

## Conditional Social Transfers in El Salvador and Paraguay

### Background

In 2005 and 2006, Paraguay and El Salvador introduced a range of basic social protection programmes. This was a reaction to the steady escalation of extreme poverty and inequality, which were not declining despite economic growth.

In El Salvador President Saca implemented a conditional social transfer programme called Red Solidaria. Red Solidaria addresses primarily families living in extreme poverty and is the key element of the national social development strategy Oportunidades. It seeks to improve the respective families' quality of life via an integrated approach: cash transfers are intended to diminish poverty in the short term, and the conditions attached to the payments, e.g., regular school attendance and preventive health care, are geared to the medium-term expansion of human capital, improving the families' opportunities for self-help and integration into the labour market in the long-run. The effect is a disruption of inter-generational poverty transmission.

The same applies to Tekoporã, one of four social-transfer programmes in Paraguay. Tekoporã was created within the National Strategy for Reducing Poverty and Inequality and is designed to benefit poor rural families. Here, too, the twin objectives of short-term poverty reduction and the long-term improvement of the people's human capital are of primary interest.

### Red Solidaria and Tekoporã - the programmes

#### Red Solidaria/El Salvador

Red Solidaria consists of three types of cash transfers: a) educational transfers (USD 15 per month and family), b) health-care transfers (USD 15) and c) combined educational and health-care transfers (USD 20). The combination of educational and health-care transfers provides the maximum of available monthly social transfers. The conditional social transfers, which are the centrepiece of Red Solidaria, serve as a solidarity-network for the beneficiaries. These are poor families with pregnant women and/or children under the age of five and families with children who have not yet completed their second cycle of basic education.

In addition, Red Solidaria supports the establishment and expansion of infrastructure and access to basic social services (health-care and educational facilities, water taps, electrification) as well as the integration of extremely poor families into other social-policy programmes (e.g., microcredits, employment-promotion programmes) to ensure sustainability.

#### Tekoporã/Paraguay

In Paraguay, the social cash transfer programme consists of a monthly allowance of USD 10 per family for the purchase of food. For the use of health- and educational services families receive an additional USD 5 per child under the age of 14, up to a maximum of four children. Accordingly, the monthly cash transfers range between USD 15 (for one child) and USD 30 (for four or more children).

The sustainability of the programme is enhanced by the provision of family counsellors, who monitor compliance with the conditions and advise the families on topics such as reproductive health, education, nutrition, and subsistence agriculture.

In both countries, the social transfers are disbursed solely to the women of the beneficiary households in order to increase their influence on household expenditures while strengthening their self-esteem. Cash disbursement takes place at two-month intervals at schools or community centres. Additionally, supplementary health-care services, for example preventive medical checkups, and/or public education campaigns addressing issues such as health or domestic violence take place at these locations.

### Results

The expansion of both programmes has been largely successful. In El Salvador, Red Solidaria has reached 48,659 families to date, all of whom were identified on the basis of geographic poverty mapping. In 2008 it is planned to extend the programme to reach 89,000 families. In Paraguay, the Tekoporã programme already encompasses some 14,000 families and is targeting 57,000 families until the end of 2008.

Evaluations document the positive results of the programmes. Not only do the cash transfers themselves relieve the extreme poverty of numerous families, but their conditional elements also have had positive influence on health and education indicators. School enrolment rates have increased in both countries, and the number of school dropouts has decreased substantially in Paraguay, even though the child labour rate remains high.

In the health sector, the positive effects have been most marked in El Salvador. There the number of children receiving preventive medical checkups increased by 47 % in the course of five years, while the number of prenatal checkups rose by 42 %. Another positive effect of the social transfer programmes is reflected in the higher consumption levels of high-quality nutrition, especially among extremely poor families. Social transfers have even led to more investments that are helping families diversify their sources of income. Additionally the household savings rate has increased slightly, hence providing families with better security against such potential future risks such as failed harvests.

## The contribution

Such ambitious expansion of the programmes over just a few years calls for a well-developed system of implementation, effective monitoring and evaluation mechanisms, and well-trained experts. On behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), the German Agency for Development Cooperation (GTZ) contributed the following support services within the scope of technical consultancy and capacity development: process-oriented programme-expansion, establishment and development of decentralized monitoring and evaluation capacities, promotion of regional exchanges, and strengthening of South-South cooperation in the area of basic social protection.

## Success factors

With regard to a number of financial, political, and social challenges regarding especially the further scaling-up of the programmes, it are in particular the following factors that ensure the implementation of basic social protection programmes:

**1. Basic protection programme as a policy priority:** Active political support by the government is of enormous importance, especially in centralistic and politically polarised countries like Paraguay and El Salvador.

**2. Large measure of expertise and scientific validity:** The development of evidence-based evaluation, monitoring and targeting mechanisms provides an important basis for the poverty reducing effects of the programmes. Their measurability assures political and public support for social transfers.

**3. Use of experience from similar programmes in Latin America:** Both programmes build extensively on experiences gained in other long-experienced programmes, such as Oportunidades in Mexico, Bolsa Familia in Brazil and the Chilean social transfer programme. The GTZ has supported the exchange of experience by organising a series of study tours and workshops.

**4. Strong support from international donors:** The provision of technical and financial support for the introduction of conditional social transfers by a number of bilateral and multilateral donors is of major importance, not only in the financial and technical sense, but also as a political signal to strengthen national initiatives on structural poverty reduction.

**5. Close vertical and horizontal cooperation:** Close inter-institutional cooperation both at the central level and between the central and local levels is of crucial importance for the success of any social transfer programme. Relevant ministries and local administrations alike were bound into the planning process from the very beginning. German DC was able to sustainably support those processes through capacity development measures at diverse levels.

**6. Financing:** In both countries, the social transfers and the administrative costs of the programmes are funded primarily out of the national budget. In 2006, El Salvador and Paraguay spent approximately USD 82 million and USD 1.8 million respectively on the programmes.

In addition to providing technical consultancy services, the donors primarily finance the expansion of social infrastructure. That said, loans from the Inter-American Development Bank (IDB) and the World Bank totalling approximately USD 80 million earmarked for financing the further development of health-care and educational facilities in El Salvador were rejected by the opposition due to the threat of over-indebtedness. This was largely offset, however, by subsidies provided by the European Union (EUR 37 million), Luxembourg (EUR 28 million) and Spain (EUR 10 million). In addition, El Salvador is planning to establish, for financing purposes, a solidarity fund financed through taxes on alcohol, tobacco and firearms.

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