CONDITIONAL CASH TRANSFER SITUATION AND POLICY RECOMMENDATION

MA. Lương Thị Ngọc Hà
Ph.D Hoàng Khắc Lịch
BA. Lương Khánh Linh
Structure

1. What is Conditional Cash Transfer (CCT)?
2. Conditional Cash Transfer in Vietnam
3. Policy recommendation for CCT in Vietnam
What is Conditional Cash Transfer?
What is CTT?

**Conditional Cash Transfer** programs provide cash payments to poor households that meet certain behavioral requirements, generally related to children’s health care and education. (World Bank)

- Base on the Multidimensional approach to poverty
- Aim at behavior change effect rather than income effect
- Help to break the Intergenerational transmission of poverty (ITP)
# Bolsa Familia in Brazil

## CONDITIONS

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<td><strong>•</strong> The payments are dependent on the family's children staying in school until 17, and attendance must be at least 85% up to 14 years and 75% for the remainder.</td>
<td><strong>•</strong> Another form of conditionality is that children get the full set of vaccinations in their first five years and that mothers attend pre and post-natal care.</td>
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<td><strong>•</strong> Send directly to the mothers’ bank account</td>
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## OUTCOMES

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<td><strong>•</strong> Since 2003, 12 million families have joined the scheme and receive small amounts of money (around $12 a month).</td>
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<td><strong>•</strong> Inequality has been cut by 17% in just five years, which is perhaps one of the most dramatic achievements in welfare ever recorded.</td>
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<td><strong>•</strong> The poverty rate has fallen from 42.7% to 28.8%</td>
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Conditional Cash Transfers in the World: 1997 and 2008

1997

2008

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Bolsa Familia in Brazil

Time frame for the potential effects of the Bolsa Família

# CCT vs. UCT

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<th>Advantage</th>
<th>CCT</th>
<th>UCT</th>
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<tr>
<td></td>
<td>• Multidimensional effect (on education, health)</td>
<td>• Cheaper</td>
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<td>• Long-term effect</td>
<td>• Easier for M&amp;E</td>
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<td>• Broader beneficiary</td>
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<td>Disadvantage</td>
<td>• Expensive to implement and Hard for M&amp;E</td>
<td>• Only has income effect (little change in behavior toward the social optimum)</td>
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<td>• Can miss out beneficiary</td>
<td>• Short-term effect</td>
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3 Main difficulties of CCT

(1) Effective identification of who the poor are,

(2) selection among the poor to minimize efficiency leakages when payments are made to categories of children already highly likely of going to school as opposed to children who would be induced to go to school through the transfer, and

(3) Low uptake because the cash transfer offered is not sufficient to meet the opportunity cost of the change in behavior, or low coverage because part of the budget is wasted offering cash transfers in excess of the amount needed to induce the desired change in behavior.
Conditional Cash Transfer in Vietnam
Some CCT program/policy

- Decision No. 112/2007 / QD-TTg of the Prime Minister: provide studying cost support for children from household living in 135 program area.

- Decree No. 49/2010 / ND-CP: provide studying cost support for children from household living in 135 program area (replace for support from Decision No. 112)

- Decision 167/2008 / QD-TTg on Housing support for poor households on housing
Limitations and difficulties

• Simple/Poor design of the program: no detailed level of support and conditions => difficult to implement and monitor; not

• Base on income poverty criteria, not multi-dimension poverty index/criteria

• Small transfer amount, as a kind of compensate for the poverty rather than incentives for the poor => limited income effect and low/insignificant behavior change effect

➔ Fail to meet the expected outcome of CCT, not much different from the UCT
Policy recommendations for CCT in Vietnam
Policy Recommendation for CCT

1. Select the beneficiary base on multi-dimension poverty index
2. Design detailed level of support and conditions
3. Improve implementation and monitoring mechanism
4. Improve communication content and approach to the poor to encourage the active role of the poor in sustainable poverty reduction
5. Enhance the collaboration of domestic and international organization in order to increase resource and expertise
Multi-dimension poverty index (MPI)

Three Dimensions of Poverty

Health
Nutrition
Child Mortality

Education
Years of Schooling
School Attendance

Living Standard
Cooking Fuel
Sanitation
Water
Electricity
Floor
Assets

Ten Indicators
THANK YOU FOR LISTENING