

THE CONDITIONAL CASH TRANSFER PROGRAM IN ECUADOR

By

GAVILANES REYES, Rocío Elizabeth

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

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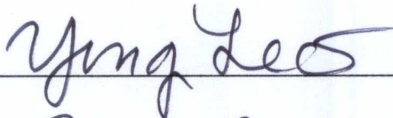
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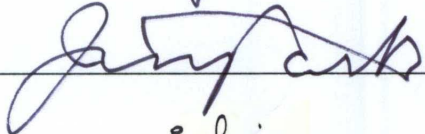
MASTER OF PUBLIC POLICY

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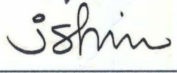
Professor Lee, Yong S, Supervisor



Professor Park, Jin



Professor Shin, Jaeun



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ABSTRACT

THE CONDITIONAL CASH TRANSFER PROGRAM IN ECUADOR

By

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The Conditional Cash Transfer Program (CCTP), which consists of monetary transfers intended for low income families, it has been used in several countries across the world as a tool for welfare policy. The aim behind this program is to help reduce poverty, thereby, to catalyze the accumulation of human capital, especially children's education and healthcare, based on the conditionality of the actions by the households' recipients.

The purpose of this study is to analyze the problems in the implementation of the CCTP by means of a case study in Ecuador known as: "Bono de Desarrollo Humano" – BDH- Program. There are several issues that affect the implementation of the CCTP, including improper targeting for the recipients (in some cases with inclusion or exclusion issues); the presence of middlemen, high cost of transportation, especially in rural areas (because of the distance between the location of the household and BDH cash payment points) and opportunity cost (activities that people stop doing when they go to get their cash transfer). The study concludes that with a few exceptions the CCTP meets the CCTP's implementation requirements.

Dedicated to my Parents, with all my love and respect.

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ABBREVIATIONS

BDH	–	Bono Desarrollo Humano (Human Development Bond)
BB	–	Bancodel Barrio (Neighborhood Branch Bank)
CTP	–	Cash Transfer Programs
CCTPs	–	Conditional Cash Transfer Programs
CDH	–	Crédito de Desarrollo Humano (Human Development Loan)
IB	–	Indice de Bienestar (Welfare Index)
PPS	–	Programa de Protección Social (Social Protection Program)
RS	–	Registro Social (Social Records)
SELBEN	-	Sistema de Selección de Beneficiarios (Recipient Selection System)

1. INTRODUCTION

Since 1995, the Conditional Cash Transfer Program (CCTP) has been used in several countries across Latin America¹ as a tool for welfare policy. The objective of this program is to reduce poverty, thereby, catalyzing the accumulation of human capital, especially among children.

The Cash Transfer Program (CTP) consists of monetary transfers for low income families to help alleviate to some extent their poverty, while providing them with a set of incentives to increase their human capital investment in education and healthcare. (Carrillo and Ponce, 2009, 276). The fundamental aspect of these programs is the conditionality of the actions taken by the households' recipients.

“Conditionality” means sending children to school, and taking them regularly to Health Centers for medical checkups where they also receive their vaccinations. For the mothers, conditionality means monitoring their prenatal care and attending to health information lectures and talks. The regulation requires that the recipients of the cash transfer make their children do the medical checkups regularly, monitor their children’s growth and nutritional condition, and receive vaccinations. The regulation also requires that the mothers have prenatal care and attend to health information lectures periodically. In regards to educational conditions, the regulation looks at school enrollment, school attendance records (80–85 percent of school days), and academic performance. (Fiszbein and Schady 2009, 1).¹

Among the countries in Latin America where the CCTPs are implemented, there are variations

¹Brasil, Mexico, Argentina, Chile, Colombia, Costa Rica, Honduras, Jamaica, Nicaragua, Ecuador.

in terms of eligibility, conditionality, amount of money dispersed, payment schedules, delivery of payments, and so forth. Yet the general objective remains the same for all programs that contribute to children's human capital and the reduction of poverty.

The CCTP approaches are different from country to country, especially in the way in which the subsidies are used to help poor families who are in need to improve their living conditions. Programs with this orientation have optimistic effects on school enrollment and children's healthcare (Fiszbein and Schady 2009,1). Some studies show that well-structured CCTPs have produced positive results among the poor, especially those who are well targeted (Fiszbein and Schady 2009,1).

These kinds of programs (CCTP) have had important results concerning the increase in children's school enrollment; the number of health visits for preventive checkups, monitoring children's weight, as well as immunizations schedule. In Ecuador, the outcome of the Impact Evaluation in 2004 shows that the "Bono de Desarrollo Humano (BDH)" program has produced a significant, positive impact on the enrollment on 10 points, simultaneously bringing down child labor on 17 points, percentage wise. (Schady and Araujo, 2006,1).

Many researchers agree that CCTPs are an effective policy tool for children's school enrollment, stressing that these programs when managed properly, have a significant impact on the future of children; the investment in children's human capital will have effects on their future lives. If children have access to higher education when they become adults, they will be more productive and will earn higher wages (Schady and Araujo, 2006,2).

Critics however, claim that while some programs are not well targeted, because of some

unsuitable people receiving benefits from the cash transfer, those who are really in need are not covered by the program. They suspect that there might be a degree of inefficiency in the distribution of the bond which causes a cutback in the net-value that the recipients get (Carrillo and Ponce, 2009, 276). For instance, some problems could be attributed to the way in which the payments are dispersed, high transaction fees related to transportation cost, opportunity cost and administrative cost incurred by both, the government and the recipients (Carrillo and Ponce, 2009, 277). These problems may throw roadblocks against the cash transfer program. Others also point out that the implementation schedule of the CCTPs is uneven because of the Government changes and the administration changes in this kind of program.

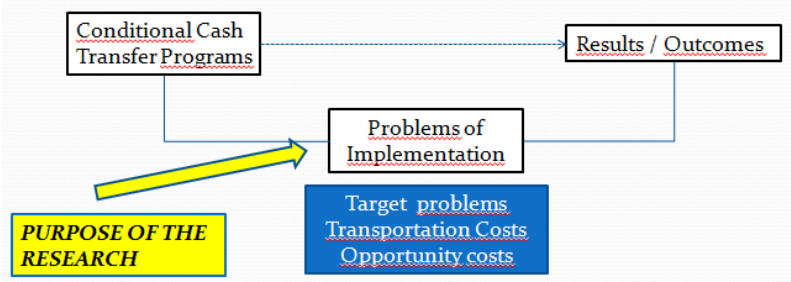
My argument is that the CCTPs presents an important opportunity to the countries striving to reduce poverty and creates an incentive that improves to a degree the children's condition in education and healthcare. If people increased their education and health levels, they would be more productive in terms of goods production, and what's more they could even have further possibilities and freedom in their lives (Sen, 2000, 351). My concern is about the implementation of these programs and relates to targeting, transportation cost, opportunity cost or presence of middlemen that affect the outcomes of CCTPs. These problems have not been examined yet in impact evaluation studies.

My intent in this research is to analyze problems associated with the implementation of CCTPs. In order to do this, I will conduct a case study of Ecuador's "Bono de Desarrollo Humano"-BDH- (Human Development Bond). I will look into targeting issues, transportation and opportunity cost in the CCTP operation in Ecuador. The views of this research are based primarily on information (surveys) I have gathered from a field survey. The difference between my study and past studies is that whereas the past studies were focused on

the BDH's outcome or on the impact on levels of the children's education and healthcare, my study looks at the process of implementation.

The hypothesis of this research is that targeting problems, transportation costs and opportunity costs affect the operation of the CCTP in Ecuador, particularly since there are differences between urban and rural areas. To be effective, they need to have different approaches for rural and urban populations when selecting the targeting population.

Figure 1: The structure of the problem in focus



The BDH is an important tool for social policy in Ecuador, in December 2011 poverty in Ecuador was at 29%; during this period the number of recipients were 1'211.556 mothers (8.37% of Ecuador's population), taking into account that every mother represents a family with an average of 4 family members, the total recipients represent the 33.5% of the entire population in Ecuador.

In this aspect, it is important that the BDH enroll families and especially children through the conditionality, as a tactic to breaking the poverty circle and improving their future living conditions. According to Sen, the deprivation of individual capabilities is related to low-income in two ways. First, if there is low income, it is highly likely to have the presence of illiteracy, illnesses, hunger, undernourishment; premature mortality, persistent morbidity; and

second, better education and healthcare contribute to getting higher earnings (Sen, 1999, 19); as a result, if children have more access to education and healthcare in the future, they will have more possibilities to get better wages, and to have better life opportunities.

2. THE CONDITIONAL CASH TRANSFER PROGRAMS

The CCTPs have increased in terms of popularity, not only in countries in Latin America, but also in Bangladesh, Cambodia, Pakistan, Turkey, Indonesia and countries of Africa. The purpose of the CCTP is to help the households alleviate poverty and contribute to improve the level of human capital.

According to Amartya Sen, the economic growth is not the end for itself, the development has a relation with improving living conditions and with the enjoyment of freedom. However, in the world it is very unfortunate, people cannot have all the “freedom”, in some regions people suffer from famine, malnutrition, limited access to healthcare, sanitary problems, polluted water, a high mortality rate, education problems, differences between men and women are denied political liberty, restriction in basic civil rights. (Sen, 1999, 14-15); this is where programs such as the CCTPs could contribute to improve people’s living conditions.

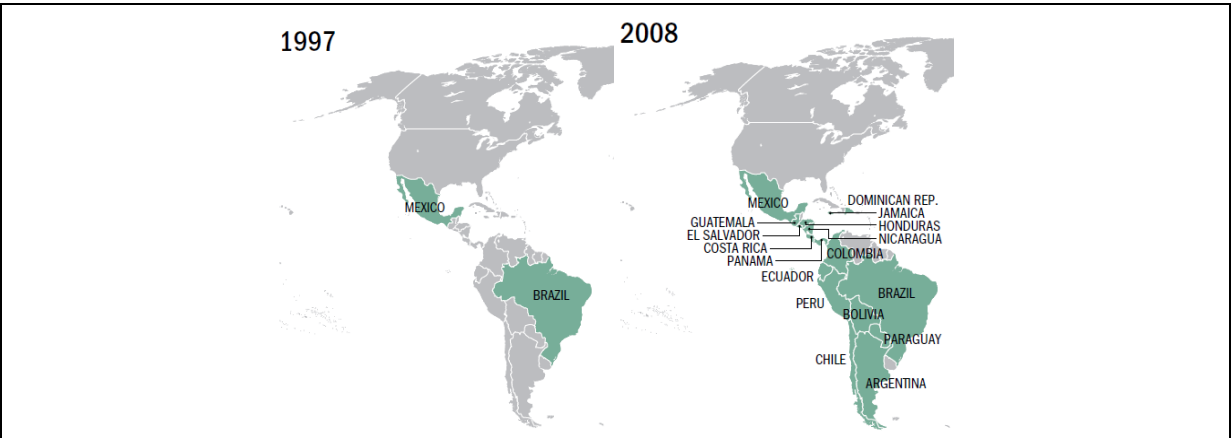
Fiszbein and Norbert found that the CCT programs have helped increase the consumption levels among the poor, especially when there is a good targeted, so that the recipients make a serious effort to escape poverty (Fiszbein and Schady 2009, XII).

There are some experiences of CTPs in Latin America countries such as: Brazil (Bolsa Escola – started in 1995), Mexico (OPORTUNIDADES before called PROGRESA – started in 1997), Argentina (Familias por la inclusión social – “Families for social inclusion”), Chile (Chile Solidario – “Chile Solidarity”), Colombia (Familias en Acción – “Families in Action”), Costa Rica (Superémonos), Honduras (Programa de Asignación Familiar “The Family Allowance Program” started in 1998), Jamaica (Programa de Avance mediante la Salud – “Programme of

Advancement Through Health and Education”), Nicaragua (Red de Protección Social – “Social Protection Network”) and Ecuador (Bono de Desarrollo Humano – “Human Development Bonus” started in 1998) (Carrillo and Ponce, 2009, 276).

In Latin America CCTs started around 1997 in Mexico and Brazil; a few years later (2008), these programs were extended to almost all regions as it is shown in Figure 2 below.

Figure 2: The popularity of Cash Transfer Program in Latin America



Source: World Bank

However, there are some problems in the CCTs programs. Not all eligible people have access to this welfare program as a result of inadequate targeting. In many cases, people who are not poor have been participating in these programs. Whereas, in other cases the transportation costs, the cost for getting around, the potential risk of corruption, and lack of information are too severe for the otherwise eligible households to take advantage of the program’s benefits. The experience in some countries such as Ecuador is that the CCT programs have been delivered preferably to women (mothers) selectively so they may demonstrate a positive impact on women within the household, increasing their bargaining capacity and empowerment level.

3. THE BDH PROGRAM -("HUMAN DEVELOPMENT BOND")

GENERAL INFORMATION:

In 2010, Ecuador's population grew to 14 million of which 66% of them live in urban areas, and 34% in rural areas. 29% are considered poor (December 2011), and the situation is worst in rural areas, where 51% are poor compared to 17% in urban area.²

Ecuador's GDP growth rate in 2010 was 3.58%, the GDP was US\$ 5.7 billion, or per capita income at US\$4,082.³ One of the biggest problems in the economy is the income disparity; there is a big difference between the rich and the poor, and also between the urban and rural areas. The Gini coefficient was 0.44 in December 2011.

Some other general indicators in Ecuador include the unemployment rate, which was at 4.2% and the under unemployment 54.7% (December 2011), the net attendance rate in primary education was at 95%, in secondary education 85% and in higher education at 36% (December 2011)⁴; in regards to healthcare, the prevalence of primary malnutrition was at 6.7% and prevalence of chronic malnutrition was at 25.8% (2006)⁵, children's mortality was at 14.6 for each 1,000 live births (2010)⁶.

People's main laboring economic activities (December 2011) were the agriculture (27%), business (21%), industry (11%), construction (6%), and transportation (6%). In the urban areas agriculture is 6.5% in contrast to rural areas being 68%⁷.

²<http://www.inec.com> (Statistics and Census National Institute).

³<http://www.bce.fin.ec> (Central Bank of Ecuador).

⁴<http://www.inec.com> (Statistics and Census National Institute).

⁵<http://www.pps.gob.ec> (Social Protection Program - Ministry of Economic and Social Inclusion).

⁶<http://www.inec.com> (Statistics and Census National Institute).

⁷<http://www.inec.com> (Statistics and Census National Institute).

3.1 DESCRIPTION OF THE BDH PROGRAM

In Ecuador, the “Bono de Desarrollo Humano” is the most important concern in public social policy. This is a CCTP only for low-income families (the poorest 40% of the country). The BDH is under the responsibility of the Social Protection Program (Programa de Protección Social - PPS) in Ecuador. The PPS,⁸ a national program run by the Ministry of Economic and Social Inclusion provides support for people who are in vulnerability conditions.

The BDH consists of a monthly cash transfer of US\$35; this bond is for one family (only one person in the family can have access to this bond). The BDH focuses on the mothers of the households as a way to promote the empowerment of women.

The recipients of BDH are:

1. Poor household heads with children under 18, showing preference for mothers.
2. Poor elderly, as well as people with some sort of disability.

This study focuses on the household heads. To December 2011, the beneficiaries of the BDH were 1,211,556 mothers, representing an 8.37% of the total Ecuador's population, if each mother represents a family with an average of 4 family members, the total number of recipients are around 33.5% of Ecuador's total population.

⁸<http://www.pps.gob.ec> (Social Protection Program- Ministry of Economic and Social Inclusion).

Table No. 1: BDH Recipients

Year	Mothers
2000	1.077.540
2001	1.016.149
2004	840.305
2005	917.037
2006	979.008
2007	1.005.967
2008	1.011.955
2009	1.244.882
2010	1.181.058
2011	1.211.556

SOURCE: PPS (Years 2000 – 2011)

According to the PPS,⁹ the objectives of the BDH are to:

- Guarantee the households a minimum consumption level.
- Incorporate specific joint responsibilities aimed at investing in education and healthcare aiming to reduce chronic malnutrition levels, preventing diseases in smaller children, and also to promote school reintegration, and assure school attendance for children (from 5 to 18 years old).

The BDH Program was created in 2003, with a fusion of two previous programs: “Bono de Solidaridad”¹⁰ and “Beca Escolar” with the conditionality incorporated in 2007. This CCTP provides money on a monthly basis to families who are categorized as the poorest segment of the population in the country at 40%, as long as the conditionality compliance is met in terms of education and healthcare. The basic purposes are to reduce poverty and enhance the human capital investment for families with low incomes. This program has been applied by the last government administrations. Nevertheless, it has experienced some changes of conception and execution.

⁹<http://www.pps.gob.ec> (Social Protection Program - Ministry of Economic and Social Inclusion -July 2011).

¹⁰The “Bono de Solidaridad” program began in 1998 with the objective to assist the poor for the elimination of the subsidies (gas and electricity). After, it changed the objective to help the people facing economic hardships.

3.2 CONDITIONALITY IN THE CCT PROGRAMS

The implementation of conditionality in the programs is function of the purpose of the government's policy. If the goal is to help households overcome poverty, the conditionality would not be necessary. However, if the government objective is to achieve certain goals, the conditionality could be a public policy tool. In the CCT programs, it is necessary to consider many aspects that might have an influence on the outcome of the program; they are related to administrative cost, transportation cost, institutional capacity, the recipients' behavior, and supplying of services.

Conditionality implies an increase in the cost of the program, because more staff is required to monitor and implement many internal control mechanisms and operative issues. Conditionality has a close relation with the availability of services. Generally, in almost all countries, conditionality is established for healthcare and education; in this regard, the government has to provide enough infra-structure, so that people can have access to these services. If, for instance, conditionality seeks improvement in the indicators of enrollment and attendance to schools or vaccination programs, the schools and medical centers must provide a good response to the demand. Therefore, it is necessary for this program to turn to complementary policies that would help to improve the supplying of services.

It is important to be advised that with the CCTP, even though the children's preventive medical checkups have increased and the school enrollment rates have grown, they do not necessarily mean an improvement in the children's nutritional status or in the learning outcome. Therefore, it is necessary to establish other steps in education and healthcare services.

According to Fiszbein and Schady (2009), the CCT programs are not self-sufficient, and it is important to apply complementary actions in two categories: first, policies related to improving the quality of the supplying of healthcare and education services, and second, policies that provide healthier and more stimulating environments for children.

3.2.1 CONDITIONALITY IN THE BDH PROGRAM

The objective of conditionality is to increase the capabilities of people who live in poverty to have access to goods and services in terms of education and healthcare. The purpose is to reduce the chronic rates of children’s malnutrition, improve the children’s performance in school, promote school enrollment, ensure regular attendance to classes and reduce the school drop-out rate of children between 5 and 18 years old. Amartya Sen (2000) argues that through education, people can be more productive during the following years, and education benefits will be higher than only the effects such as: human capital in the production of goods.

The conditionality in the BDH program is associated to the medical checkups in the health centers and to have a health certificate for children under 5. The children from 5 to 18 years have the report card or enrollment certificate and attendance certificate.

TABLE No. 2: BDH CONDITIONALITIES

CHILDREN’S AGE	CONDITIONALITIES
0-1 years old	Must attend at least once every two months to preventive medical checkups.
1-5 years old	Must attend at least once every six months to preventive medical checkups
5-18 year sold	Must been enrolled in school and attend at least 75% of the classes in the academic year

SOURCE: PPS

MONITORING CONDITIONALITY:

The monitoring process in the URBAN AREA consists in¹¹:

1.	Selection	The households are selected by random sampling.
2.	Notification	It is made through a voucher. People receive information as to which documents they have to submit.
3.	Justification	The households have two months in order to submit the documents required for the conditionality.
4.	Penalty	The monthly payment will be suspended until the household submits the documents, within two months maximum.

The monitoring process in the RURAL AREA consists in:

1.	Socialization	Meetings with the local authorities in order to socialize the monitoring process. The local government gives the authorization for the reception of the documents in parishes.
2.	Diffusion	The diffusion is made in communities.
3.	Meetings cantonal and parish leaders	The reception of documents is coordinated with local leaders.
4.	Collection of documents	The documents are collected during 45 days.
5.	Information processing	The PPS takes the documentation for central processing.
6.	Penalty	The monthly payment will be suspended until the household submits the documents, maximum two months.

3.3 OPERATION OF THE BDH PROGRAM

In order to be a recipient of the BDH, the participants must fill out the socio-economic survey in the "Registro Social" and submit the required documents;¹² after that, it takes around two months for the qualification of the payment. The cash transfer to the recipients is done through the national banking network (BANRED); 1,105 payment points across the nation (December 2011). The payment does not require a specific procedure; every bank agency can define the way to make the payment. Additionally there are 1,883 units of ATMs in the country and 2,602 neighborhood branch banks (BB).

¹¹<http://www.pps.gob.ec> (Social Protection Program - Ministry of Economic and Social Inclusion - July 2011).

¹²The documents required for the households with children under 18 years are: a copy of the mother's identity card, a copy of the birth certificate of all children under 18 years; if the children are older than 6, a copy of the school report or enrollment certificate; if the children are younger than 5, a copy of a vaccination certificate.

The administrative cost is US\$ 0.38 for each transaction (US\$0.25 for private banks and US\$0.13 for Banking Red – BANRED). This administrative cost with the actual number of recipients 1,2 Million (Average 2011), sums to US\$ 5,5 Million per year, which represents 1.08% of the total transfers of the Program (US\$512,4 Million).

Complementary to the BDH there are other tools looking to strengthening the protection for people in risk and vulnerability conditions. One of them is the Human Development Loan (Credito de Desarrollo Humano – CDH-), that consists of a loan of US\$ 420 delivered in advance of the BDH transfer, for one year term at a 5% year interest rate. The resources will finance investment projects in micro- production units, trades or services.

According to the number of recipients (1,2 Million) for 2011, the BDH's budget only for the cash transfer requires about US\$512 Million a year (monthly allocation US\$35 for every household) that represents about 0.88% of the GDP.

4. OBSTACLES IN THE IMPLEMENTATION OF CCTPs

There are obstacles in the implementation of CCTPs such as: problems when defining the targeting due to some criteria for the selection of recipients. Several poor families are not part of the program (exclusion problems) and other people who are not poor enough have been included (inclusion problems). There are high transaction costs related to transportation fees, administrative and opportunity costs.

Additionally, there is a budget restriction that doesn't allow the expansion of the number of recipients, and the program requires a good operative infrastructure nationwide, one that is supported with accurate information and process monitoring, specially the conditionality. Moreover, this kind of program can be influenced by political issues, and its operation can be changed in line with the new government administration; this situation affects the program credibility and its sustainability. Some critics of this kind of programs have noticed that they involve some social cost such as poverty stigmatization, they generate disincentives in the search for jobs, or when performing other activities that could generate a revenue for the family.

According to Esther Schuring (2010), the conditionality could have positive effects over mid- and long-term in the human capital outcome in education and healthcare. In her view, conditionality is a good idea for the political economy, the empowerment and equity, the private efficiency, the social efficiency that argues in favor of the conditionality of the programs. Schuring, however, argues that the conditionality does not always enhance efficiency as there are inefficiencies on the impact, designing or implementing the programs:

TABLE No. 3: INEFFICIENCIES OF THE PROGRAMS

IMPACT OF INEFFICIENCIES	DESIGN INEFFICIENCIES	IMPLEMENTATION INEFFICIENCIES
Negative behavioral effects	Exclusion due to the inadequate amount	High direct/ indirect costs for administration
Negative motivation effects	Exclusion due to factors beyond control	Capacity constraints
	More cost-effective alternatives	Promotion of corruption

SOURCE: (Schuring2010)

The following section will describe a set of problems that stand in the way of an effective implementation of the CCTs Programs, which include targeting, transportation cost, and administrative cost.

4.1 TARGETING IN THE BDH PROGRAM

One of the main aspects in the design of CCT Programs is targeting, meaning that it has to respond to the interest and objectives of the underlying policy, and to avoid problems of erroneous inclusion or exclusion of the targeted population. The inclusion problem implies that people who are not poor (not included in the poorest 40% of population) are recipients of the program, and the exclusion problem means that poor people are not recipients of the program.

In Ecuador's case, when the program "Bono de Solidaridad" started in 1998 (after it changes from BDH), targeting had shown flaws since that time, as it was done by self-targeting. People who believed they could be potential recipients of the program, filled out the application form (surveys) in churches across the country with personal and socio-economic information.

The first stage of this targeting process did not have verification of the survey's information, so it was found that some inconsistencies occurred when the information was registered in the database.¹³ In this regard, it was possible to see the problems related to the initial targeting in the program where many unqualified people, about 40% of the recipients were erroneously included in this program.¹⁴ This situation affected the performance of BDH.

The problems that came up at that time (1998-1999) were inclusion errors, exclusion errors, and duplication of recipients in the same household. The program was urban intended (in rural areas people did not meet the requirements; therefore they were out of the program).

In July 2009, the BDH had a selection revision of the recipients; this involved a process of incorporation and exclusion of the new recipients to the Program, based on these changes the poverty line and household qualification were updated.¹⁵

In order to become beneficiaries of the program, people had to be qualified within quintiles 1 and 2 of poverty, after the analysis and qualification of the socio economic survey. The results of the survey are then registered in the database called "Registro Social" (ex SELBEN).¹⁶

The "Registro Social" database gathers household's individualized information that relates the socioeconomic classification of families and individuals who would potentially be

¹³In order to verify the information, the database was compared with the databases of other institutions or services such as the Social Security (excluded people in case they have obtained a job), electricity companies (excluded people in case they have high electrical consumption), Banks (excluded people in case they already had loans), Traffic Division (excluded people in case they have a car); however, at that time was the government did not perform a verification of the incomes that the people declared.

¹⁴<http://www.siise.gov.ec/> Sistema Integrado de Indicadores Sociales del Ecuador (Integrated System of Social Indicators of Ecuador).

¹⁵Ministerial Agreement No. 0037 – July 2009.

¹⁶Before this database was called SELBEN ("Sistema de Identificación y Selección de Beneficiarios de los programas sociales" – Identification System and targeting of social programs), and now it is called "Registro Social" (Social Record).

beneficiaries of social programs and projects of the State, through the application of a survey. Based on this survey of socio-economic characterization, the households would receive a score (“targeting index”), the system gives weight to each variable such as education, housing, employment, demography, etc., and also these weights are added; the outcome is the Welfare Index (IB – Índice de Bienestar) for each household, that placed them in poverty quintiles or welfare scales, in order for them to be recipients of the social programs. The values are assigned on a scale from 0 to 100, high risk households receive values close to 0, and the households with less risk get values close to 100.

When the program started the database was “SELBEN” (Sistema de Selección de Beneficiarios – Recipients Selection System) and later “Registro Social” (RS), the policy of the government was to determine the recipients of the program located in the first or second poverty quintile. According to the SELBEN Survey Lifting Methodology (Vásquez, 2007,3) the poverty quintile was divided by points.¹⁷

The survey considered 27 variables related to issues such as: the geographic area, housing characteristics, number and age of children, education level, possession of some devices in the home, head of household’s conditions, and affiliation to Social Welfare.

Later, during 2008-2009, the RS (before SELBEN) generated a new socio-economic survey, in order to have a better record of the households and identify potential recipients for the social programs.¹⁸

¹⁷The IB of 42.85 or less marked the first quintile; IB of 50.65 was the second quintile, IB of 60.40 third quintile; IB higher than 60.40 fourth and fifth quintile (families less poor), (high households risk index near 0, low household risk index near 100).

¹⁸The survey considered around 59 variables related with home characteristics (6 variables), head of household characteristics (9 variables), housing conditions (15 variables), living conditions (15 variables), availability of goods (12 variables), and territoriality (2 variables). The mechanism to fill the survey was through visits in situ

According to the report to Fabara (2009), the exclusion error in the targeting was reduced from 21% (SELBEN Index) to 10% (Registro Social Index), and the inclusion error was reduced from 18% (SELBEN Index) to 10% (Registro Social Index). The under-coverage was reduced from 38% to 26% and filtration from 34% to 26%. This way, with the Registro Social Index, it was possible to improve the recipient targeting.

TABLE No. 4: SELBEN INDEX AND REGISTRO SOCIAL INDEX

DESCRIPTION	INDICATOR	SELBEN INDEX (ECV 1998)	REGISTRO SOCIAL INDEX (ECV 2006)
Errors	Exclusion Error	21.2%	10.5%
	Inclusion Error	18.3%	10.4%
Indicator	Under coverage	38.1%	26.3%
	Filtration	34.6%	26.1%

SOURCE: Socio-economic Direction of information – SIISE

4.2 ADMINISTRATIVE ISSUES

The implementation of the CCTP requires a big administrative infrastructure that organizes all the operations of the program,(with the conditionality, the monitoring role is very important). The institution requires having enough staff for the operation, monitoring, control and diffusion of the program. The PPS, the public institution, that manages the BDH program and other social programs in the country, employs around 204 public workers (national level), 166 in Quito (Ecuador’s capital) and 38 in the provinces (2011)¹⁹.The remuneration budget (US\$3,4 Million) represents around 0.43% of the total PPS´s budget.

During 2011, the budget of the Social Protection Program was divided into the following components:

(to visit each household in urban areas) and through the gathering in a specific place in order to collect the information in rural areas.

¹⁹Staff of the Social Protection Program (PPS) of the Ministry of Economic and Social Inclusion.

TABLE No. 5 Budget year of the Social Protection Program (USD)

CONCEPT	VALUE	%
Personnel Expenses	3,448.964,00	0,43%
Operating Expenses (BANRED payment)	43.751.336,97	5,40%
Other current expenses	12.025.946,00	1,48%
Transfers (Bono de Desarrollo Humano)	723.295.866,00	89,20%
Investments goods and services	27.871.754,85	3,44%
Long term assets	513.120,00	0,06%
TOTAL	810.906.987,82	100,00%

SOURCE: PPS

According to the previous table, the 89% of the funding is for the transfers of BDH, 5.4% for operative cost (network bank payment) and 0.43% for personnel expenses. Additionally, the BDH Program generates other kind of expenses such as diffusion.²⁰The CCT programs require high administrative costs, good household targeting systems, efficient monitoring process, and good coordination between central and local governments.

The PPS' budget (it is included the BDH's budget) in the last years, will be described in the next table:

TABLE No. 6: PPS year budget

YEAR	BUDGET (USD)
2003	160'089.752
2004	176'269.039
2005	171'897.913
2006	192'093.780
2007	381'489.675
2008	425'215.784
2009	554'108.941
2010	687'082.957
2011	810'906.987

SOURCE: SIISE – PPS

The PPS's budget 2010 represents 1.19% in relation to GDP 2010 (US\$57.9 billion), and the PPS's budget 2011 represents 1.40% of GDP 2010. The financial assignation has increased in the last years by the Government in light of the necessities of the social sector.

²⁰In order to explain to the recipients about the conditionality and the way how to get the documents.

4.3 COSTS INVOLVED IN THE PROGRAM

In the operation of CCT programs, specifically in the BDH, there are different kinds of costs, which can produce a reduction in the transfer net value. On the one hand there is the transaction cost that is paid by the government. This value consists of administrative costs that are necessary to make the transfer through the financial system. In the BDH case the cost for each monthly transaction is US\$ 0.38 (US\$0.25 for the private banks and US\$0.13 for the Banking Red – BANRED). This transaction cost represents 1.08% of the monthly transfer for each recipient.

There is also the transportation cost, when people are traveling so as to receive the bond each month. This transportation cost is higher, especially in rural areas because of the distance between the recipient's home and the bank or payment points. Worse, in rural areas there are only limited payment points.

Another cost is the opportunity cost which consists of the activities that people must give up, in order to go to the bank or payment points to collect their bonds. In some cases, these activities include taking care of the children, household chores and other economic activities.

According to Carrillo and Ponce (2009, 276) there is some ineffectiveness in the distribution mechanism of this kind of subsidy, which could reduce the net-value the recipients realize. They point out that there are high transaction costs related to the allocation of transfers (transportation cost, opportunity cost and other kind of costs).

5. IMPACTS OF THE BDH PROGRAM

Researchers have found that the CCTP helps children to use more healthcare services, to attend school, and take less part in the work force. The expansion of sanitary service, education, healthcare, and social security contribute to improving the quality of life. The human development improves the quality of life and the individual productive capabilities (Sen, 2000, 181).

According to researchers, the CCTP generates the outcomes as described in the section below.

Impact evaluation over on school enrollment and child work:

In general, the CCTPs in Latin America have proven to have important effects on school enrollment. For example in PROGRESA in Mexico, the enrollment rate had improved by about 3.5 percentage points on average in all grades, with greater effects on children experiencing the transition from primary to secondary school (11.1 percentage points of children enrolled in 6th grade), plus a parallel decrease in child labor (Schady and Araujo, 2006,2).

According to the Impact Evaluation of BDH program made for the World Bank (2006), this program had a positive impact on school enrollment (around 10 percentage points) and on the reduction of child labor (around 17 percentage points) (Schady and Araujo, 2006,1). For the 6th graders who are making transition from primary to secondary, the BDH had an effect of 17.8 percentage points, while the average improvement of grades was 8.6 percentage points (Schady and Araujo, 2006, 16). In Schady and Araujo's view, the effects of the BDH program were greater than the effects managed by PROGRESA in Mexico. Additionally these outcomes

were achieved under the fact that the conditionality in the case of BDH (Ecuador) was not enforced or monitored at this time, and the BDH's cash transfer was smaller than PROGRESA's cash transfer.

Impact evaluation on the child's health and development in rural area:

According to the research done by the World Bank (Paxson and Schady) in rural area of Ecuador, the CTP had positive effects on the physical, and socio-emotional aspects of children (Paxson and Schady, 2007, 1). Their study investigated the effects of the BDH program on the healthcare and development of children ranging between 3 and 7 years old in the rural areas to learn the nutritional level and cognitive and motor skills of that segment of the population.

Paxson and Schady (2007) found that the CCTPs have generated optimistic effects on children's nutritional condition in Nicaragua and Colombia, but not in Honduras or Brazil (Paxson and Schady, 2007, 3). They also found in Ecuador a relatively modest increase in the hemoglobin level in the poorest children, an improvement in fine motor control, and in cognitive outcomes. Furthermore, the program's effects on cognitive condition were higher for women than men, and for children with a good educational background mothers (Paxson and Schady, 2007, 29). Amartya Sen argues that there is a strong relation between education (especially women's) with other variables such as the fertility rate, children's education and health conditions (Sen, 2000, 350).

Impact evaluation on the school enrollment:

According to the impact evaluation made by Oosterbeek, Ponce and Schady (2008), the CCTPs have two potential outcomes, one short term and the other one long term. In the short term the program can reduce poverty, whereas in long term the poverty could be decreased if

the poor families improved the children's human capital. From this study they conclude the BDH had positive effects on the school enrollment of children in families from the first quintile, which increased about 10 percentage points for the CCTP (increased from 75 to 85 percent), but for school enrollment of children in families placed within the second quintile the program had no effect and school enrollment remained at 85 percent (Oosterbeek, Ponce and Schady, 2008, 97).

Impact evaluation on children's work:

According to the impact evaluation of the children in the work force made by José Martínez and José Rosero, they have stated that the BDH is delivered regularly to the women, because they are more closely involved with purchase decision making, food preparation, healthcare and school attendance supervision (Martínez and Rosero, 2007, 6).

The conclusions of this research indicate that the BDH had an important impact on school enrollment, with a 3.5% higher probability than children in the recipient households are going to school than children who are not from recipient homes (Martínez and Rosero, 2007, 15).

The impact of the bond is concentrated on children ranging from 11 to 17 years old (enrollment rate 56.3%). There was no impact on the enrollment rate in children from 6 to 10 years old (enrollment rate 94.4%) (Martínez and Rosero, 2007, 15). The BDH had an impact on the children in the work force, where there was 6.2% less probability that children in a recipient household work in comparison to other households. The children who work in the recipient households worked 2.46 hours less than children in the households who were not recipients; the researchers believed that the children's labor is replaced by education in the households that received the BDH (Martínez and Rosero, 2007, 16).

Overall, these impact evaluation studies are showing positive effects that have resulted from the CCTP “Bono de Desarrollo Humano” in Ecuador.

6. FINDINGS

As stated in the beginning, this study is concerned about the problems in the implementation of the CCTP in Ecuador. There are several issues that affect the implementation of CCT programs, such as: inadequate targeting of the recipients (in some cases with inclusion or exclusion issues); the presence of middlemen, the high cost of transportation, especially in rural areas (because of the distance between the location of the household and the BDH cash transfer's payment points) as well as the opportunity cost (activities that people give up when they go in order to get the cash transfer). I've applied two kinds of surveys with an aim to determine the magnitude of implementation problems in targeting, administrative, transportation, and opportunity costs issues.

The first survey had information about the BDH's recipients. The purpose of this survey was to get information about the targeting issues in terms of the "inclusion problem" (people who are not poor, but they are included in the program), transportation cost, opportunity cost, and administrative issues. The second survey sought to identify the "exclusion" problem when targeting, it was made for non BDH's recipients. It is important to mention that the BDH is an important mechanism to help poor people face poverty; the recipients of this bond are part of the poorest segment 40% of the Ecuador's population. The explanation of the surveys will be complemented with the answers of the BDH recipients given in some interviews.

Before starting the analysis regarding the two surveys, the PPS's position will be exposed as it relates to the BDH based on staff's interviews, as well as some institutional reports.

6.1 PPS´s POSITION IN RELATION TO BDH PROGRAM

The information of PPS about BDH will be explained based on an interview (PPS staff) and other institutional reports. During 2011, the number of BDH's household recipients were about 1.2 Million; out of this households, around 59% were in urban area and 41% in rural area across the country.

TABLE No.7: BDH Recipients according to location

AREA	Households	%
Urban area	720,496	59%
Rural area	491,060	41%
TOTAL	1,211,556	100%

Source: PPS – December 2011

The target for the BDH bond are women (the bond is delivered, one per family). In December 2011, 94% of the BDH's bond were delivered to women; this issue responds to the purpose of the BDH Program to give more opportunities to women, since they are more closely related to the children's care, and they will be more concerned with issues such as: children's education and healthcare; by the same token, it was a mechanism that allows women to further increase their empowerment within the family.

TABLE No.8: BDH Recipients according to gender

Gender	Head of Households	%
Women	1,142,497	94.3%
Man	69,059	5.7%
TOTAL	1,211,556	100%

Source: PPS – December 2011

Some important aspects analyzed about the BDH bond are the transportation cost, the payment points, the conditionality, and the sustainability. The general point of view regarding these issues corresponds to PPS.

The geographic and living conditions in the country are different from region to region. This

situation typically arises in some locations in the rural areas where the households are farther away from the cities, or the place where they can get the bond. In other cases, accessibility is difficult, people have to walk, and wait a long time for limited bus service, or find another kind of informal transportation.

The location of payment also changes according to the region; in some areas, it is likely to find several payment places such as: banks, ATMs, Credit Unions, “Banco del Barrio” BB (neighborhood branch bank). In other areas, this service is not available for BDH’s recipients to get their cash bond.

According to the interview with PPS’s staff, the transportation cost in the urban area is not a problem because there are enough payment points and coverage is almost at 100%; however, in the rural area the transportation cost is an important issue especially in places where payment locations are far or in areas with difficult access.

This is the reason why the PPS’ policy has changed in the past years. For instance, families can accumulate the monthly bond and can collect it after 4 months so that they do not have to go each month to collect the bond. They can get BDH bond in lump sum (they can receive US\$ 140 every 4 months). As a result people do not spend money on high transportation fees.

Another change has been the implementation method in which the BDH’s bond payment is made through a deposit in a saving bank account. This system makes the monetary transfer to the recipient’s personal account, and every recipient is able to use the money whenever they see fit.

The payment points for the BDH bond are Banks, Credit Unions (20%), ATMs (34%), and BB (Neighborhood Branch Bank) around 46%. The Neighborhood Bank, “Banco del Barrio”-BB, have more presence in the country, and it is a good alternative to get the bond and cut down on transportation expenses. The BBs are a private bank initiative; they are small shops or convenient stores such as bakery shops, grocery stores, and pharmacies located within neighborhoods and districts, these places in addition to providing stores shopping services also offer some basic banking services.

TABLE No.9: BDH Payments points

Payments Points	No.	%	
Bank cashiers	1,105	20%	Banks – 430 Cooperative – 675
ATMs	1,883	34%	
Neighborhood Banks -BB	2,602	46%	
TOTAL	5,590	100%	

SOURCE: PPS – December 2011

According to the PPS point of view, the BDH bond’s payment approach through BB is positive for the BDH program as payment locations have increased across the country, recipients have more locations where they can get their bonds. In fact, some of these BB are located where no bank or Credit Union exists to handle payments.

The PPS’s staff explains to me that the BBs help cut down on the transportation cost because people don’t have to go to other places far from their homes in order to get their BDH bond. Nevertheless, a negative aspect is that the BB doesn’t have a good controlling process; as a result, issues have come up, issues such as payment of commissions, having to buy other items in the BBs, or the BDH bond payment is not made, in these BBs people are not aware of the BDH payment lawfulness.

An important issue in the BDH Program is monitoring the conditionality; the PPS staff explains to me that monitoring is done twice a year when children start the school year. The approach is different between the areas: urban and rural. In urban area, the monitoring is made based on a recipient's sample. The families are notified and they have to submit the documents that verifies school enrollment of children or medical checkups.²¹ The families can submit the documents within the next two months; otherwise, the monthly bond payment is suspended. For rural areas, the PPS monitoring staff works with local governments, which ask the recipient families to provide education and healthcare documents.

One of the problems of the conditionality's monitoring according with PPS is that the monitoring is not universal, only partial. If the conditionality were universal it would entail the use of countless resources: human, material and economics. Another concern is that nowadays there is no technological infrastructure to coordinate the work amongst other Ministries in which case the PPS might coordinate with the Ministry of Health and Education, that is to have an online registration for medical checkups, school attendance, this may be useful for the monitoring process.

Throughout 2011, PPS did the conditionality controls in about 18,353 households in urban areas and about 91,322 households in rural areas; the level of compliance of the conditionality was about 63%. According to this institution, the outcome of the conditionality has been positive for the households because they have become engaged with complying with the children's school enrollment and children's medical checkups.

As far as the BDH's sustainability, PPS explained that the BDH is a program focused, not

²¹ After the notification, the households have two months in order to submit the documents (schooling registration certificate and healthcare certificates) that show the fulfillment of the conditionalities in education and health.

only on improving consumption levels, but also in a way of fighting poverty, breaking the poverty circle, reducing the risk of poor people, improving capabilities, but primarily the human capital. One of the mechanisms used to that effect is the Human Development Loan (CDH), aimed to promote productive initiatives and saving strategies in the recipients; consequently, it will be possible to integrate families into society and later these families would leave the BDH program.

According to PPS staff, the Human Development Loan (CDH) began as a way to legalize the resources intended for BDH recipients, encouraging investment in small business or economic activities. PPS's point of view is that CDH is an Aid mechanism as well as consolidation for the family in order to help them break their poverty cycle by means of income generation that allows the family to cover their needs. Throughout 2011, the CDH paid 84,124 credits with a financial assignation of about US\$ 35,547,936²², the credits have been intended essentially for businesses, agricultural production, and manufacturing.

Another way of sustainability is through public policy (taxes, subsidies and other ways to income redistribution) for the social sector. The private sector has also responsibility to contribute in improving conditions for poor people.

According to the Social Development Agenda 2011 – 2013 of the Ministry of Social and Economic Integration, the incorporation of the BDH's recipients in the whole economy is imperative in terms of assets generation and saving strategies. A challenge for the BDH is to strengthen their support in financial areas for productive projects intended to have further economic impact. This implies an increase of the associative formation component and the

²²<http://www.pps.gob.ec/PPS/PPS/CPS/ESTADISTICAS/EstadisticasCDH.aspx>

training skills of BDH's recipients. In the view of the Ministry, conditionality is important because it enables the program to have an added impact on education and healthcare, as well as an increase in citizenship's accountability.

6.2 ANALYSIS OF THE SURVEYS

This section describes the results of surveys conducted in three provinces in Ecuador (provinces of Imbabura, Pichincha and Carchi, in rural and urban area), this information is complemented with interviews conducted with a small sample of the people in these provinces, who are BDH recipients. The first survey is focused in BDH's recipients and the second survey is focused on those who are outside the BDH program.





FIRST SURVEY

The survey No. 1 was taken by 55 people; (55%) in rural areas, and (45%) in the outskirts, urban area. As previously mentioned, the program is focused on mothers; the answers to the survey were given by 42 women (76%) and 13 men (24%).

The age group included 30-year-old subjects and older (71%); marital status was higher in married people (36.4%) and singles (25.5%). Sixty four percent of the surveyed mentioned that they were head of households; out of them 68% were women (24 people).

TABLE No.10: Age of BDH's recipients

AGE	No.	%
18-25 years	3	5,5%
25-30 years	13	23,6%
30-40 years	16	29,1%
More than 40 years	23	41,8%
TOTAL	55	100%

SOURCE: SURVEY No. 1

Out of the respondents who were surveyed, 62% had primary education, and 31% stated that they hadn't had any education. Therefore, the BDH makes a significant contribution to the human capital in children, because the possibility to break the cycle of poverty in families becomes a reality.

TABLE No.11:Education level of the BDH´s recipients

EDUCATION LEVEL	No.	%
None	17	30,9%
Primary	34	61,8%
Secondary	4	7,3%
Superior	0	0,0%
TOTAL	55	100,0%

SOURCE: SURVEY No. 1

Each household has from 1 to 9 children; the average figure is 3 per household. The ages of the children range between 1 and 18 and over. According to the program, families with children over 18 have to leave the program (they can only stay in the program if there are senior citizens 65 and older or if there is someone in the family with some kind of disability). In the survey, 15% of the children were under 5 years old, 61% between 6 and 18, and around 24% over 18; in this case, it is necessary to implement mechanisms to improve targeting.

TABLE No.12:Age´s children of the BDH´s recipient family

AGE OF CHILDREN	No.	%
Under 5 years	24	14,8%
From 6 to 18 years	99	61,1%
More than 18 years	39	24,1%
TOTAL	162	100,0%

SOURCE: SURVEY No. 1

As far as the economic information, the main outcomes were:

- 38% of respondents said that they lived in their own houses, almost all of them live in rural areas (in rural area housing can be interpreted as only one room with minimum conditions), 29% live in a rented place, 24% live in parent´s or relative´s house. For the option “other”, some people lived in the place where they work (taking care of some property or animals).

TABLE No.13:Kind of accommodation

KIND OF ACCOMMODATION	No.	%
Your own house	21	38,2%
A rental place	16	29,1%
Parent's or relative's house	13	23,6%
Other	5	9,1%
TOTAL	55	100,0%

SOURCE: SURVEY No. 1

- 35% of the surveyed mentioned that they have a monthly income of around US\$100-US\$200, 33% have an income that ranges between US\$50-US\$100, and a 16% an income less than US\$50. In Ecuador, the official basic minimum salary is US\$292 per month²³, in regards to this, just about all the income documented is less than the basic minimum salary.

TABLE No.14: Monthly Income level

MONTHLY INCOME LEVEL	No.	%
less than 50 USD	9	16,4%
50 USD - 100 USD	18	32,7%
100 USD - 200 USD	19	34,5%
200 USD - 300 USD	9	16,4%
300 USD - 500 USD	0	0,0%
More than 500 USD	0	0,0%
TOTAL	55	100,0%

SOURCE: SURVEY No. 1

The sources of the income is farm work (44%), housekeeping (17%), retail (11%), animal care (6%) and the “others” category at(19%). This category (others) includes construction, masonry, and taking care of properties. In the rural area the main activity is agriculture.

TABLE No.15: Sources of incomes BDH's recipients

SOURCES OF INCOMES	No.	%
Self employment	2	3,1%
Housekeeping	11	17,2%
Farm work	28	43,8%
Retail	7	10,9%
Animal care	4	6,3%
Other	12	18,8%

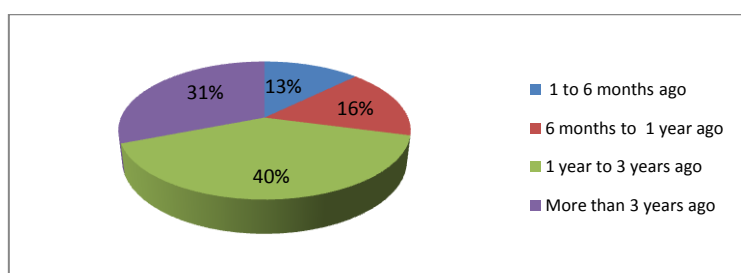
SOURCE: SURVEY No. 1

²³<http://www.inec.gov.ec>.

About Bono de Desarrollo Humano –BDH- information, the main outcomes were:

- 40% of respondents are BDH's recipients from 1 to 3 years old and 31%, 3 and older.

FIGURE No.3:BDH'S recipients period



SOURCE: SURVEY No. 1

- Fifty three percent of respondents said that it was NOT difficult to apply for the BDH Program, but the other 47% said that it was difficult because it took a long time to receive the approval. Some of them said that they did not receive the approval soon; other said that the PPS staff offered to give the approval but it never arrived, others said that the procedure was delayed.

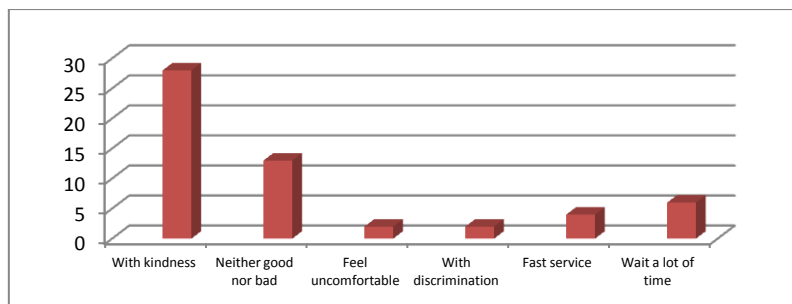
People said that when the program started it was easy to be a BDH recipient, but later approval was difficult and it took longer, several people waited for an answer for a year or even longer. In some cases the institution that conducted the survey offered the bond to the people, but they never received the bond. In other cases, families did not know where to turn to ask about the result of the process. Overall, the people had expectations and uncertainty about the results of their applications in order to become a BDH's recipient.

- In regard to the question of how long the approval takes for the BDH, after the requirement submittal, PPS mentioned that the institution usually takes 2

months. According to the survey, 38% of respondents said that the approval took anywhere between 2 to 3 months, and another 38% said that the approval took from 7 to 12 months, and only 7% said that the approval took more than 12 months. These findings could reflect that there are difficulties related to administrative issues of the Program to which the institution needs to pay attention.

- Ninety three percent of the respondents answered that they personally go to the bank themselves in order to collect the BDH bond. 3.6% answered that their spouses go to receive it; and 2% said that someone in the family does, and 2% said that a member of the community goes. In this aspect, clearly there is no evidence of presence of middlemen.
- In order to receive the BDH bond, 64% of respondents said that they go to the bank. No one goes to the ATM and 36% go to some Credit Union or “Banco del Barrio” -BB (Neighborhood branch bank). This BB is a kind of bank agency located in small shops in the neighborhood such as: a pharmacy, bakery shop, or grocery store. This way, the payment points are near the BDH recipient’s home and transaction fees are lower than before. It is because of this that savings at these payment points are quite evident in terms of money and time, and provides people in rural areas with more benefits.
- As far as the kind of treatment BDH’s recipients receive from the bank, 51% of people answered that they receive the service kindly, 24% said the service is neither good nor bad and 11% said that they have to wait a long time.

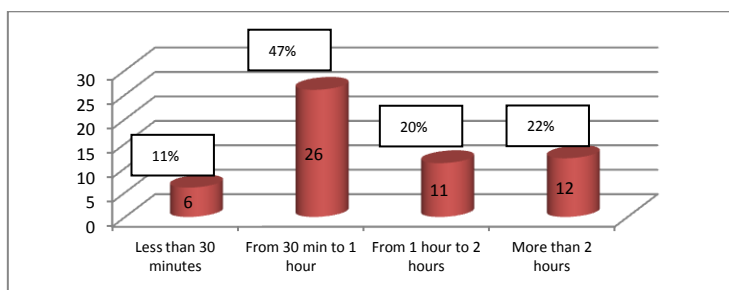
FIGURE No.4: Kind of treatment in the Bank's service



SOURCE: SURVEY No. 1

- Forty seven percent of respondents answered that it takes them anywhere from 30 minutes to an hour to travel from their homes to the location where they receive the BDH. 20% answered that they need 1 hour to 2 hours, 22% need more than 2 hours and 11% answered that they take less than 30 minutes.

FIGURE No.5: Time of travel from the home to the point of payment



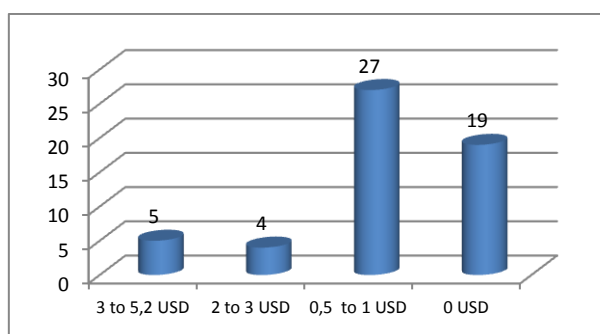
SOURCE: SURVEY No. 1

It is important to realize that the time spent in getting the bond is not only the time that families spend on the way to the bank, but it is also the time that people need inside the bank when awaiting service. Therefore, people sometimes need 4 or 5 hours to get their cash bond. Furthermore, conditions are different, depending on where people live, in some regions there is nearby bank, Credit Union, BB, and ATM's whereas, in other regions, these places are quite far from the recipients' homes. In rural areas some people actually have to walk for about 30 minutes or even an hour before getting to a

bus stop and take the bus in order to arrive to the location where they can get the bond money.

- As far as monthly transportation fees, recipients need to go from their housing to the BDH payment point, 35% of the respondents answered that they don't have any expenses in transportation because they walk (42%). In case of other respondents who take the bus; the monthly cost is anywhere between US\$0.50 to US\$1.0 (49%). 16% have higher expenses of up to US\$2.00 especially in the rural area. For people with transportation costs bordering US\$5.2; this figure represents a 15% of the monthly bond.

FIGURE No.6: Monthly transportation cost



SOURCE: SURVEY No. 1

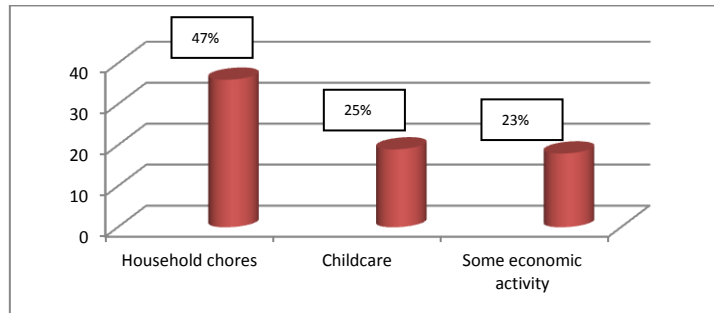
- For 75% of respondents (41 people) there is not an extra cost that they incur when going to the payment point in order to collect their BDH bond. The other 25% (14 people) have expenses between US\$1.0 to US\$3.0; essentially for meals when they are in transit.
- Ninety three percent (51 people) of respondents go to the BDH payment point every month. In case of four people, they don't receive the payment every month because they requested to get their Bono de Desarrollo Humano Credit (delivered in advance by

means of BDH bond transfer). Through this credit PPS could give the recipients a maximum value of US\$ 420, within a year and with a 5% APR (annual percentage rate), the resources will finance investment projects in microproduction units, trade or services. One of these respondents bought a lawn mower to work as gardener; another one bought equipment to make wooden boards and then sell them; another one bought a cow.

The credit has been a significant alternative for the BDH's program in order not to be an Aid program, but rather an alternative to leave poverty behind by means of generating economic activity. Many people have bought cows to get milk and sell them and hogs to raise them and sell them when they are fully grown. Other people bought small machines in order to start small businesses related to food, wood, leather, and other goods.

- The activities that BDH's recipients sacrifice when going to get the BDH include household chores (47%), childcare (25%) and some economic activity (23%). The economic activity can include retail sales, farm work, and property care. The problem for farm work, for instance, is that people lose a whole day's work (the salary for one day of agricultural work is around US\$5.00 and it corresponds to the opportunity cost); this is worth 14% of the BDH bond. In other cases, people have to ask permission from their employers to go to receive the bond. Almost all the respondents said that nobody does these activities for them. Only when it comes to childcare, this activity could be done by someone else like an older child or some relative.

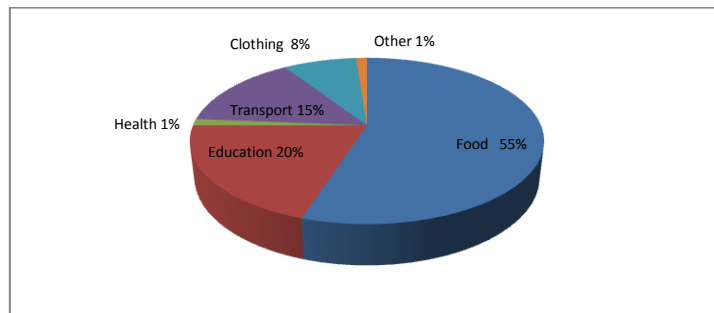
FIGURE No.7: Give up activities when recipients go to the payments points



SOURCE: SURVEY No. 1

- As far as the kind of expenses with the BDH bond is concerned, respondents that they spent commented 55% in food, 20% in education, 15% in transport, 8% in clothing, 1% in healthcare and 1% others (services). The recipients don't have any control over their expenses, although they have the freedom to manage their BDH bond anyway they see it fit.

FIGURE No.8: Kind of BDH expenses



SOURCE: SURVEY No. 1

- Regarding conditionality in the BDH Program, 78% (43 people) commented that they knew about the conditionality, whereas, 12 people said that they did not know about the existence of conditionality.

As to people who answered that they knew about conditionality, 25 persons said that they know that children must attend to school, 15 persons said that children must be

enrolled in school, 17 people knew about children medical checkups, and 13 people mentioned other issues as conditionality related to some duties people have.

TABLE No.16: Kind of BDH conditionalities

KIND OF CONDITIONALITIES	No.	%
Children must to attend classes	25	35,7%
Children must to be enrollment in the school	15	21,4%
Taking children to the health center	17	24,3%
Other	13	18,6%

SOURCE: SURVEY No. 1

SECOND SURVEY:

The second survey was answered by 50 people who are not BDH's recipients. The purpose of this survey was to determine the exclusion error (poor families that are not included as BDH recipients). The respondents lived 44% in the periphery/urban areas and 56% in rural areas. The answers to the survey were given by 43 women (86%) and 7 men (14%).

All respondents had heard about the BDH, and 72% had received some information about the bond. 68% of respondents had applied for the bond, but they said that they did not get approval for several reasons such as:

- Not being included on the approval list.
- There were other people with greater needs.
- There was preference shown for older people or the handicapped.
- The PPS staff said that the approval was coming but it was not true.
- The bond was taken away, because people began to work and earn a basic salary.
- The person had a piece of land with a small construction on it.
- The person was a co-signer for a loan.
- The person got a job.

- The bond was taken away when the children were over 18.
 - The person was registered in the Tax System.
 - The person was enrolled in the Social Security Institute.
- All of the recipients said that they would like to become BDH recipients because:
 - The income they earn was not enough.
 - The person could not work because she did not have anyone to take care of the children.
 - The person needed assistance for her children.
 - The household was poor, and the jobs were occasional.
 - The bond would help cover some complementary expenses.
 - It would help cover some basic needs such as food, education, and healthcare.
 - The age of people was focused on a group between 30 – 40 year olds (38%) and in the group 18-25 years (30%). As far as marital status, most people were married (46%), single (34%), divorced (12%). 62% (31 people) mentioned that they were the head of the household; out of them 83% were women.

TABLE No.17: Age of non BDH's recipients

AGE	No.	%
18-25 years	15	30,0%
25-30 years	10	20,0%
30-40 years	19	38,0%
More than 40 years	6	12,0%
TOTAL	50	100%

SOURCE: SURVEY No. 2

- Out of the respondents, 6% had no education, 78% had primary education, 14% secondary education, and 2% achieved higher education.

TABLE No.18: Education level of non BDH's recipients

EDUCATION LEVEL	No.	%
None	3	6,0%
Primary	39	78,0%
Secondary	7	14,0%
Superior	1	2,0%
TOTAL	50	100%

SOURCE: SURVEY No. 2

- The number of children in each household was between zero and seven. 30% of the children were under 5, 55% between 6 to 18 and around 16% over 18.

TABLE No.19: Age of Children nonBDH's recipients

AGE OF CHILDREN	No.	%
Under 5 years	33	30,0%
From 6 to 18 years	60	54,5%
More than 18 years	17	15,5%

SOURCE: SURVEY No. 2

- As far as accommodation is concerned, 38% of respondents said that they lived in their parent's or relative's house, 28% lived in their own house, and 20% lived in a rental place.

TABLE No.20: Kind of Accommodations non BDH's recipients

KIND OF ACCOMMODATION	No.	%
Your own house	14	28,0%
A rental place	10	20,0%
Parent's or relative's house	19	38,0%
Other (Specify)	7	14,0%
TOTAL	50	100,0%

SOURCE: SURVEY No. 2

- Regarding monthly income, 56% of respondents mentioned that they had an income around US\$100- US\$200, 12% had an income between US\$50- US\$100, and 24% an income between US\$200 – US\$300.

TABLE No.21: Monthly income level non BDH's recipients

MONTHLY INCOME LEVEL	No.	%
less than 50 USD	3	6,0%
50 USD - 100 USD	6	12,0%
100 USD - 200 USD	28	56,0%
200 USD - 300 USD	12	24,0%
300 USD - 500 USD	1	2,0%
More than 500 USD	0	0,0%
TOTAL	50	100,0%

SOURCE: SURVEY No. 2

According to the answers obtained, the PPS policy has been well implemented in relation to the requirements established for recipient targeting, the policy said that it would not be possible to be BDH recipient if people had children over 18, if they had a formal job or were affiliated to Social Security, if people were registered in the Tax Institution, if they had high consumption in basic services, if people had loans in the financial sector or they were cosigners for a loan, or if they had a car or a property.

Another relevant issue is that the respondents in Survey No. 2 had better education, and income level compared to the respondents to the Survey 1; this explains the reason why they are not BDH's recipients. However, 100% of Non BDH recipients' respondents said that they would like to receive benefits from the BDH because their incomes are not nearly enough, they need money for their children, the jobs are occasional, and the bond would help them cover some complementary expenses.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 CONCLUSIONS

The CCTPs have some problems in their implementation related to targeting (exclusion or inclusion of recipients), costs associated to transaction, transportation and opportunity. It is not easy to correct these difficulties in the implementation of CCTP because there are problems such as information asymmetries that affect the selection when targeting, there are some structural limitations and an uneven development in rural and urban areas, the access to the services in rural areas is far more difficult than in urban areas, and this situation implies that transportation cost increases based on the distance from and to the payments points.

The incorporation of the conditionality in the CCTP helps to increase the possibility to improve the human capital for children, especially in education and healthcare areas. According to this research, 62% of respondents had only primary education and 31% no education at all. In this regard, the BDH gives an important contribution to the human capital development in children, because there is a possibility to break the cycle of poverty in the households through children's education. The outcome of the conditionality has been positive for the households because they are more engaged in fulfilling their children's school enrollment and medical checkups.

In my study, almost all BDH recipients had a monthly income under the official minimum salary (US\$292), and their accommodation at about 62% of the cases was not owned. These elements show that the recipients are well targeted in the sense that the households belong to the 40% of the poorest family bracket in the country. However,

some households BDH's recipients have children over 18; therefore, in this case it is necessary to implement mechanisms to improve the targeting because the program has to focus only on children under 18 years old.

As far as administrative issues are concerned, 53% of respondents said that was not difficult to apply for the BDH. However, the time that some of them spent waiting around for approval for PPS was about a year or even more; although the institution said that they would only have to wait for two months. In this respect, it is important that the institution improves all internal processes in order not to generate misleading or wrong expectations for the people. This administrative cost with the current number of recipients: 1.2 Million people, adds up to US\$ 5.5 Million per year, which in turn represents 1.08% of the total amount in transfers of the BDH Program.

In my study I find no evidence of the middlemen draining the recipient's bond money. 93% of the respondents answered that they personally go to the bank in order to receive the BDH bond; in other cases the spouses or someone else from the family goes. This situation is feasible as a result of implementing new payment mechanisms such as: the BB (neighborhood branch banks); the accumulation of the monthly bond up to four months, or the deposit of the bond in a saving bank account.

The existence of BB and the possibility of accumulation of the BDH bond up to four months have helped reduce the transportation cost of recipients. They are saving money and time, and provide more benefits to people in rural areas. Almost 64% of the respondents answered that they go to the bank in order to receive BDH bond, while 36% go to some Credit Union or BB (Neighborhood branch bank).

Forty seven percent of the respondents answered that it takes them 30 minutes to 1 hour to travel from their homes to the place where they receive the BDH. 35% of respondents don't have any expenditure in transportation cost because they go walking (42%). In the case of other respondents (49%), take the bus, so monthly transportation cost is between US\$ 0.5 to US\$1. For 75% of respondents there is not any extra cost when they go to the payment point, whereas the other 25% have expenses between US\$ 1 to US\$ 3, mainly in food.

The CDH (credit) has been an important alternative for the BDH's program in order not to be an aid program, but rather an alternative to leave poverty through the generation of an economic activity. These loan resources will be used to finance investment projects in microproduction units, trades or services. The respondents said that they invest the money in purchasing animals, buying different products in order to start a small business related to food, wood, and leather.

As far as the opportunity cost is concerned, the activities that BDH's recipients give up when going to receive the BDH include household chores (47%), childcare (25%) and some economic activity (23%). The economic activity includes retail sales, farm work, and property care. It is important to realize that the time spent in getting the bond is not only the time that families spend on the way to the bank, but it is the time that people need at the bank to get the service, in this situation there are some cases when people need 4 or 5 hours to get the cash bond.

Families used the BDH bond to pay for food (55%), education (20%), transport (15%), clothing (8%) and healthcare (1%), consequently, the BDH bond contributes to the household's incomes and it helps cover basic needs.

In regard to the conditionality in the BDH program, 78% of respondents answered that they knew about the conditionality, 36% said that they knew that children have to attend classes, 21% that children must be enrolled in school, 24% knew about the health conditionality, and 19% were aware of other kinds of issues as conditionality related to some duties people have.

According to the second survey that tried to determine the exclusion error, all the respondents said that they had heard about the BDH. 72% of them had received some previous information. 68% had applied for the bond, but they did not get the approval for several reasons, such as: having a job and earning a basic salary, having some properties, being co-signers for a loan, having a savings account, and having children who are over 18 years old.

All of non-BDH recipient respondents said that they would like to receive benefits from the BDH because their incomes are not nearly enough, they need money for their children, the jobs are occasional, and the bond would help them cover some complementary expenses. However, the respondents in the Survey No. 2 have better educational level, and income compared to the respondents in the first survey, this explains the reason why they are not BDH's recipients.

Based on the answer obtained from this survey, the PPS policy is satisfactorily implemented in relation to the requirements established by the Program. The BDH's

sustainability is focused on promoting productive initiatives and saving strategies in the recipients; this way, it will be possible to integrate the poverty-stricken families into the mainstream society and help them leave the BDH program eventually. The Human Development Loan (CDH) appears to make this transition possible.

7.2 RECOMMENDATIONS

It is extremely important that the BDH continue with the CDH. This option can help develop some productive initiatives that would improve the household's incomes, consequently, changing the approach of the BDH as an Aid program. A challenge for the BDH is to strengthen productive projects intended to have a further economic impact. This implies that the associative formation component and the training skills of the BDH's recipients need be strengthened.

It is necessary to help the households engage with the objectives of the BDH Program, especially the parents. In this regard, they will be more conscious about their responsibilities to invest in education and healthcare for their children.

It is important that the administration think about some alternative mechanisms to transfer the bond so as to reduce the costs related to transaction cost, transportation cost and opportunity cost.

It will be important to coordinate with the Ministry of Health and Education to have an online registration for medical checkup records or school attendance. This coordination will prove to be useful for the conditionality monitoring process.

8. APPENDICES

APPENDIX A

SURVEY No. 1 KDI SCHOOL OF PUBLIC POLICY AND MANAGEMENT SURVEY "BONO DE DESARROLLO HUMANO" -BDH- (HUMAN DEVELOPMENT BOND)

This survey will be applied only to people that is recipient to the Human Development Bond (BDH). Your response to this survey will be kept absolutely confidential.

City / Province: _____
Area Urbana: _____

Data: _____
Area Rural: _____

I. GENERAL INFORMATION: (Please check your response to each item)

1. Gender:

- Male
- Female

2. Age

- 18-25 years
- 25-30 years
- 30-40 years
- more 40 years

3. Civil status

- Married
- Single
- Divorced
- Free union
- Other (Specify) _____

4. Head of household

- Yes
- No

5. Education level

- None
- Primary
- Secondary
- Superior

6. Number of children _____

7. Age of children _____

II. ECONOMIC INFORMATION

8. Which of the following accommodations best describes your living condition?

- Your own house
- A rental place
- Parent´s or relative´s house
- Other (Specify) _____

9. Which of the following best describes your monthly household income?

- less than 50 USD
- 50 USD - 100 USD
- 100 USD - 200 USD
- 200 USD - 300 USD
- 300 USD - 500 USD
- more than 500 USD

10. Who in your household is generating income that you rely on for living? Check all the applies.

- you
- spouse
- children

11. Sources of **your** personal income. Check all that applies.

- Self Employment
- Housekeeping
- Farm Work
- Retail
- Animal care

III. HUMAN DEVELOPMENT BOND INFORMATION:

12. When did you start receiving the Human Development Bond - BDH?

- 1 to 6 months ago
- 6 months to 1 year ago
- more than 1 yearago
- more than 3 yearsago

13. Was it difficult to apply for the Human Development Bond -BDH?

- Yes
- No

If yes, explain _____

14. How long did it take for you to get approval for the BDH?

_____ month / months

15. Who goes to the bank to receive your BDH?

- You
- Spouse
- Other member of family

- Member of community
- Other (Specify) _____

If your answer is either you, spouse, other family member, skip question No. 18

16. If you use another person to receive the BDH money, do you pay a commission of some sort?
- Yes
 - No

17. If yes, How much do you pay for each errand?
US\$ _____

18. If you are going to the bank personally, where usually do you go in order to receive your monthly BDH?
- Bank
 - ATM
 - Other (specify) _____

19. How does your bank treat when it delivers your BDH money?. Check all that applies.
- With kindness
 - The service is neither good nor bad
 - Makes you feel uncomfortable
 - With discrimination
 - You receive a fast service
 - You have to wait a lot of time

20. How long does it take to travel from your home to the place where you receive the BDH?
- Less than 30 minutes
 - From 30 min to 1 hour
 - From 1 hour to 2 hours
 - More than 2 hours

21. How much do you spend while traveling to the bank where you receive BDH money? Give your best estimation about the total expenses – round trip.
US\$ _____

22. How do you travel to go to a bank and receive your BDH?
- Drive your own car
 - Take bus
 - Car pool
 - Walking

23. In addition to the transportation cost, are there other incidental expenses do you spend when you go to receive the BDH? (food, others)
US\$ _____ SPECIFY _____

24. How often do you go to the bank in order to receive the BDH?
Every _____ MONTH (S)

25. Which of the following activities do you have to give up when you go to receive the BDH? Check all that applies.

- Household chores
- Childcare
- Some economic activity
- Other (Specify) _____

26. Who then takes care of these chores?

27. Which of the following areas do you spend your BDH on?

- Food
- Education
- Health care
- Transport
- Clothing
- Other (Specify) _____

28. Do you know that you have to fulfill some conditionalities in order to continue with the BDH?

- Yes
- No

29. If yes, which conditionalities do you have to meet so you may continue with the BDH?

- Children must attend classes
- Children must be enrollment in the school
- Taking children to the health center
- Other (Specify) _____

THANK YOU SO MUCH FOR TAKING TIME TO RESPOND TO MY SURVEY QUESTIONS.

APPENDIX B

SURVEY No. 2 KDI SCHOOL OF PUBLIC POLICY AND MANAGEMENT SURVEY "BONO DE DESARROLLO HUMANO" -BDH- (HUMAN DEVELOPMENT BOND)

This survey will be applied only to people that is **NOT** recipient to the Human Development Bond (BDH). Your response to this survey will be kept absolutely confidential.

City / Province: _____ Data: _____
Area Urbana: _____ Area Rural: _____

I. GENERAL INFORMATION: (Please check your response to each item)

1. Are you recipient of the Bono de Desarrollo Humano?

- Yes
- No

If your answer is NO. Please follow the next questions:

2. Have you ever heard about the Bono de Desarrollo Humano - BDH?

- Yes
- No

3. Have you ever received any information about the Bono de Desarrollo Humano?

- Yes
- No

4. Have you ever apply in order to be recipient of the Bono de Desarrollo Humano?

- Yes
- No

5. If your answer is Yes, explain the reason why your application was denied

6. Would you like to be recipient of the Bono de Desarrollo Humano?

- Yes
- No

Explain your answer: _____

II. COMPLEMENTARY INFORMATION: (Please check your response to each item)

7. Gender:

- Male
- Female

8. Age

- 18-25 years
- 25-30 years
- 30-40 years
- more 40 years

9. Civil status

- Married
- Single
- Divorced
- Free union
- Other (Specify) _____

10. Head of household

- Yes
- No

11. Education level

- None
- Primary
- Secondary
- Superior

12. Number of children _____

13. Age of children _____

14. Which of the following best describes your monthly household income?

- less than 50 USD
- 50 USD - 100 USD
- 100 USD - 200 USD
- 200 USD - 300 USD
- 300 USD - 500 USD
- more than 500 USD

15. Which of the following accommodations best describes your living condition?

- Your own house
- A rental place
- Parent´s or relative´s house
- Other (Specify) _____

THANK YOU SO MUCH FOR TAKING TIME TO RESPOND TO MY SURVEY QUESTIONS.

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