

Cash transfers in Latin America

Effects on poverty and redistribution

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Abstract: We present comparative evidence for eight Latin American countries regarding the design and effects of cash transfers (CTs). On the basis of household survey data, we analyze their coverage, importance in household income, and effects on poverty reduction and income redistribution. We present a static microsimulation to analyze the potential impacts of alternative program designs including perfect targeting and higher budgets. Our results illustrate wide variations in terms of design, coverage, and importance in household income. CTs account for a significant portion of household income in lower deciles. Nonetheless, their effects in terms of reductions in the incidence, intensity, and severity of poverty are moderate at best, and although their progressivity is high, their redistributive impact is limited. These results are mainly explained by the meager resources involved. Even under perfect targeting, the budgets allocated would be insufficient to achieve full coverage among households in the lowest part of the income distribution.

Keywords: cash transfers, Latin America, poverty, inequality

JEL classification: I38

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1 Introduction

The provision of non-contributory cash transfers (CTs) is probably the social intervention that has received the most attention from scholars, policy makers, and international organizations since the mid-1990s in Latin America. These transfers were developed as a way to strengthen traditional social protection systems in the region, which were mainly tied to formal participation in the labor market. Even if a framework of social assistance did exist previously in the region, this new generation of transfers differs from more traditional ones in many aspects. CTs mainly consist of the distribution of cash to poor households with children, with payments conditioned on compliance with certain behaviors: school attendance for children, health controls for both children and pregnant women, and (in some cases) participation in nutrition and health training sessions for women, who are most often the recipients of the benefit. The main argument for the establishment of conditionalities (also called co-responsibilities) is their potential effectiveness in disrupting the intergenerational transmission of poverty through their effect on human capital accumulation. Evidence for the effect of conditionalities is still limited and shows mixed results, however; their role remains a debated issue (see Standing, 2007; de Brauw and Hoddinott, 2008; Schady et al., 2008; Baird et al., 2011). As pointed out by Bosch and Manacorda (2012), although conditionalities are almost universal

features of the design of CT programs in the region, some programs are de facto unconditional. The wide variation in terms of design and enforcement has led to a distinction between those programs where conditionalities, including their monitoring and sanctioning, are crucial (known as programs with “hard” conditionalities), and those programs where conditionalities do not play a crucial role and sanctioning is more flexible (“soft” conditionalities) (Cecchini and Martínez, 2011). In their systematic review, Baird et al. (2014) find that both conditional and unconditional cash transfers improve the odds of school enrolment and attendance when compared to non-cash programs. The effects are larger for conditional programs compared to unconditional, but the difference is not statistically significant. But when the type of conditionality is taken into account, programs with hard conditionalities have substantially larger effects on enrolment than those based on soft conditions.

Other distinctive features of CTs are their strict eligibility criteria—most of which are based on proxy means-testing of income—and the implementation of credible impact evaluations, which have contributed to expanding our knowledge about the impacts of these programs.¹ Last but not least, one

¹ The pioneering program was Progres-Oportunidades in Mexico, which was created in 1997 and designed to allow for a randomized impact evaluation on a wide scope of outcome variables.

attractive feature of CTs is their low opportunity cost in terms of alternative public investments, as they involve a relatively low total budget compared with other social policies.

These innovative CTs have generated a profuse literature, particularly focused on their evaluation (for reviews of this literature, see Bouillon and Tejerina, 2006; Fiszbein and Schady, 2009; Gaarder et al., 2010; Cecchini and Martínez, 2011; Saavedra and Garcia, 2012; Manley et al., 2013; Robles et al., 2017; Molina-Millan et al., 2016). In general, there is agreement about their positive impact in terms of improving living standards at the bottom of the distribution and reducing poverty and inequality. Although most evidence on these issues comes from specific country studies, recent comparative analyses have been undertaken. Among the latter, Robles et al. (2017) examine CTs and non-contributory pensions in 16 Latin American countries.

The different CT programs have some common features but also differ in very specific ways. Among their most important aspects, they differ in the way they are related to the institutional and legal framework, in the existence or not of complementary programs, in the links between the transfer program and the rest of the social protection system, in their funding conditions, in their enforcement of conditionalities, in their recertification and exit strategies, and in the existence and type of indexation mechanism of the benefits. At a more basic level, they differ in the amount and structure of transfers and in their coverage. A detailed analysis of these aspects of design and implementation of CTs in the region is provided in Ibararán et al. (2016). Given wide variations, it is not strange that recent research has found

substantial differences in the coverage of poor households and in the leakage to non-poor households (Robles et al., 2017), underscoring the need for more comparative evidence on these programs.

In this paper, we provide evidence of the coverage of CTs in eight Latin American countries, as well as of their importance in household income and their effects on poverty reduction and income redistribution. Our analysis is based on recent household survey data. Besides considering the actual program effects, we develop a static microsimulation exercise to analyze the potential impacts of alternative program designs.

The rest of the article is organized as follows. Section 2 introduces the cash transfer (CT) programs under consideration and reviews existing literature on the impact of CTs on poverty and inequality. Section 3 is devoted to the discussion of methodological issues. Section 4 presents our results related to the coverage and targeting of the programs, and the importance of the transfers on household income. Section 5 discusses their direct effects on poverty and inequality reduction, as well as their effectiveness. Section 6 presents the results of arithmetical microsimulations of alternative designs, and finally some concluding comments are presented in Section 7.

2 Non-contributive CTs to households with children in selected countries

Given the well-documented long-term effects of deprivation during childhood, the idea of giving money to poor households with children to foster human capital investment has gained many adherents, and has even been described as a “quiet” revolution in development thinking (Barrientos and Hulme, 2008). In Latin America, the expansion of these interventions since the mid-1990s implies that today, around 20 percent of the population lives in households covered by these transfers (see ECLAC, 2015). Another relevant change in social protection systems in Latin America during the 2000s was the reform of social pension schemes to provide near-universal coverage through noncontributory pension programs (Rofman et al., 2015; Robles et al., 2017). Both types of cash transfers are different in terms of coverage, budgets, conditionalities, and targeting, but especially in terms of the underlying political economy factors involved. Given these distinctions, in this article we focus solely on cash transfers directed to households with children.

We provide an in-depth analysis of CT programs in eight Latin American countries, considering poverty impacts as well as redistributive effects. We also provide evidence for the potential impact of alternative transfer designs. The countries included in this study were selected in order to guarantee the

correct identification of beneficiary households and the amount of transfer, based on household survey data.²

The importance of these programs in terms of their budget for the years considered in this paper (2011–13) is presented in Table 1. No country among those considered in this paper assigns more than 0.5 percent of gross domestic product (GDP) to these transfers, except for the case of Ecuador, where the figure reaches 1.12 percent of GDP.³

Table 1: Coverage and budget of selected child transfer programs in Latin America

Country	Program	Budget (% GDP)	Year
Bolivia	Bono Juancito Pinto	0.23	2011
Chile	Chile Solidario	0.09	2011
Costa Rica	Avancemos	0.20	2013

² This implies that we only consider countries for which the household survey provides information about whether the household is a beneficiary, and for which information about the amount of the transfer is available or can be imputed without ambiguity. Consequently, Argentina and Brazil, where the beneficiaries had to be identified indirectly through the consideration of perceived amounts of specific non-labor incomes, and Mexico, where participation in the program can be deduced through the receipt of the transfer, were not included in our analysis (see Appendix B).

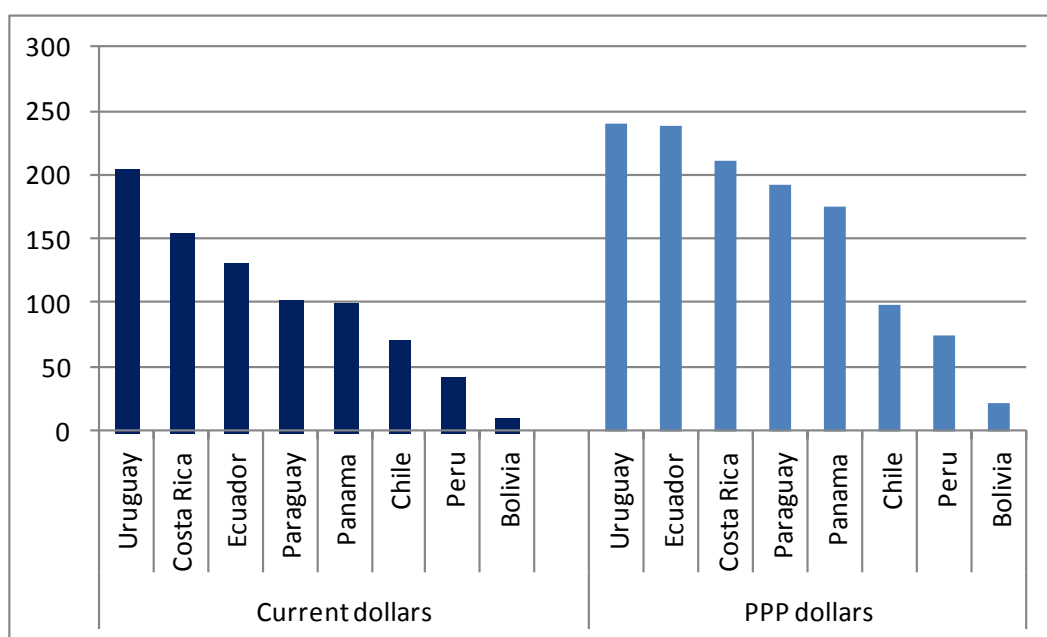
³ The budgets of these programs for the latest available year is presented in Appendix Table A1. The main difference from Table 1 is seen in Ecuador, whose budget dropped significantly as a result of decreased coverage due to the application of stricter targeting rules. In the case of Chile, we consider only the cash transfers received by poor families with children; other related programs and benefits are not included in the figures presented in Table 1.

Ecuador	Bono de Desarrollo Humano	1.12	2013
Panama	Red de Oportunidades	0.13	2013
Paraguay	Tekopora	0.14	2013
Peru	Juntos	0.17	2013
Uruguay	Asignaciones Familiares	0.37	2013

Source: ECLAC (2016).

The amount of the transfer varies significantly across countries. A calculation based on household survey data, counting all people living in a household that receives CTs as beneficiaries, indicates that the annual transfer per person in Uruguay is four times that in Peru and more than ten times that in Bolivia [in purchasing power parity (PPP) USD] (Figure 1). This is a first indication of the heterogeneity of these interventions and of the kind of income security that they may provide.

Figure 1: Annual cash transfer (CTs) per person (c.2013)



Source: Authors' illustration based on household surveys. PPP values are taken from the World Bank.

As stated before, the achievements of CTs in terms of increasing the demand for education and health services has been widely discussed. Various studies also document the direct impact of CTs on poverty and inequality reduction (Soares et al., 2007, 2009; ECLAC, 2010). Evidence from these studies suggests a high degree of cross-country variation, although comparative studies that consider different countries are scarce. A recent paper by Stampini and Tornarolli (2012) studies the ability of conditional CTs (CCTs) to reach the poor in Latin American countries by providing standardized measures of poverty, coverage, and leakage for 13 countries. To identify poor households, they use an international poverty line set at USD 2.5 per capita per day for extreme poverty and USD 4 per capita per day for poverty. They

find that the poverty headcount index would be on average 13 percent higher (with variations ranging from 1 percent in Paraguay to 59 percent in Uruguay) if CCTs did not exist. They report a greater impact in terms of the poverty gap and squared poverty gap. They also find that, over the decade, the implementation of CCTs in the region has been characterized by growing levels of leakage.

3 Methodological aspects

The analysis presented in this article is based on household surveys for eight Latin American countries. Data correspond to circa 2013; details on the programs considered and identification procedures are presented in Appendix Table A2. We consider countries whose household survey directly asks interviewed households whether they are beneficiaries of the programs, and do not include countries where identification of beneficiaries is possible only through indirect questions. This is the case, for example, for Argentina and Brazil, where beneficiaries can be indirectly identified through the value of specific components of non-labor income (see Gasparini and Cruces, 2010), or Mexico, where the survey asks whether the household receives a transfer from the government social assistance program Oportunidades (but not whether it is a beneficiary). The decision not to include these countries was made in order to avoid any strategy that may lead to identification

errors. Additionally, we do not include Colombia in our analysis as the latest available information on CT programs dates from 2008.⁴

We provide indicators of the incidence of poverty, the poverty gap, and the squared poverty gap, with and without transfers, based on reported household income. We also report inequality indexes and analyze redistributive impacts. When the value of benefits is reported in the survey, we use this information for this exercise. Otherwise, we use official information on the value of transfers.

Poverty is identified using ECLAC's poverty and indigence lines. These poverty lines, expressed in national currency, reflect a calculation of the cost of a basket of basic goods and services, using the cost of basic needs method. The cost of a basic food basket that covers a person's nutritional needs was estimated for each country and geographical area, taking into account consumption habits, the actual availability of foodstuffs, and their relative prices, as well as the price differences between metropolitan areas, other urban areas, and rural areas at the moment data were collected. These data are used to define the indigence line. The poverty line is defined by adding to

⁴ The size of transfers from the surveys is validated when compared to the overall transfer budgets (taken from ECLAC's Non-contributory social protection programmes in Latin America and the Caribbean Database, <https://dds.cepal.org/bpsnc/index-en.php>). The coverage from the surveys varies from 73 percent of total budget in the case of Uruguay to 95 percent in the cases of Chile and Bolivia.

the indigence line an estimate of the resources needed by a household to satisfy its basic non-nutritional needs. This estimated amount is the result of multiplying the indigence line by a constant factor of 2 for urban areas and 1.75 for rural areas. These data on the structure of household consumption of foodstuffs and other goods and services come from national expenditure surveys. The value of poverty and indigence lines is updated using cumulative variations in the consumer price index (see ECLAC, 2013: 54).⁵ Additionally, poverty is also estimated using World Bank's poverty line of USD 3.10 at 2011 PPP conversion factor. As expected, results differ significantly in absolute levels, as poverty estimates are lower when measured with this lower threshold, but the main findings remain. Statistical results are presented in Appendix A.⁶

⁵ The same variation was applied to poverty and indigence lines until December 2006. From then on, the indigence line has been adjusted to reflect changes in the prices of food, whereas non-food spending is adjusted to reflect changes in that component of the consumer price index.

⁶ When poverty is calculated using ECLAC thresholds, household income is corrected to account for lack of response (wage earners, self-employed, and retirees) and for probable biases from underreporting (ECLAC, 2010). This is needed in order to keep consistency with ECLAC poverty lines. To calculate distributional impacts or poverty using World Bank thresholds, income vectors are only corrected to account for lack of response (and not for potential underreporting).

We also provide evidence from microsimulation exercises that consider alternative program designs. We consider three different scenarios. In the first, we assume perfect targeting of the actual budgets of CT programs. In the second scenario, program budgets are doubled, and resources are targeted toward actual beneficiaries. In the third scenario, program budgets are doubled, but resources are targeted toward poorer households.

Our simple arithmetical microsimulations may overestimate the impacts of transfers on poverty and inequality, as they assume that household behavior in terms of labor force participation would not change if the transfer did not exist. Although this is a strong assumption, the available evidence does not detect, in general terms, unintended effects of CT programs on labor supply at the extensive margin, although reductions in hours of work or substitution away from formal and toward informal employment were detected in some cases (for a survey, see Bosch and Manacorda, 2012).⁷

4 Beneficiaries of CTs and importance of transfer

With the expansion of CTs in the region, a significant percentage of the population is now covered by these programs, although there are important differences by countries. According to household survey data, in Bolivia, half

⁷ Some specific studies of Latin American experiences include Parker and Skoufias (2000), Galasso (2006), and Maluccio (2007), Skoufias and di Maro (2008), and Alzúa et al. (2010).

of the population lives in households that receive CTs, whereas in Chile and Paraguay coverage is less than 4 percent of the population (Table 2). In all cases, the percentage of beneficiaries decreases with income, with high levels of variation in terms of coverage for poorer households. Bolivia, Ecuador, and Uruguay (the countries with the highest coverage in our sample) exhibit a higher inclusion of poorer individuals, whereas in Chile, Costa Rica, and Paraguay there is significant under-coverage among households in the first decile. In the cases of Chile and Paraguay, this under-coverage seems to be the result of the small size of the programs.

Table 2: Coverage of CT programs (as % of total population) (c.2013).

	Bolivia	Chile	Costa Rica	Ecuador	Panama	Paraguay	Peru	Uruguay
D1	75.7	8.1	17.6	54.6	43.8	13.6	41.1	77.0
D2	63.6	5.6	23.1	52.1	25.5	7.2	26.7	59.3
D3	63.1	4.7	17.1	41.2	12.5	6.4	16.5	40.8
D4	64.1	3.3	13.7	31.7	7.4	4.0	9.3	23.3
D5	58.3	2.8	12.5	29.6	3.9	2.7	5.4	12.7
D6	51.4	2.6	11.1	21.5	3.8	3.0	2.1	7.9
D7	46.4	2.0	5.2	14.7	0.5	0.6	1.3	3.7
D8	38.9	1.2	1.6	9.4	1.0	0.5	0.8	1.6
D9	31.6	1.4	1.0	3.0	0.4	0.0	0.2	0.6
D10	19.9	0.8	0.4	0.9	0.0	0.1	0.0	0.2
Total	51.3	3.3	10.3	26.0	9.9	3.8	10.3	22.7

Source: Authors' compilation based on household surveys.

As expected, higher coverage implies higher leakage. Whereas the first decile contains a significant proportion of total beneficiaries in Panama, Peru,

Paraguay, and Uruguay, in Bolivia and Chile, the five upper deciles (from 6 to 10) contain 37 percent and 25 percent of total beneficiaries, respectively (Table 3).

Table 3: Distribution of beneficiaries by income decile (c.2013)

	Bolivia	Chile	Costa Rica	Ecuador	Panama	Paraguay	Peru	Uruguay
D1	14.8	24.8	17.0	23.3	44.3	35.7	39.7	33.9
D2	12.4	17.2	22.3	18.0	25.8	18.8	25.8	26.1
D3	12.3	14.4	16.6	16.3	12.6	16.7	16.0	18.0
D4	12.5	10.2	13.2	12.0	7.5	10.5	9.0	10.3
D5	11.4	8.6	12.2	11.2	3.9	7.2	5.2	5.6
D6	10.0	8.0	10.7	8.3	3.8	7.9	2.1	3.5
D7	9.0	6.2	5.1	5.9	0.5	1.6	1.3	1.6
D8	7.6	3.8	1.6	3.5	1.1	1.4	0.7	0.7
D9	6.1	4.4	0.9	1.1	0.4	0.0	0.2	0.3
D10	3.9	2.4	0.4	0.4	0.0	0.2	0.0	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors' compilation based on household surveys.

CTs constitute an important source of income among households in the lower deciles, although their importance is variable by country (Table 4). Transfers represent a higher proportion of total household income in Ecuador and Panama and a lesser proportion in Paraguay and Costa Rica (see Table 4 and Appendix Figure A1). If we restrict the analysis to the first decile, around one-third of total household income is explained by these CTs in Costa Rica, Ecuador, and Panama. Similar information related to the importance of transfers is obtained when we compare the amount of the transfer in per

capita terms with the poverty and indigence lines (see Appendix Figures A2 and A3). In most countries, receipt of CTs implies a significant improvement in terms of available resources for households in the bottom of the income distribution, especially in the first and—depending on the country—second deciles. Nevertheless, in Bolivia, Chile, and Peru, their importance is lower than 10 percent.

Table 4: Amount of transfer as a percentage of household income of beneficiary households

	Bolivia	Chile	Costa Rica	Ecuador	Panama	Paraguay	Peru	Uruguay
D1	7.8	8.1	29.7	33.6	34.9	21.7	9.7	11.0
D2	2.4	3.4	11.1	19.4	15.3	12.5	5.7	6.0
D3	1.5	2.9	8.2	15.8	9.5	9.5	3.9	4.6
D4	1.1	2.5	7.2	12.6	6.5	8.8	3.2	3.8
D5	0.8	2.1	5.4	10.4	5.3	6.3	2.6	3.2
D6	0.6	2.0	4.8	9.5	2.9	3.8	2.1	2.6
D7	0.5	1.7	3.3	7.1	3.7	5.2	1.9	2.2
D8	0.4	1.4	3.0	5.7	1.2	5.7	1.4	2.0
D9	0.3	0.9	1.7	3.8	2.6	=-	0.9	1.7
D10	0.2	0.6	0.8	2.8	0.6	2.9	0.1	0.8
Total	1.9	3.6	11.0	17.5	20.9	13.2	6.3	6.6

Source: Authors' compilation based on household surveys.

5 Impacts of CTs on poverty and inequality

By providing a new source of income to households, these CTs can help to reduce poverty and inequality. Regarding the effects on poverty, Table 5 shows the three poverty indicators based on the Foster–Greer–Thorbecke

(FGT) indices (i.e., incidence “FGT 0,” poverty gap “FGT 1,” and squared poverty gap “FGT 2”) obtained from the original income reported by households and computed assuming that CTs did not exist. The measure of poverty is calculated based on ECLAC’s poverty lines.

Table 5: Direct effect of cash transfers (CTs) on poverty (% population) (c.2013)

	FGT 0 (with CCTs)	FGT 0 (without CCTs)	FGT 1 (with CCTs)	FGT 1 (without CCTs)	FGT 2 (with CCTs)	FGT 2 (without CCTs)
Bolivia	36.0	36.2	15.2	15.5	9.1	9.3
Chile	7.8	7.8	2.5	2.5	1.3	1.3
Costa Rica	17.7	18.3	6.9	7.2	4.0	4.3
Ecuador	33.6	36.0	11.7	13.6	5.7	7.3
Panama	22.8	23.2	9.9	10.5	5.9	6.6
Paraguay	40.5	40.7	16.5	16.7	9.2	9.4
Peru	24.0	24.3	8.2	8.4	3.9	4.1
Uruguay	5.6	6.6	1.5	1.9	0.6	0.8

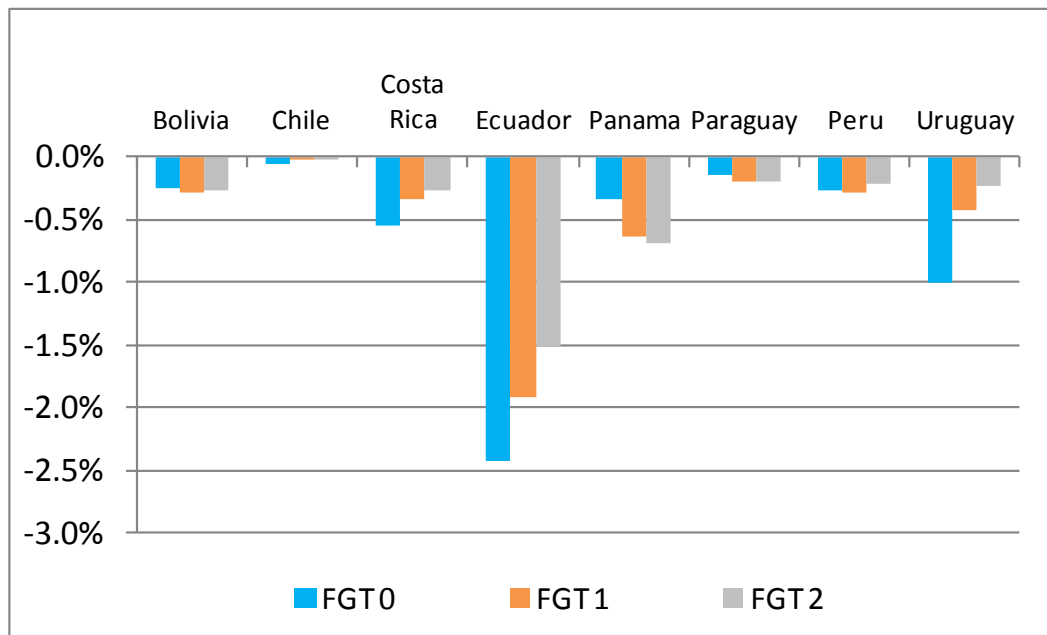
Source: Authors’ compilation based on household surveys.

In absolute terms, the change in poverty indicators due to CTs is limited in all countries, with the exception of Ecuador (Table 5), which exhibits the highest decrease in the incidence of poverty as a consequence of transfers (2.4 points), followed by Uruguay (1 point). Although the absolute changes in poverty indicators are moderate (lower than 1 point in all countries except Ecuador and Uruguay), the change in percentages is higher, as small absolute changes in countries with low poverty (such as Uruguay) imply high relative reductions in poverty (see Figure 2). Consequently, we can say that CTs result

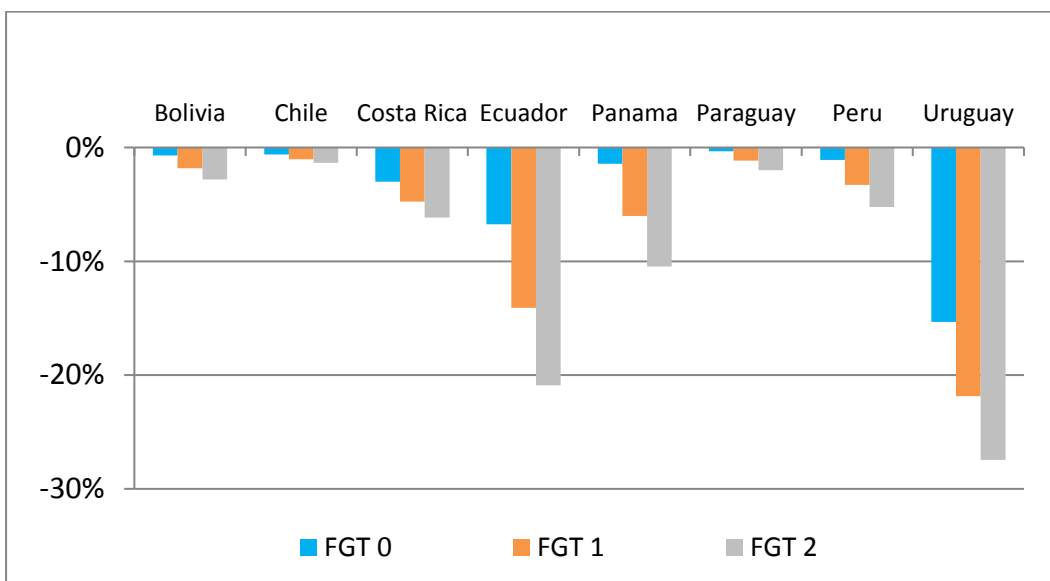
in a 15 percent reduction of poverty in Uruguay, 7 percent in Ecuador, and 3 percent in Costa Rica. Also, percentage changes in poverty intensity and severity tend to be higher than changes in incidence. The general picture is that reductions in incidence, intensity, and severity of poverty are moderate in absolute terms, with important variations between countries and greater achievements in Ecuador and Uruguay. When poverty is calculated using the World Bank poverty line of USD 3.10, the incidence is lower in all countries, and the effects of CTs are smaller (see Appendix Table A3 and Appendix Figure A3). Nevertheless, the ordering of countries in terms of the importance of effects is similar.

Figure 2: Absolute (a) and relative (b) change in poverty indicators induced by CTs

(a)



(b)



Source: Authors' illustration based on household surveys.

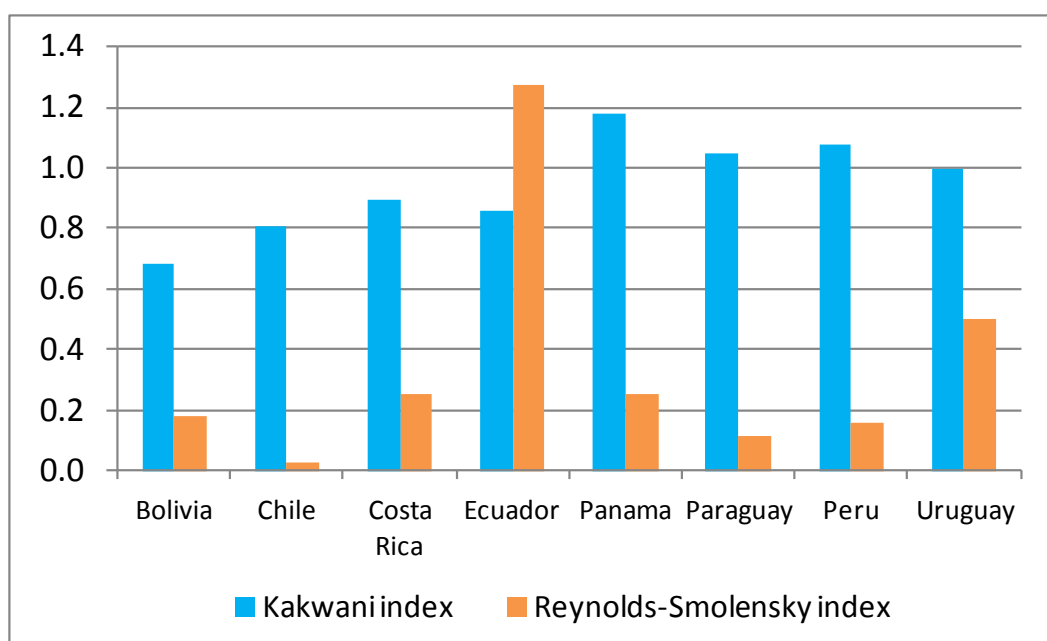
In order to study the impact of CTs on inequality, we computed indicators of progressivity and redistributive impact. A transfer is considered progressive if

its amount decreases with increases in household income. A typical way to measure progressivity is to use the Kakwani index:⁸ a positive value of the index indicates progressivity, and larger values indicate greater progressivity. In order to measure the redistributive impact of a transfer, it is common to use the Reynolds–Smolensky index, which corresponds to the difference in the Gini index before and after the transfer. The total redistributive effect of a transfer depends positively on its progressivity and its mean value, whereas it depends negatively on the potential reordering of households due to the transfer. This implies that transfers may be highly progressive, as in Panama, Paraguay, Peru, and Uruguay, and still have a low redistributive impact. Indeed, in these cases, the variation between the Gini index before and after the transfers is lower than half a percentage point, even when the transfers are highly progressive. This is mainly explained by the low value of average benefits; that is, the relatively low level of the resources involved. Ecuador’s CT program exhibits the highest redistributive impact; it also involves the highest level of resources (Figure 3). So even if programs are very well targeted and exhibit high progressivity, their impacts in terms of

⁸ The Kakwani index is defined as double the area between the concentration curve corresponding to the transfer and the Lorenz curve corresponding to the initial income distribution. In the case of transfers, we compute it as the difference between the Gini index corresponding to the initial income minus the concentration index corresponding to the benefits induced by the transfer (see Gasparini et al., 2013).

redistribution depend on the share of total household income that they represent. It is interesting to note that a similar exercise carried out for Brazil and Mexico, the “stars” among these kind of interventions, found that similar CTs in these countries were able to reduce the Gini inequality by around 2.7 points (Soares et al., 2007).

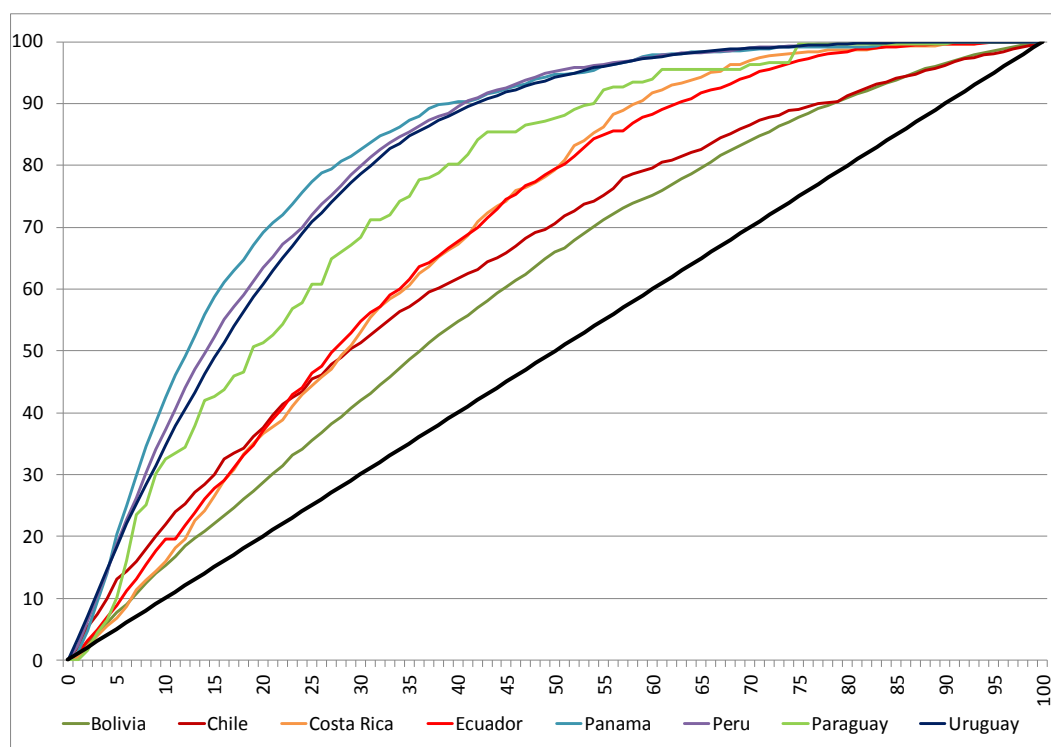
Figure 3: Progressivity and redistributive impact of non-contributory CTs



Source: Authors' illustration based on household surveys.

The progressivity of transfers can also be illustrated through concentration curves, which show results similar to those obtained using the Kakwani index (Figure 4). All programs help to reduce inequality: Panama, Uruguay, and Peru are the most progressive programs (the concentration curves are more distant from the 45° line); Paraguay, Ecuador, and Costa Rica are in an intermediate range; and Chile and Bolivia are the least progressive.

Figure 4: Concentration curves of CTs

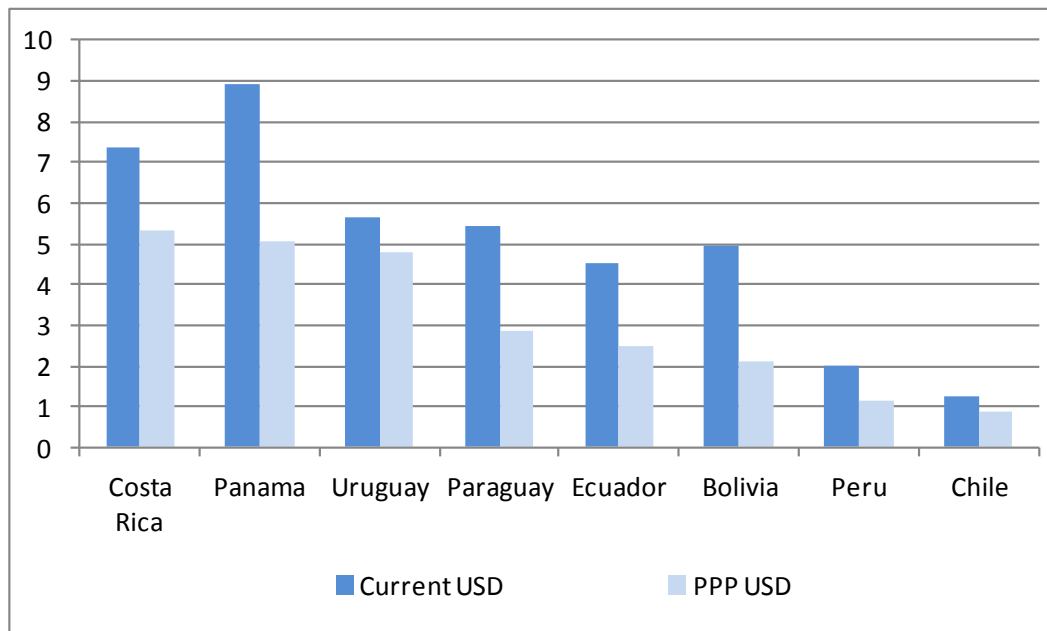


Source: Authors' illustration based on household surveys.

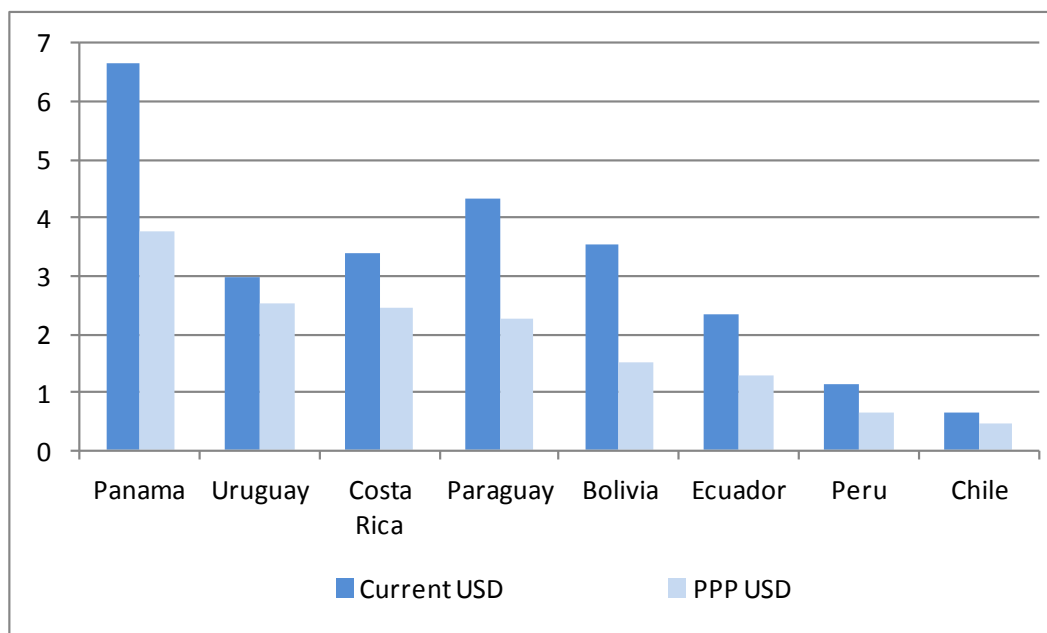
We compared the efficiency of CT programs in different countries in terms of their capacity for reducing poverty and inequality per dollar invested. Figures 5a and 5b show the achievements in points of reduction of poverty incidence and inequality, respectively, per 1,000 million dollars invested (current and PPP). The ordering of countries is similar in terms of their effectiveness in reducing both poverty and inequality (current and PPP dollars). Panama, Costa Rica and Uruguay are the best performers, whereas Peru and Chile present lower indicators in both cases.

Figure 5: Reduction in poverty (a) and inequality (b) by dollar invested

(a)



(b)



Source: Authors' illustration based on household surveys and ECLAC (2016).

6 Alternative designs of CTs: effects on poverty and inequality

The effects of transfers on poverty and inequality are a result of the targeting of their implementation and the amount of the transfers, as discussed previously. To disentangle the potential role of these two channels, we develop static microsimulations and consider the impact of three alternative program designs, as follows: in scenario 1, the program budget is unchanged, but the program is perfectly targeted toward poorer households with children. In scenario 2, the program budget is doubled, but beneficiaries remain the same. Finally, scenario 3 presents a combination of scenarios 1 and 2. In this section, we present the results obtained from these three alternative designs, comparing them with the situation derived from the present design.

Some clarifications about our scenarios should be made. On the one hand, the scenario of perfect targeting is a hypothetical one. Even when the use of modern tools has improved targeting mechanisms, these mechanisms are not perfect. Statistical errors persist, as traditional proxy means tests are able to explain only a limited percentage of the variability associated with household welfare, as argued by Ibararán et al. (2017). On the other hand, scenarios assuming a doubling of the budget, although extreme, are not impossible, given both the limited amount of resources involved today, and the coexistence of cash transfers with duplications in social assistance programs

and generalized subsidies, which may create fiscal space for social protection. A first analysis consists of looking at the distribution of beneficiaries under different scenarios. It must be stressed that this distribution does not change with respect to the original program under scenario 2 (only the budget is doubled), but it does change with respect to the original in scenarios 1 and 3, which assume perfect targeting. In these cases, the distribution of beneficiaries coincides, but the scenarios imply different budgets. Under perfect targeting of cash programs (scenarios 1 and 3), transfers are provided to the poorest households with children. Moreover, transfers are provided in an ordered manner, starting at the households from the lowest percentiles with the greater number of children, until each country's budget runs out. By construction, the excluded households among the poorest correspond to those where there are no children. The result is that no household belonging to the two upper deciles receives the CT in any country (Table 6). Moreover, only in Bolivia, Ecuador, and Uruguay are transfers given to households outside of the first two deciles. It is worth noting that countries such as Chile and Paraguay end up allocating their entire budget solely to households in the first decile.

Table 6: Distribution of beneficiaries by income decile under different scenarios

		D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	Total
Bolivia	Original and scenario 2	15	12	12	12	11	10	9	8	6	4	100
	Scenarios 1 and 3	16	15	14	15	14	12	13	1	0	0	100

Chile	Original and scenario 2	25	17	14	10	9	8	6	4	4	2	100
	Scenarios 1 and 3	100	0	0	0	0	0	0	0	0	0	100
Costa Rica	Original and scenario 2	17	22	17	13	12	11	5	2	1	0	100
	Scenarios 1 and 3	72	28	0	0	0	0	0	0	0	0	100
Ecuador	Original and scenario 2	23	18	16	12	11	8	6	3	1	0	100
	Scenarios 1 and 3	31	25	26	18	0	0	0	0	0	0	100
Panama	Original and scenario 2	44	26	13	7	4	4	1	1	0	0	100
	Scenarios 1 and 3	93	7	0	0	0	0	0	0	0	0	100
Peru	Original and scenario 2	40	26	16	9	5	2	1	1	0	0	100
	Scenarios 1 and 3	78	22	0	0	0	0	0	0	0	0	100
Paraguay	Original and scenario 2	36	19	17	10	7	8	2	1	0	0	100
	Scenarios 1 and 3	100	0	0	0	0	0	0	0	0	0	100
Uruguay	Original and scenario 2	34	26	18	10	6	3	2	1	0	0	100
	Scenarios 1 and 3	42	40	18	0	0	0	0	0	0	0	100

Source: Authors' compilation based on household surveys.

Significant increases in coverage in the first decile occur under perfect targeting (scenarios 1 and 3), especially in Costa Rica, Ecuador, Panama, and Peru (Table 7). However, under these scenarios, coverage in Chile and Paraguay does not reach 50 percent of the population in the first deciles, showing that even if the transfers were totally efficiently assigned, the budgets allocated to transfer programs in these countries would be insufficient to achieve universal coverage in the lowest part of the income distribution.

Table 7: Coverage of CT programs by income decile under different scenarios

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	Total
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Bolivia	Original and scenario 2	76	64	63	64	58	51	46	39	32	20	51
	Scenarios 1 and 3	79	70	69	71	67	60	61	6	0	0	48
Chile	Original and scenario 2	8	6	5	3	3	3	2	1	1	1	3
	Scenarios 1 and 3	30	0	0	0	0	0	0	0	0	0	3
Costa Rica	Original and scenario 2	18	23	17	14	13	11	5	2	1	0	10
	Scenarios 1 and 3	66	26	0	0	0	0	0	0	0	0	9
Ecuador	Original and scenario 2	55	52	41	32	30	22	15	9	3	1	26
	Scenarios 1 and 3	84	85	77	54	0	0	0	0	0	0	30
Panama	Original and scenario 2	44	25	12	7	4	4	1	1	0	0	10
	Scenarios 1 and 3	93	6	0	0	0	0	0	0	0	0	10
Peru	Original and scenario 2	41	27	17	9	5	2	1	1	0	0	10
	Scenarios 1 and 3	85	24	0	0	0	0	0	0	0	0	11
Paraguay	Original and scenario 2	14	7	6	4	3	3	1	1	0	0	4
	Scenarios 1 and 3	38	0	0	0	0	0	0	0	0	0	4
Uruguay	Original and scenario 2	77	59	41	23	13	8	4	2	1	0	23
	Scenarios 1 and 3	92	87	39	0	0	0	0	0	0	0	22

Source: Authors' compilation based on household surveys.

The alternative program designs imply, in general terms, very modest poverty reduction effects among the total population compared with the actual designs, with the exception of Ecuador. In fact, gains in terms of poverty reduction due to efficient targeting are around half a point in Costa Rica and Ecuador in scenario 1 (Table 8). When the budget is doubled and perfect targeting is achieved (scenario 3), three countries are able to decrease their poverty incidence by more than 1 point (absolute change) compared with the actual design of the programs (Costa Rica, Ecuador, and Uruguay). Even in this optimistic scenario, the amounts involved are not enough to pull the

whole population out of poverty. Higher gains are made under alternative designs in alleviating the intensity of poverty (FGT 1): again Ecuador and Costa Rica, and now also Panama (under scenario 3) get the major improvements. A similar result is obtained for the severity of poverty (FGT 2). Results regarding extreme poverty are presented in Appendix Table A4.

Table 8: Poverty incidence and changes under different scenarios measured by ECLAC thresholds

	Poverty incidence					Change (with respect to original program)		
	Without transfer	Original program	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
	FGT 0							
Bolivia	36.2	36.0	36.0	35.4	35.7	0.0	-0.6	-0.3
Chile	7.8	7.8	7.7	7.6	7.6	-0.1	-0.2	-0.2
Costa Rica	18.3	17.7	17.2	16.8	16.3	-0.5	-0.9	-1.4
Ecuador	36.0	33.6	33.1	30.0	26.1	-0.5	-3.5	-7.5
Panama	23.2	22.8	23.2	22.5	23.2	0.3	-0.4	0.3
Peru	24.3	24.0	24.1	23.3	23.4	0.1	-0.7	-0.6
Paraguay	40.7	40.5	40.6	40.0	40.6	0.0	-0.5	0.0
Uruguay	6.6	5.6	5.3	4.7	4.3	-0.2	-0.9	-1.3
FGT 1								
Bolivia	15.5	15.2	14.9	14.8	14.3	-0.3	-0.4	-0.9
Chile	2.5	2.5	2.3	2.3	2.1	-0.2	-0.2	-0.4
Costa Rica	7.2	6.9	6.0	6.2	5.2	-0.9	-0.7	-1.7
Ecuador	13.6	11.7	8.9	9.5	5.9	-2.8	-2.2	-5.8
Panama	10.5	9.9	9.6	9.3	8.8	-0.2	-0.6	-1.1
Peru	8.4	8.2	8.0	7.6	7.3	-0.1	-0.6	-0.9

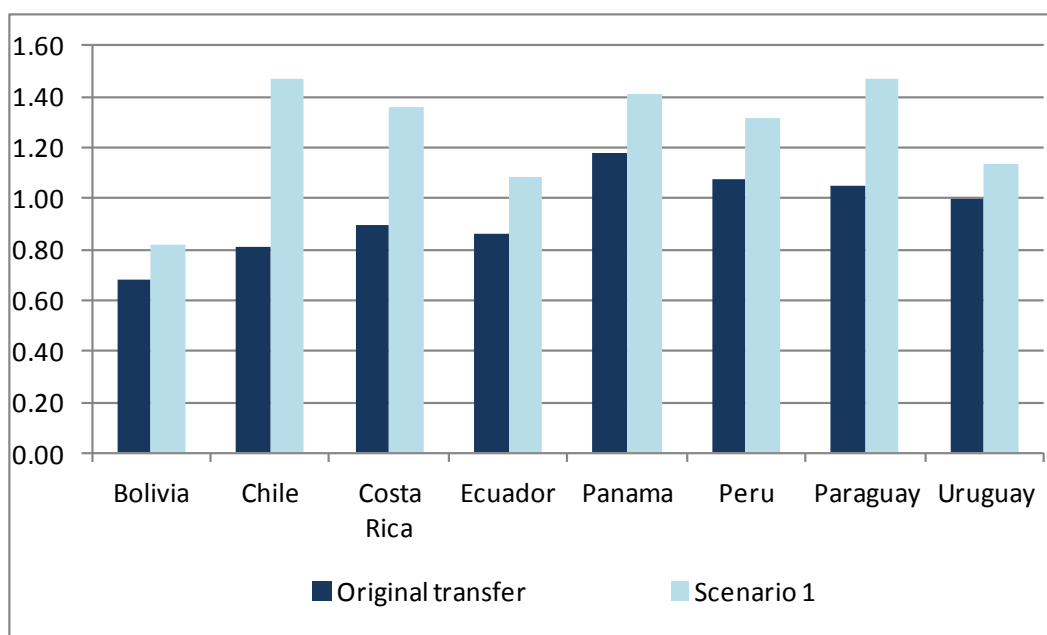
Paraguay	16.7	16.5	16.3	15.9	16.0	-0.3	-0.6	-0.6
Uruguay	1.9	1.5	1.4	1.2	1.0	-0.1	-0.3	-0.5
FGT 2								
Bolivia	9.3	9.1	8.7	8.7	8.2	-0.4	-0.4	-0.9
Chile	1.3	1.3	1.1	1.1	0.9	-0.2	-0.2	-0.4
Costa Rica	4.3	4.0	3.2	3.4	2.6	-0.8	-0.6	-1.4
Ecuador	7.3	5.7	3.4	4.3	2.1	-2.3	-1.5	-3.7
Panama	6.6	5.9	5.4	5.3	4.5	-0.4	-0.5	-1.4
Peru	4.1	3.9	3.8	3.5	3.3	-0.1	-0.4	-0.6
Paraguay	9.4	9.2	8.8	8.6	8.3	-0.5	-0.6	-0.9
Uruguay	0.8	0.6	0.6	0.5	0.4	0.0	-0.2	-0.2

Note: All values are percentages.

Source: Authors' compilation based on household surveys.

Scenarios 1 and 3 imply a considerable increase in the progressivity of transfers, as reflected by the change in the Kakwani index (Figure 6), especially in Chile, Costa Rica, and Paraguay. The Kakwani index corresponding to scenario 2 is equivalent to that of the original transfer (as only the budget of the program is changed). As expected, important increases in progressivity of the programs could be gained via improvements in targeting.

Figure 6: Progressivity of non-contributory CTs under perfect targeting (scenario 1) as per the Kakwani index

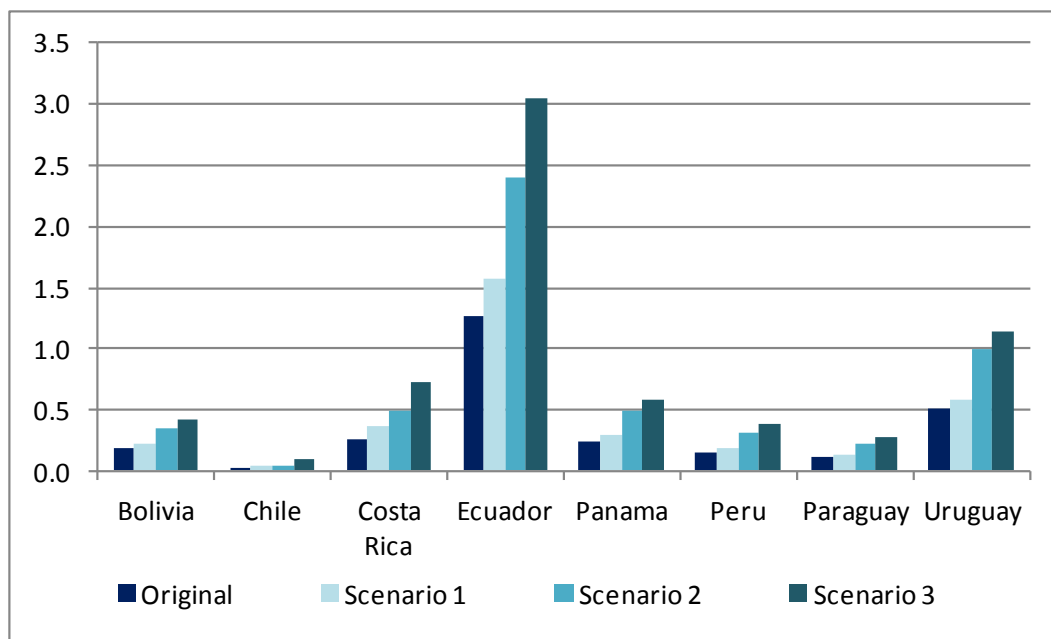


Source: Authors' illustration based on household surveys.

Improvements in targeting, but especially in the amount of transfers, lead to significant decreases in the Gini index, as reflected by the increases in the Reynolds–Smolensky index compared with the baseline without CTs (Figure 7). Major gains are obtained in Ecuador, especially under scenario 3, as the net redistributive impact implies a reduction of 3 Gini points with respect to the baseline without transfers, and almost 2 additional Gini points with respect to the redistribution of the original program. The effects are also significant for Uruguay under scenarios 2 and 3: if the budget of these CTs was doubled, the Gini coefficient could be reduced by 1.5 points (with respect to the baseline without transfers); however, the gains with respect to the original program are less dramatic: around half a Gini point. For the other countries, as discussed above, the redistributive impact of CTs is limited

because of the amounts involved; in those cases, even the doubling of the budget of CTs creates limited redistributive effects. In all cases, the improvement in targeting implied by scenario 1, despite leading to important increases in progressivity (see Figure 6), does not result in a significant redistributive effect compared with the original program design.

Figure 7: Reynolds–Smolensky index under different scenarios



Source: Authors' illustration based on household surveys.

7 Conclusion

Cash transfers directed to households with children provide a reliable source of income, covering a significant proportion of the population in Latin America. Although these programs have been considered, in general, as a “unique model” in the literature, the comparative analysis presented in this article illustrates important variations among them. According to household survey data, coverage ranges from 3 percent of the population in Chile to 50 percent in Bolivia. In the first decile of the population, coverage is 8 percent in Chile but reaches 76 percent in Bolivia and 77 percent in Uruguay. Thus CTs represent a significant portion of household resources at the bottom of the income distribution, again with important variations among the cases considered (from 8 percent to 35 percent of total income in the first decile). Undoubtedly, these transfers help to improve living conditions and lessen poverty within beneficiary households, but their effects in terms of poverty eradication or inequality reduction in the cases considered in this paper are limited, mainly because of the amount of resources involved. Expansions in the coverage of the programs have not been accompanied by significant increases in budgets. Resources are far from being set at a level sufficient to bring households up to the poverty line, and even with a very optimistic scenario of perfect targeting and doubling of resources, poverty rates remain almost unchanged and income redistribution is quite modest. In the cases

considered in this paper, CTs seem to have taken a reduced fiscal space to improve people's living conditions and, according to available impact evaluations, to obtain favorable results in different dimensions. Given the magnitude of prevailing poverty gaps in the region, the resources needed to eradicate current poverty or significantly redistribute income would be significantly higher, and beneficiary households remain largely vulnerable despite the transfers.

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Appendix A: Statistical results

Table A1: Coverage and budget of selected child transfer programs in Latin America

Country	Program	Budget (% GDP)	Year
Bolivia	Bono Juancito Pinto	0.20	2012
Chile	Chile Solidario	0.16	2011
Costa Rica	Avancemos	0.19	2014
Ecuador	Bono de Desarrollo Humano	0.40	2014
Panama	Red de Oportunidades	0.13	2013
Paraguay	Tekopora	0.17	2014
Peru	Juntos	0.20	2014
Uruguay	Asignaciones Familiares	0.46	2012

Source: ECLAC (2016).

Table A2: Characteristics of household surveys

Country	Survey name	Year	Coverage	Number of households	Number of people
Bolivia	Encuesta Continua de Hogares (ECH)	2011	National	8,851	33,821
Chile	Encuesta de Caracterización Socioeconómica Nacional (CASEN)	2013	National	66,725	218,491
Costa Rica	Encuesta Nacional de Hogares (ENAHO)	2013	National	11,219	38,779
Ecuador	Encuesta Nacional de Empleo, Desempleo y Subempleo (ENEMDU)	2013	National	21,303	81,386
Panama	Encuesta de Hogares de Propósitos Múltiples (EHPM)	2013	National	11,905	44,237
Paraguay	Encuesta Permanente de Hogares (EPH)	2013	National	5,424	21,207
Peru	Encuesta Nacional de Hogares (ENAHO)	2013	National	30,453	117,731
Uruguay	Encuesta Continua de Hogares (ECH)	2013	National	46,622	127,925

Source: Authors' compilation based on household surveys.

Table A3: Direct effect of cash transfers (CTs) on poverty (c.2013)

	FGT 0 (with CCTs)	FGT 0 (without CCTs)	FGT 1 (with CCTs)	FGT 1 (without CCTs)	FGT 2 (with CCTs)	FGT 2 (without CCTs)
Bolivia	16.20%	16.51%	7.30%	7.54%	4.51%	4.74%

Chile	2.28%	2.30%	0.97%	0.99%	0.63%	0.64%
Costa Rica	6.38%	6.77%	2.75%	2.99%	1.74%	1.92%
Ecuador	11.99%	14.83%	3.72%	5.30%	1.86%	2.91%
Panama	10.61%	10.89%	4.65%	5.13%	2.75%	3.18%
Paraguay	9.47%	9.67%	3.62%	3.81%	2.17%	2.30%
Peru	9.46%	9.78%	3.04%	3.28%	1.38%	1.53%
Uruguay	0.33%	0.66%	0.09%	0.17%	0.04%	0.08%

Notes: Poverty lines are defined as the threshold of US\$3.10 using 2011 prices at PPP. All values are percentage of population (World Bank poverty line).

Source: Authors' compilation based on household surveys.

Table A4: Extreme poverty incidence and changes under different scenarios measured by ECLAC thresholds

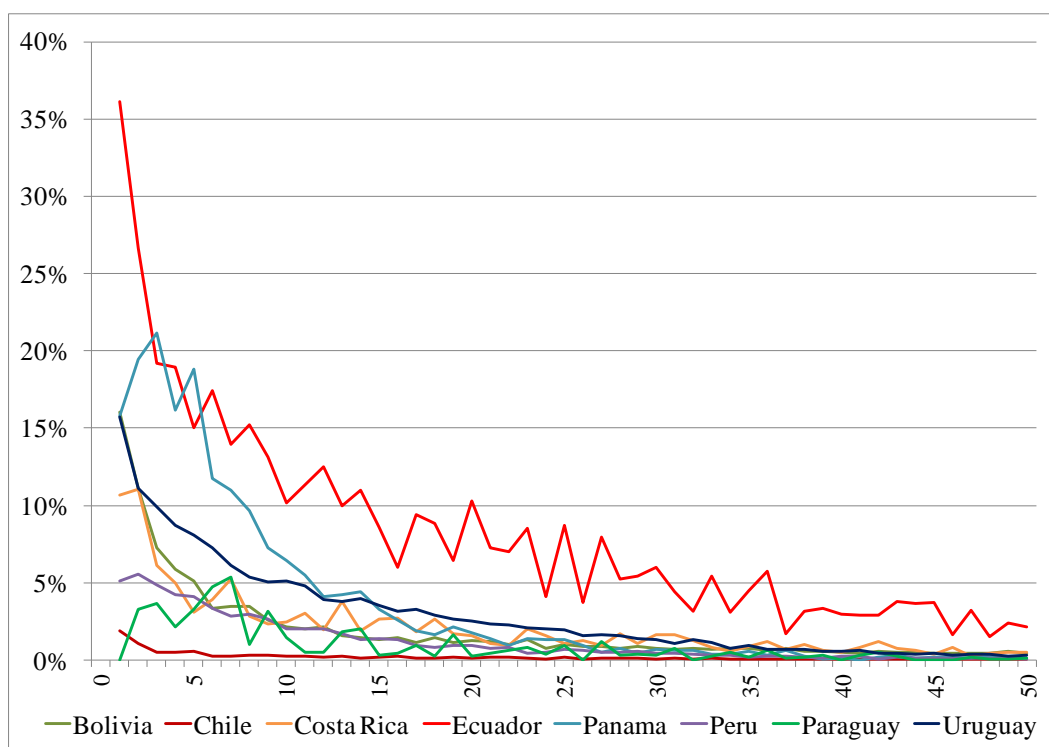
	Extreme poverty incidence					Change (with respect to original program)		
	Without transfer	Original program	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
	FGT 0							
Bolivia	18.7	18.4	18.2	18.1	18.0	-0.1	-0.3	-0.4
Chile	2.5	2.5	2.1	2.5	1.9	-0.4	0.0	-0.6
Costa Rica	7.6	7.2	6.2	6.9	5.1	-1.0	-0.3	-2.1
Ecuador	14.9	12.0	10.9	9.5	7.6	-1.1	-2.5	-4.4
Panama	12.4	11.8	11.6	11.2	10.4	-0.2	-0.7	-1.5
Peru	5.1	4.7	4.4	4.3	3.7	-0.3	-0.4	-1.0
Paraguay	19.3	19.1	19.3	19.0	19.3	0.2	-0.1	0.2
Uruguay	1.5	0.9	0.9	0.6	0.5	0.0	-0.3	-0.4
FGT 1								
Bolivia	8.1	7.8	7.8	7.5	7.5	0.0	-0.3	-0.3
Chile	1.0	1.0	0.9	1.0	0.7	-0.2	0.0	-0.3

Costa Rica	3.3	3.0	2.4	2.9	1.8	-0.7	-0.2	-1.3
Ecuador	5.2	3.7	3.3	2.8	2.0	-0.4	-0.9	-1.6
Panama	5.8	5.1	4.5	4.5	3.3	-0.6	-0.6	-1.8
Peru	1.5	1.3	1.1	1.2	0.9	-0.2	-0.1	-0.4
Paraguay	7.2	7.0	6.8	6.8	6.4	-0.2	-0.2	-0.6
Uruguay	0.4	0.2	0.2	0.2	0.1	0.0	-0.1	-0.1
FGT 2								
Bolivia	4.9	4.7	4.7	4.5	4.4	0.0	-0.2	-0.3
Chile	0.7	0.7	0.5	0.6	0.4	-0.1	0.0	-0.2
Costa Rica	2.1	1.9	1.4	1.8	1.0	-0.5	-0.1	-0.9
Ecuador	2.8	1.8	1.5	1.3	0.9	-0.3	-0.4	-0.9
Panama	3.7	3.0	2.4	2.5	1.6	-0.5	-0.5	-1.4
Peru	0.6	0.5	0.4	0.5	0.3	-0.1	-0.1	-0.2
Paraguay	4.1	3.9	3.5	3.8	3.0	-0.4	-0.1	-0.9
Uruguay	0.2	0.1	0.1	0.1	0.1	0.0	0.0	-0.1

Note: All values are percentages.

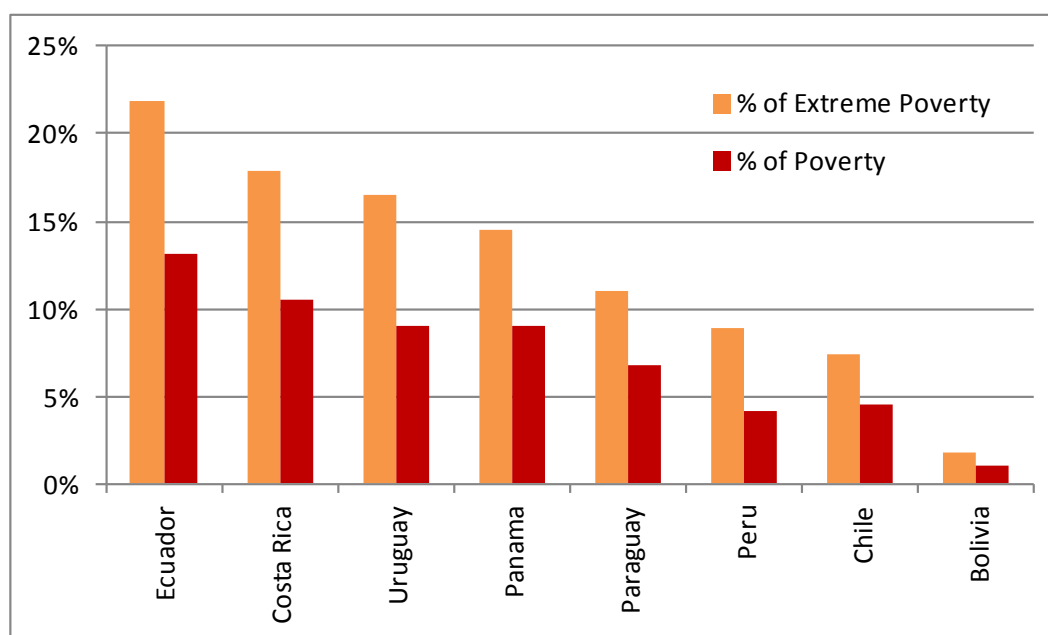
Source: Authors' compilation based on household surveys.

Figure A1: Importance of transfer in income of beneficiary households



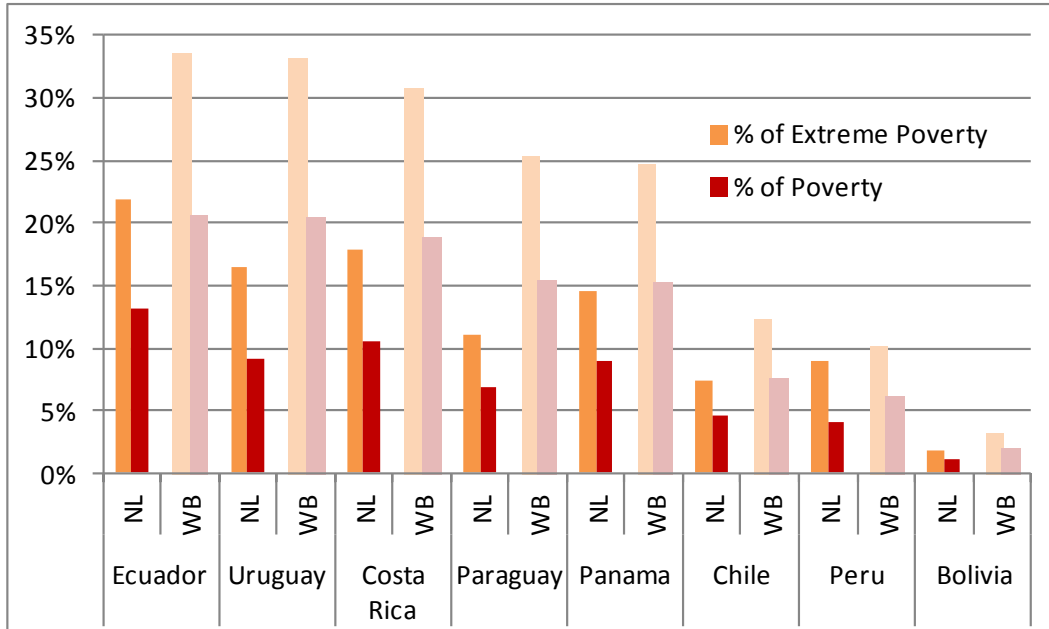
Source: Authors' illustration based on household surveys.

Figure A2: Per capita transfers as percentage of poverty and extreme poverty line measured by ECLAC thresholds



Source: Authors' illustration based on household surveys.

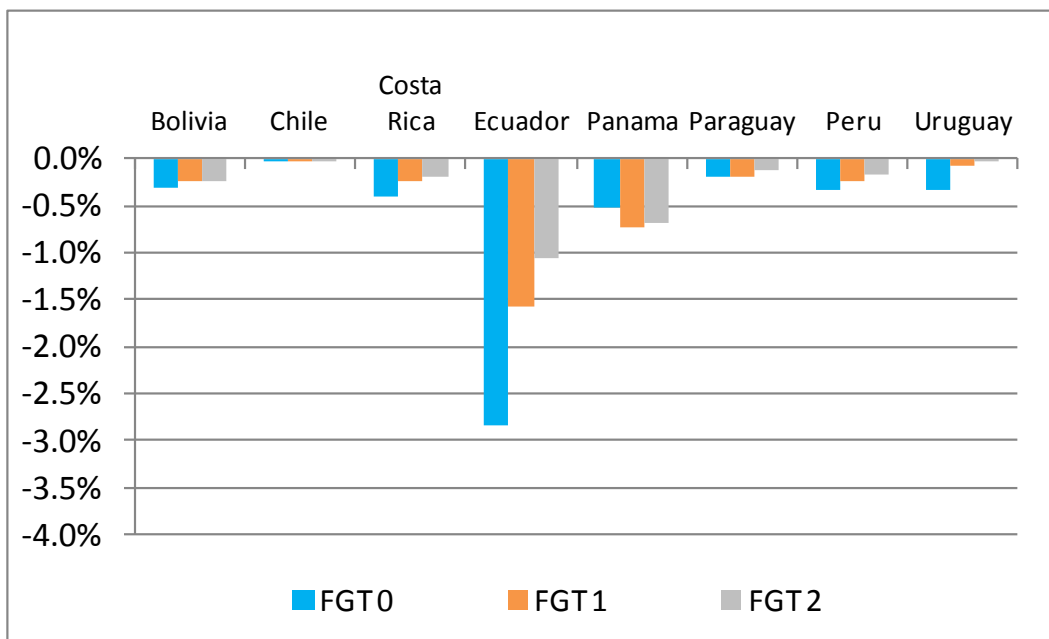
Figure A3: Per capita transfers as percentage of poverty and extreme poverty lines measured by national line (NL) and World Bank (WB) thresholds



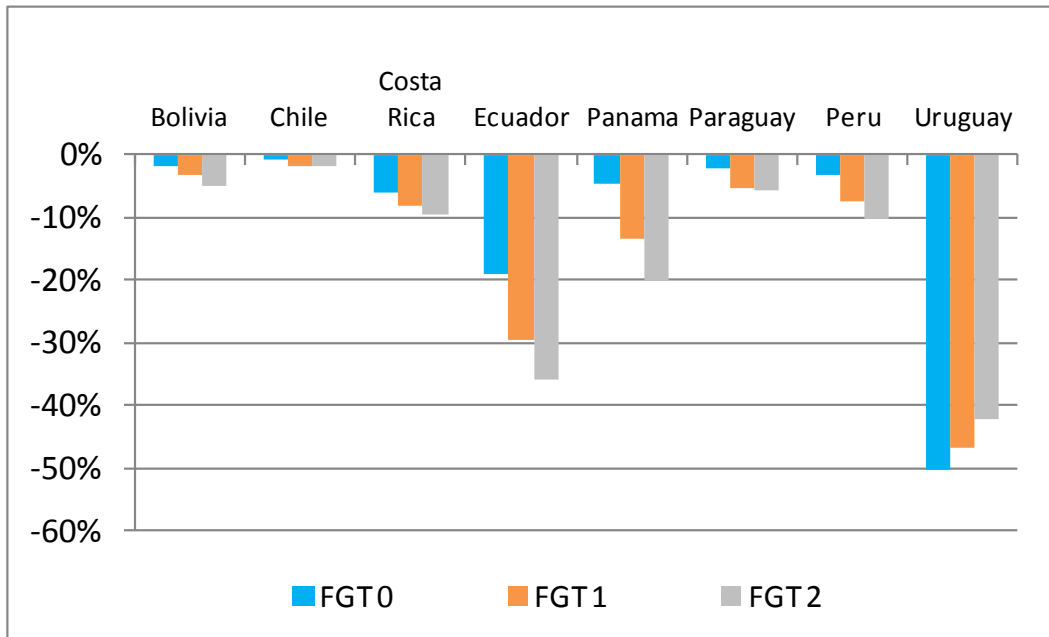
Source: Authors' illustration based on household surveys.

Figure A4: Absolute (a) and relative (b) change in poverty indicators induced by CTs

(a)



(b)



Source: Authors' illustration based on household surveys.

Appendix B: Datasets processing

Table B1: Dataset coverage of CCTs

Country	Program	Year	CCT reception			CCT amount		
			Question	Variable name	Amount of transfer inquired	Question	Variable name	
Bolivia	Bono Juancito Pinto	2011	¿Ha recibido el Bono Juancito Pintos?	bonojp	No	-	-	
Chile	Chile Solidario	2013	Su núcleo, ¿participa en Chile Solidario? / Su núcleo, ¿participa en el programa de Ingreso Ético Familiar? / El mes pasado, ¿recibió alguien en este hogar: bono de protección familiar?	y21a / y21b / y22a / y22b / y22c / y22d	Yes	Bono de Protección Familiar (Pesos por mes)	y2201h / y2202h / y2203h / y2204h	
Costa Rica	Avancemos	2013	¿Durante este año algún miembro del hogar ha recibido ayuda en dinero del IMAS o participó en programas como Hogar Comunitario, Creciendo Juntas, Jefes de Hogar, Capacitaciones?	imas1	No	-	-	
Ecuador	Bono de Desarrollo Humano	2013	¿Recibe el Bono de Desarrollo Humano (Bono Solidario)?	bonosol ¹	Yes*	¿Cuánto recibió en el mes de ___ por el Bono de Desarrollo Humano (Bono Solidario)?	ingbono	
Panama	Red de Oportunidades	2013	-	-	Yes	Ingreso por subsidios (Red de Oportunidades)	ysub1	
Paraguay	Tekopora	2013	-	-	Yes	Ingresos del estado - Tekopora (guaraníes declarados por mes)	e01h	

Peru	Juntos	2013	En los últimos 6 meses, de ___ a ___, ¿recibió Ud. ingresos por concepto de: ¿Transferencia del programa Juntos?	juntos ²	Yes*	En los últimos 6 meses, de ___ a ___, ¿recibió Ud. ingresos por concepto de: ¿Transferencia del programa Juntos?	ingjui / ingjue
Uruguay	Asignaciones Familiares	2013	¿Cobra Asignaciones Familiares?	cobraaf	Yes ³	Si marcó SI en la variable cobraaf: ¿Cuántas asignaciones cobra por ___?	ctasaf1 / ctasaf2 / ctasaf3 / ctasaf4

Source: Authors' compilation based on household surveys.

* Not used

¹ An age restriction was also applied in order to define households that receive transfers (at least one member between 5 and 15 years old)

² An age restriction was also applied in order to define households that receive transfers (at least one member less than 15 years old)

³ Only the number of each type of beneficiary is collected. Secondary data is needed in order to estimate amounts transferred.