantage them" (2005, p17).

6 BACK TO THE DRAWING BOARD?

6.1 Introduction

The previous section argued that part of the problem with CCTs breaking the intergenerational poverty cycle lies in their design. Designed in a 'black box', CCTs do not sufficiently address key issues playing a role in determining levels of poverty and their reproduction over time. CCTs respond to some of the economic issues by encouraging investment in human capital. Investments in human capital, it was argued, will not translate into permanently improved lives unless attention is paid to addressing two places of disconnection: the first between investment and learning and the second between learning and employment (or increased income). In order for a connection to be established, the social barriers to learning as well as social barriers to employment must be further investigated. Although CCTs are not designed with this in mind, CCTs can be complemented by other kinds of social intervention which address these disconnects. This section will provide suggestions for establishing the critical connections overlooked by CCTs.

An investigation into these connections is current and worthwhile especially when considering the financial support provided for CCTs. International support for CCTs does not show signs of slowing down and many countries in the region are ramping up their programs with the recent financial support of the big lenders. It may not be a suitable time then, to call CCTs back to the drawing

board. A more productive task for the present is an enquiry into how the impact of CCTs may be maximized. This paper concludes that an integrated strategy involving complementary interventions is an appropriate beginning point for critically examining the long-term impact of CCTs on poverty reduction.

6.2 Combining Economic and Social Objectives

Section 2 described the background of CCTs. The role of social, economic, and political circumstances to influences trends in social policy were emphasized. The three main social and economic strategies mentioned: ISI, SAPs, and CPs did not manage to integrate social and economic goals harmoniously. Economic and social policies were viewed as in competition for public resources and the goals of each seen to conflict with the other. Székely contends that the tension between social policy and economic policy was unnecessary and is best understood, as a façade hiding the real issues of power struggle and resistance to change. Székely affirms that efforts expended in the promotion of one or the other was counterproductive for development as economic and social can be complementary and mutually enhancing. He argues that a development strategy that makes growth-enhancing policies a high priority while pursuing active poverty reduction through a wider set of policies is possible (2001).

While CCTs mark the beginnings of a strategy which seeks to combine economic and social objectives. Complementary interventions will be key to realizing social objectives. Moving towards the achievement of social objectives

will, in turn, complement the economic objectives of growth and poverty alleviation.

6.3 Complementary Interventions

As argued above, CCTs make an important contribution to social assistance but they are not the answer in and of themselves. Complementary economic interventions on the quality or supply-side as well as macro and micro levels are essential for the long-term sustainability of poverty reduction (Farrington et al., 2005). Complementary social interventions that address deeply rooted and reproduced inequalities, both inside the school and within the broader labour market, are also key (Gonzalez, 2000). Before appropriate and effective interventions can be designed, country specifics must be carefully understood. In areas without access to social services, for example, supply-side interventions may be required before the introduction of CCTs. The quality of education available to students determines learning outcomes and thus improvements to schools are vital. CCTs will have only symbolic results; that is, they will not impact human capital development, if these kinds of interventions are not in place (Reimers, Da Silva, & Trevino, 2006).

6.4 Balancing Supply and Demand

Demand-side interventions, like those introduced in CCTs, are not a replacement for supply-side interventions. A combination of supply and demand-side interventions is needed to increase both education coverage and education quality (Heinrich, 2007). Coverage will involve a deeper understanding of the

impediments to access, in particular those originating from social or political issues. Deficiencies in supply-side, such as no schools, over-crowded schools, or poor-quality schools are another important consideration for understanding coverage. Low demand may be a function of poor quality (Das, Do, and Özler, 2005). Enhancing quality will necessitate supply-side inputs, such as textbooks, curriculum, and scheduling, to reflect the realities and needs of students (Petrow & Vegas, 2008). Improved quality will provide parents with more incentives to send their children to school and thereby increase the demand for education. Separating access and quality is artificial- each influences the other.

When demand increases, supply-side interventions must be bolstered to compensate for the greater pressure that increased demand places on school systems. More students attending school will require more classrooms, more teachers, and more materials. Increased attendance, through CCTs, not corresponding to higher learning outcomes suggests the need for quality improvement measures in Latin America. UNICEF-supported assessment of Peru's newly implemented CCT highlights the importance of balancing supply with demand. The assessment concluded that while coverage increased, service quality improvements were not keeping pace of the increased demand and recommends that supply-side also be tackled as a priority in order to guarantee improvements in human capital (2007).

Demand may decrease if beneficiaries do not see the value of education. If the supply-side is not maintained and quality is neglected, then children will be likely to leave school and resume work once programmes have ended,

jeopardizing the sustainability and long-term impact of schooling and the rationale of CCTs (Villatoro; 2005). Schwartzman of the Instituto de Estudos do Trabalho e Sociedade or Institute for Studies on Labour and Society, Brazil, argues that students do not go to school “not because they need to work, but because the school is not accessible, does not function as it should, or they are unable to learn and drop out as they get alienated and reach an age when they already start working” (2005, p. 22). He suggests that in assuming that labour income is the major constraint to attending school, CCTs ignore the importance of supply-side interventions to improve school quality and relevance.

De Janvry and Sadoulet warn that a careful balance needs to be maintained in investing on the supply and the demand sides of social assistance to equalize marginal returns on expenditures. For CCT demand-side interventions to be effective, complementary interventions on the supply-side are required. Along with interventions to improve quality, measures must be taken to address the social barriers, which may be preventing learning, human capital, from translating into employment. Complementary social policy interventions, which improve labour market conditions and investment opportunities, are also necessary to help the poor derive higher autonomous incomes from their human capital (2006).

6.5 Investment to Learning

Education systems have a responsibility to be self-reflective. In order for students to achieve meaningful learning schools must address the discrimination and inequality, often reproduced in the classroom. A teacher, for example, who

discriminates against 'indios' in the class, must be educated as to his or her role in the process of poverty reduction. Education must strive to create an environment for learning which reflects the realities of the poor, promotes appreciation of culture instead of discrimination, and teaches real-life skills (Reimers, 2000; Vegas & Petrow, 2008).

Tedesco asserts that in order to combat discrimination pedagogy paradigms must recognize the existing cultural diversity. He endorses a disclosure of the "hidden curriculum" which reinforces existing social inequalities and a deeper investigation of the conditions conducive to learning (1987). Using context and culture as the basis for developing pedagogy shares many similarities with the popular education movement.

EDUCO, a community-managed education program in rural El Salvador is one example of this approach to schooling. Local organizations involving parents (Asociaciones Comunales para la Educación- ACE) helped to develop new education services in their communities. Power and finances were devolved to ACEs for training and hiring of teachers, supplying of materials, developing curricula, and program monitoring. Through EDUCO, communities took over ownership of education, maximizing the existing community knowledge, skills, and infrastructure. This sped up education expansion and marked a significant improvement in efficiency over traditional strategies. EDUCO decreased teacher absenteeism (increased learning time), increased attendance by rural children and introduced several pedagogical strategies that address the learning needs and life-styles of rural students. Multi-grade classrooms and accelerated

education caters to overage students, allowing students to complete their education sooner. These along with several other innovations incorporate yield the kind of flexibility necessary for students in rural and/or poor contexts. With teachers, students, and communities at the centre of the program, EDUCO demonstrates that education can be provided to poor rural children in a responsive and relevant way, maintaining quality. Based on EDUCO, some Latin American countries are beginning to look at implementing similar programs (Meza, Guzmán, & Varela, 2004). EDUCO may be an example to other Latin American countries that recognize the need to make education policy more dynamic.

Expanding what Bonal calls a “short educational policy menu” is necessary for improving quality of education as well as improving perceptions regarding the usefulness of schooling (2007). His recommendations for a new agenda encourage policies that address the effects of poverty on education. Educational policy, he supports, must seek to reform the status quo by interrupting the reproduction of inequality instead of reproducing it. It should also foster the “educability” of poor students; that is, the material, social, cultural and emotional conditions that are required to facilitate learning (2007). Reimers work analyses the lack of equity in education in the Americas. He outlines “levels of opportunity” to understand the breakdown of conditions which influence opportunity. Each level, as well as the transition from each level to the next, involves a unique set of challenges. The first level, enrolment, involves initial access to school. This requires adequate health, available and accessible school facilities and parental

volition to send children to school. Enrolment rates across the region indicate that this has been largely achieved, with the exception of areas still lacking schools.

The second level goes beyond enrolment to 1st grade. Regular attendance is essential but contingent upon health, readiness to learn (or “educability”), and competent teaching staff. UNESCO’s report on the state of education in Latin America notes poor quality teacher training perpetuates a pattern of discrimination in some schools (2007). Where this is the case, the second level of educational opportunity may still not be achieved. High failure rates, neglect or ignoring by teachers begin to marginalize students according to socio-economic background. For many marginalized students, the first experience with schooling is a negative one (PREAL, 2001). Starting an education in this way runs the risk of ostracizing the student from school and discouragement from further academic pursuits.

The third level, a function of regular attendance at previous levels, involves completing the education cycles. Completing each cycle becomes increasingly challenging as students grow older because as students grow older and become increasingly valuable for work-related activities. Evaluations of Oportunidades in Mexico, for example, found the transition from primary to secondary school a critical juncture. Lured by the appeal and necessity of work, students tended to drop out before secondary school. Informed by on-going evaluations to this effect, Oportunidades began to target older students with increased transfer amounts and as a consequence secondary enrolment increased (Skoufias & Parker, 2001).

The fourth level of opportunity depends on both schools and home: educational attainment is in part a reflection of school quality, in part sociocultural environment, and the interaction of both. To compensate deficiencies in support from these two areas, Reimers suggests that positive discrimination may be needed. Special offerings to poor students such as preschool or programs which prepare students for school, for example, may aid in preparing for greater success in the mainstream system. In order create positive discrimination policies, however, the intricacies of context and its affect on determining educational outcomes must be fully understood.

The fifth level deals with the broader context of life chances. Equal opportunity requires a society that ascribes to meritocratic and democratic rules so that employment is not determined, limited or promoted by ethnicity, class, political loyalty or any other characteristic unrelated to employability. This is where schools can become vehicles for reform. By ensuring that curricular objectives do not reproduce discriminatory attitudes, schools can influence future society by reflecting what a more egalitarian society should look like. In short, schools have the potential to develop, alongside human capital, the social and political capital to affect long-term changes (2000).

Reflecting on these “levels”, Reimers asserts that central problem with education in the Americas is that efforts have been concentrated on the first level of opportunity, enrolment, while the other levels of opportunity have been neglected. He calls this “the paradox of having almost universal enrolment in the first grade while significant differences in educational attainment for different

education groups remain” (p.71). For the schools located in poor areas, this author puts forth three suggestions as a starting point for schools. Schools can look inward by addressing supply issues- ensuring that students have access to secondary schools, scheduling issues- allowing for flexible hours and curriculum progression to accommodate rural realities, and curriculum issues- incorporating indigenous language and cultural knowledge into instruction and material content (2001).

CEPAL and Britto, promote education, but recognize that there is no guarantee that greater enrolment will convert into higher monetary incomes in the long term (2005b; 2005). Other variables such as the returns on education are critical for securing a connection between learning and employment. Duryea and Pagés concur with this stating:

Thus while education can increase the earnings of a person relative to the earnings of someone who does not have an education, educated workers will not be able to productively use their skills if the economic .. environment in which they live and work is not sufficiently “fertile”.

These authors stipulate that investments in the economic environment must be simultaneously pursued alongside educational investments, if the goal is to lift the poor out of poverty (2002).

6.6 Learning to Employment

Education, on its own, does not change the economic environment or the underlying elements in the structure of the economy that are causing poverty. Székely emphasizes the factors “in the system” are generating poverty. He

affirms that human capital can increase labour productivity as long as it is complemented by macro policies that change the employment environment. If a country's macroeconomic model perpetuates inequality, productive investment will be limited, employment will be restricted, and CCTs will end up functioning as mere relief measure- a short-term response to poverty (Holzmann & Jørgensen, 2000; Mazza, 2004).

Székely identifies five elements affecting income generation: assets, rate of use of assets, price paid for productivity, income received independent of income-earning assets (cash transfers, for example), and distribution of income within the household. These can be understood as belonging to two categories: capabilities and opportunities. They can be useful for understanding the barriers or disconnects to employment as well as for broadening the social framework.

Under "capabilities", the author suggests four areas of policy action including: education, health, investment capacity, and housing and infrastructure. "Capabilities" are the powers that individuals possess to obtain resources, those which translate into income earning. Close attention must be paid to how capabilities, such as those developed through education, insert into the labour marketplace. The two countries in Latin America with the longest-running and arguably most successful CCTs, have begun to partially address capabilities as complementary measures to their CCTs.

In recognition of the importance of long-term strategies for long-term change, Mexico's Oportunidades is now offering assistance for other stages of the life cycle. Benefits, once limited to elementary, have been expanded

throughout high school. In addition, “Youth with Opportunities “ (“Jovenes con Oportunidades”), a savings plan that grows with each year of high school completion, is provided to students as a kind of bursary at graduation. The monies are awarded on the condition that they must be put towards investment in higher education, a productive activity (such as small business investment, agricultural technology enhancements), health insurance, housing or continued savings (Adato & Hoddinott, 2007).

Brazil has also recently implemented complementary programs which strive to address the needs of youth after they are no longer eligible for other social assistance. Youth Agent (Agente Jovem) and Youth Action (Ação Jovem) are examples of complementary programs created to foster social inclusion among most disadvantaged youths helping them to return to receive job training, and participate in other community development activities. Youth are provided with the information and the tools for furthering their education and acquiring jobs (Schwartz & Abreu, 2007).

Capability- enhancing programs created by Mexico and Brazil are small-scale and limited to a particular age range. As noted by Handa and Davis, the implementation of these kinds of complementary programs in conjunction with CCTs is still incipient (2006). Much more needs to be done to make the connection from education to employment.

In order for the productive use of “capabilities”, certain “opportunities” must be available. “Opportunities” are interventions that focus on facilitating employment and investment. Employment refers to the conditions, costs, and

incentives in the labour market that affect wages and demand for skills. Creating investment opportunities may require both macro and micro interventions, such as attracting foreign direct investment and broadening access to credit, respectively. Credit may be just the key that enables an individual to capitalize on the economic environment (2001).

Mazza's discussion of labour markets describes the ways in which discrimination continues exclude certain groups from taking advantage of the economic environment. One compelling example noted by this author showed that even after controlling for education and other factors, indigenous women earned 36 percent less than white women (2004, p.22). This author supports government interventions to respond to discrimination from employment citing youth training programs, anti-discrimination laws, gender quotas, and labour protection mechanisms (particularly for those in the growing informal sector) as some examples. She calls for greater transparency in hiring, enforced by government legislation, the creation of labour intermediation systems to link workers to jobs and training, such as centres which match workers to employers, and more comprehensive social insurance systems including, where appropriate, unemployment insurance (2004).

Addressing exclusion from being able to take advantage of available economic opportunities will be the key for creating meaningful opportunities for employment. Central to ensuring the connection between learning and employment, interventions must both enhance capabilities of the poor and foster linkages to the labour market. Responses will need to be small-scale, developing

programs to complement CCTs, as well as large-scale, cultivating an economic environment conducive to employment for the poor.

6.7 An Integrated Strategy

The description of the background of CCTs shows the influence of social, economic, and political factors and their role in shaping social policy. This underlines the importance of examining the context of an issue for informing the design of an appropriate and effective response. As discussed above, CCT design was based on a narrow view of poverty. This created a response that addresses only one part a dynamic problem. In order to devise a response to the complexities of poverty, an integrated strategy will be needed.

Both Reimers (2000) and Székely (2001) stress “opportunity” as central. Creating real opportunities for escaping poverty means designing an integrated strategy for poverty alleviation, one which involves interventions that begin with causes of poverty and end in increased incomes. According to Manuel Rapport, IDB manager for the Southern Cone countries, “The promotion of growth with inclusion requires action in two areas: improving the productive capacity of the poor and promoting their access to job markets with greater opportunities for employment and wealth creation” (IDB, 2006, p.1).

De Janvry and Sadoulet agree that poverty-fighting strategy must be an integrated strategy of social interventions and that CCTs are not stand-alone programs (which they often are) (2005). Social policy must promote efficiency in

the economic system, and improve the productivity the poor by generating capabilities and creating opportunities.

CCTs will complement, and have to be complemented by other interventions. Policy will have to be creative in designing strategies for removing social, market, and administrative discrimination against the poor if the poor are to engage more fully in escaping poverty and contributing to overall growth processes (Farrington, Harvey & Slater; 2005). Reforming social policy means narrowing the gap between policy theory and practice. This begins by recognizing a disconnect, analysing the factors causing it, and reforming or creating new policy which responds to the appropriately. For CCTs to claim their return on investment, disconnects must be addressed. CCTs can only be complements to broader social provisioning, never substitutes.

CCTs, alone, will not calm the storm. Székely eloquently reminds those involved with CCTs that:

Relying on those 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, those types of government interventions will always be swimming against the tide. (Székely; 2001; 11, 27)

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