

The uses and abuses of social programmes: the case of conditional cash transfers

Conditional cash transfer programmes are promoted as best practice in the social sector for fighting poverty. However, autonomy and discretion make them vulnerable to corruption when beneficiaries and programme officers falsify information to receive transfers, or politicians use them to get votes. Consistent programme design aligned with clear criteria for targeting households, effective complaint mechanisms for users, and surveillance by civil society groups can reduce political clientelism.



Social programmes¹ have been increasingly used by developing countries to fight poverty and have attracted growing budgets. However, it has been empirically shown that there is a weak correlation between social spending and outcomes, even if we account for national incomes (World Bank 2008). Many factors have been identified as possible causes of this situation, including market failures, composition of spending, corruption and effectiveness of social service delivery. A body of research on public expenditure in democratic regimes argues that one of the reasons for such underperformance is manipulation by political leaders of the timing and allocation of expenditures with the aim of re-election. Increases in public expenditures have been timed to coincide with elections and expenditures have been directed toward areas in which their political impact was likely to be largest, discriminating against other areas on the basis of political calculus rather than social or poverty-based criteria.

In addition, in many countries public management has been characterised by inefficiency, lack of transparency and discretion, allowing the growth of the phenomenon of political clientelism in the design of social programmes, in the selection of their beneficiaries, and in their general resource allocations.

This brief discusses the political abuse of social programmes and the safeguards that can prevent political clientelism in the management of such programmes. We take a closer look at the case of Conditional Cash Transfers (CCT), focusing on the Peruvian case of JUNTOS, the largest social programme in Peru. JUNTOS provides a monthly cash transfer of around US\$35 to extremely poor families in exchange for complying with conditions, such as attendance in primary school (for 6 to 14 year old children) and/or regular health check-ups (for children from 0 to 5 years old).² JUNTOS is an example of a type of social programme that has been introduced in many

countries during the last decade and it illustrates conditions that favour or prevent political use and abuse of these programmes.

Political clientelism and social programmes

Political clientelism is defined as a relation between a state agent (the patron) and social groups or individuals (the client) with different degrees of bargaining power. The individual in the higher position in a social hierarchy, i.e. the patron, is capable of offering assistance and protection to people or groups situated lower in the hierarchy, i.e. the clients (Kaufman 1975). The patron, for example the ruling political party, uses its coercive power or control over resources to “favour” the client, such as interest groups, in exchange for votes or political support. When such behaviour results in the use of public resources to favour one particular group to the detriment of the overall public good, it is considered a form of corruption, although it may not imply the explicit appropriation of public resources.

Examples of political clientelism have been common in many Latin American and other developing countries, in particular linked to the abuse of social programmes in pre-electoral periods. These examples mostly refer to the launching of new programmes or the inclusion of targeting mechanisms that favour certain areas or beneficiaries with the main intention of increasing political support. An example is the Peruvian Social Fund Program, FONCODES, as shown by Schady (1999). The study shows that the allocation of discretionary funds provided by FONCODES increased significantly before elections. FONCODES projects were also directed at provinces where the political impact of expenditures was likely to be greater.

Preventing political abuse of social programmes

A government must play its supervisory role through the appropriate institutions (comptroller, prosecutor, auditor) after funds are disbursed, but it is also key to exert *ex ante* monitoring to avoid opportunities for abuse of public resources in social programmes. To establish, prove and penalise political clientelism *ex post* is difficult and costly, because the political misplacement of public resources may be easily camouflaged as legitimate public policy, and probing it, even if there is an alert, would require in-depth scrutiny of the program in question.

In that context, a more feasible and effective alternative is to apply preventive surveillance. This preventive surveil-

CCTs:

the 2006 Ecuadorian elections

During the 2006 presidential election campaign, now-President Rafael Correa emphasised the benefits of the country's CCT (the 'Bono de Desarrollo Humano'), in existence since 2003. He promised to double the size of the monthly subsidy if elected. The original recipient list for the programme was based on a 2002 socio-economic survey of 2 million households in the poorest areas. However, the programme did not have any system in place that would allow the inclusion of new beneficiaries or that would provide for exit mechanisms. Therefore, since the initial creation of the beneficiary list, households have joined the programme basically by demand, while very few households have been taken off the programme. This discretionary system allowed the program authorities to focus on the provision of CCT benefits to politically important districts in the wake of the elections as analysed by Winters (2010).

lance consists of establishing and reinforcing *ex ante* the appropriate conditions to minimise the probabilities of an *ex post* political use of the social programme. This can be done by verifying that key social programmes have an adequate design (as discussed below) and are backed by an appropriate institutional infrastructure, which should include effective oversight not only from political actors (such as parliaments) and government institutions (such as the comptroller's office) but also by civil society organisations. In addition, this is an area that donors and international organisations should consider to include in their agendas for support.

Programme implementation

Klitgaard (1988) proposes a simple formula for analysing the degree to which opportunities for corruption exist:

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}$$

Using this framework, corruption and political clientelism will tend to decline if officials have less monopoly power over a good or service along with limited discretion in deciding who gets it. Abuse also is limited where there is accountability and transparency so that others can see what officials are deciding. In this context, the following safeguards should be ensured:

- **A clear, precise and consistent programme design:** This implies clear objectives, activities, justification and the definition of the target population and the mechanisms to target it. If instead there are ambiguous or non-existing targeting mechanisms and objectives, the programme administrators are in a position to establish targeting criteria that, for example, geographically assign the resources in accordance with their political interests. For example, resources might be concentrated in dense urban areas, even if those are not necessarily the neediest ones.
- **Existence of effective complaint mechanisms:** To avoid the abuse of social programmes, it is important that actual and potential beneficiaries (those who are part of the targeted population but for some reason – e.g. lack of information, implementation problems or political motives – do not receive the benefit) have access to an effective and widely disseminated complaint mechanism.
- **Transparency:** It is necessary that all social programmes produce and systematically make public information on their design, objectives, procedures, targeting mechanisms, beneficiaries, budget, acquisitions, and other relevant information to make programme authorities accountable for the use of public

resources. Information should be complete and clearly presented.

- **Strong accountability:** All programmes must include accountability mechanisms and, if government institutions are weak, they should include spaces for civil society participation in the programme monitoring.

Conditional cash transfer programmes

Within social programmes, particular attention should be given to Conditional Cash Transfer Programmes (CCTs). These programmes focus on human capital development, by making receipt of a monetary transfer conditional on children's school attendance and health care checkups. CCTs have grown to dominate the social protection sector in Latin America, and at this point, virtually all countries in the region are either implementing, or considering such a programme. Further, CCTs are increasingly being promoted as best practice in the social sector for developing countries in other parts of the world, based on their relative advantages in fighting poverty and malnutrition as opposed to programmes based on food transfers.

Although the positive long-term impacts on poverty and human development of CCTs vary with the type of conditions required to be fulfilled by households, as well as on implementation differences, significant improvements in the health status, educational levels, and nutritional outcomes for the designated beneficiaries have been shown by several evaluations (Fiszbein and Shady 2008, Handa and Davis 2006, Parker, Berhman and Todd 2005). In addition, CCTs have shown other important benefits in short-term poverty alleviation and reducing inequalities.

In contrast to earlier Latin American social programmes, CCTs and other current social programmes are designed to target the poorest groups and regions. They replace previous universal or broad-based programmes which failed, at least partially, because of widespread inefficiencies of social policies such as lack of a logical framework, clear design and objectives of programmes, poor targeting mechanisms and large administrative costs, among others. New programmes, including CCTs, are characterised by a high degree of autonomy and flexibility, built in to avoid many of the inefficiencies of the public sector in Latin America. However, autonomy and discretion make these programmes particularly vulnerable to corruption and political manipulation.

Manifestations of corruption are possible in all social protection schemes. In contrast to CCTs, most social programmes offer multiple opportunities for abuse of resources through the processes of procurement, storage and distribution of items (for example, food and nutritional complements). However, CCTs present other conditions that may favour wrongdoings and these are related to the process of cash payments and verification of the fulfilment of conditions.

Corruption can come from several sources. One is from beneficiaries who might falsify the required socio-economic information and conceal sources of income or assets. Another source might be the programme officers in charge of monitoring beneficiaries' compliance with the conditions. For example, a programme officer can ask for bribes or favours to overlook the non-fulfilment of conditions. A different type of corruption is politically-inspired. Since these programmes are very popular, politicians are tempted to use them to obtain votes, launching or expanding them in electoral periods or targeting areas that are key in political terms. In the last case, political clientelism implies using a political map instead of a poverty map for targeting.

In addition to concerns about corruption, another major difficulty relates to the financial sustainability of such pro-

grammes. These programmes mostly rely on public financial support. Thus, frequently they are limited in time and linked to the election cycle, for the duration of which they offer substantial political benefits. Because of this, the success and longevity of a CCT programme depends on strong political will of governments and broad political consensus in support of the programme to sustain it beyond the initial period and, possibly, a change of government.

Finally, tension may emerge in the implementation of CCTs because of their double objectives: 1) the long-term objective of breaking the inter-generational transmission of poverty by focusing on the accumulation of human capital; and 2) the short-term objective of alleviating poverty through monthly cash transfers. It has been argued that the focus should be on the first objective, but that the second one is often stressed for political reasons, even jeopardising the possibilities of impact on human capital accumulation, for example through inadequate targeting or through mechanisms that are too loose to verify conditions (Handa and Davis 2006).

The case of JUNTOS: the Peruvian CCT

The Peruvian CCT, JUNTOS, provides valuable insight³ into the issues discussed above. It was launched in 2005, during a pre-electoral period, in Chuschi/Ayacacucho. It has, as most CCTs, the objectives of reducing poverty and contributing to human capital through the change in behaviour of the poor population with conditions imposed with regard to education, health, and nutrition.

A clear, precise and consistent programme design

Although JUNTOS was installed in Peru many years after several neighbouring countries had adopted similar programmes, its implementation was very sudden. It coincided with a pre-electoral year and received substantial political advertising. The team in charge did not have enough time to work on the design and rules regarding the targeting mechanisms and identification of beneficiaries, coordination with supply-side institutions (mainly the health and education sectors), monitoring system, and mechanisms for verification of conditions. Thus, the achievement of the programme objectives was seriously jeopardised from the onset and conditions were conducive to abuse. These problems were highlighted by critics from civil society, political opponents, social policy experts and the media. The government reacted by making some adjustments to introduce safeguards against clientelism.

Safeguards were mainly focused on active participation of different stakeholders both in the direction and supervision of the programme. Thus, JUNTOS was designed to work through a Board with representatives from the four ministries related to the programme (the Ministries of Health, Education, Economy and Finance, and Development and Women's Issues) and five representatives of civil society (the National Workers' Association, the National Entrepreneurs' Association, an Alliance of NGOs, and CARITAS, representing the church). In addition, a Transparency and Supervision Committee was created, chaired by a representative from civil society.

However, because of the political urgency with which the government decided to launch the programme and expand it, there was no time to develop a system to verify whether participants fulfilled conditions for receiving assistance. So the programme could not really be qualified as a conditional cash transfer, but rather just as a cash transfer programme. Five years later, an adequate conditions verification system is still at the design stage.

Clear targeting mechanisms

To be an eligible beneficiary (i.e. receive the cash transfer), the criteria was that the household had to be extremely

poor and include children younger than 14 and/or a pregnant woman. The programme was designed considering two levels of targeting:

1. A geographic one, i.e. districts were selected on the basis of an index based on district poverty level, infant malnutrition and impact of political violence; and
2. An individual targeting mechanism based on a socio-economic local household census to determine the poverty level and to identify eligible households in the selected districts. Once the extremely poor households were identified through the census, the lists should be validated in a local assembly with the participation of local authorities and community representatives.

Although geographic targeting has been objective and closely monitored, the programme suffered from problems regarding the selection of beneficiaries. Because of the proximity of elections, the socio-economic census had to be implemented very fast without an adequate validation of the system, and many families complained of not being visited or not being identified as very poor. There was also some evidence of manipulation to incorporate beneficiaries who were not eligible. For example, some families without children 'borrowed' kids from neighbours in order to qualify for the programme. Although the design included holding local assemblies to correct these mistakes, communities were not properly prepared to play this role, and there are still today many doubts about the effectiveness of the programme's targeting mechanisms.

Effective complaint mechanisms

Until now, JUNTOS does not have a formal complaints mechanism. Therefore, many families that were not reached by the socio-economic census and thus originally not identified as eligible beneficiaries were unable to make an official complaint. Furthermore, an independent recent evaluation (Alcázar 2009) found that some local programme representatives abused their power and demanded payments or gifts from beneficiaries that failed to meet the programme conditionalities in exchange for not registering the infringement.⁴ Although these were just a few cases (about 5% of the beneficiaries interviewed) (Alcázar 2009, 46), these corruption accusations are very serious and call for better monitoring of the programme and an effective complaints mechanism.

Transparency

JUNTOS operates a web page that is regularly updated and includes information such as the programme's institutional structure and regulations, the composition of the executive board, reports, budget information, a database showing the districts selected and the beneficiaries by district. However, there are problems regarding information on household characteristics (from the socio-economic survey) and the programme still does not have an adequate system to verify the fulfilment of conditions (school attendance and/or health check-ups).

A particular critical weakness in terms of corruption risks is the fact that beneficiaries and local communities are not well informed about the eligibility criteria and the conditions to be fulfilled in order to receive the cash transfer. The author (2009) evaluated the programme through a representative sample of beneficiaries of a selected district and found that only around 50% of the beneficiaries of JUNTOS could identify the required conditions for receiving the transfer. Moreover, many of them (around 23%) mentioned conditions not required by the programme, but that presumably were discretionally imposed by the local programme officer (such as vegetable gardens to improve families' diets).

Civil society participation

With regard to the participation of civil society, the JUN-



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TOS programme is a positive example, as civil society plays an active role in surveillance, and even programme implementation, at least at the national level (much less at the regional and local levels). As mentioned before, representatives of NGOs, workers and entrepreneurs' associations, and the church were included in the programme's Executive Board and on a special Transparency and Surveillance Council. These safeguards were introduced as a result of strong media pressure in the pre-electoral period when the programme was introduced. It has contributed to much-needed transparency in the programme implementation and targeting mechanisms. Nonetheless, because of the political pressure to launch and expand the programme, JUNTOS still suffers from serious design and management problems.

Strategy for programme surveillance

To avoid opportunities for political clientelism, corruption, and abuse of public resources, a long-term systematic strategy for the surveillance of social programmes is necessary. This should include the participation of all stakeholders interested, among them political actors, government institutions, and civil society representatives including the media. In countries where international donors are key stakeholders, they should themselves be involved in the different steps of such a strategy – contributing with technical advice and programme oversight. Surveillance strategies should include the following steps:

- **Identification and selection of social programmes to be closely monitored:** Given that human and monetary resources available for monitoring are scarce, it is necessary to focus efforts on key social programmes that are important either because of the size of their budget, or

because they are a component of a major anti-poverty strategy, or they show evident signs of potential political abuse. Some practical recommendations to identify these key programmes include the observation of noteworthy changes in spending patterns that cannot be justified technically, particularly during electoral periods, or programmes that are launched or widely advertised during these periods.

- **Collection of information:** Information must be made available either through public sources or by request to administrators of the programmes. Information requested should be pertinent to the purposes of the surveillance, such as a detailed budget, lists of beneficiaries, principles and mechanisms for targeting and selection of beneficiaries and for the allocation of resources, internal norms and rules, complaint mechanisms, among others.
- **Analysis of conditions for the political use of social programmes and recommendations for safeguards:** If such an analysis shows inconsistencies, reveals scope for discretionary management of resources, lacks transparency, or other evidence of political clientelism, close monitoring should continue, recommendations should be made, and mechanisms to exert pressure should be employed, such as dissemination of findings to the media.
- **Systematisation of the surveillance process and results for future reference and actions:** Finally, adequate documentation is key to assure that mechanisms for action and penalisation are legally available and feasible.

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Notes

1. Social programmes are understood as public policies on social welfare that are associated with poverty reduction and expansion of education and health services to the poorer segments of society.
2. For more information, visit www.juntos.org.pe.
3. This discussion is mainly based on an unpublished study that monitored the use of public resources in social programmes in a pre-electoral period, prepared by GRADE in 2006 for Transparencia Peru.
4. The programme regulations establish that after three consecutive months of non-compliance of the conditionalities the beneficiary's participation in the scheme should be temporarily retired.