Policy in Focus

A publication of
The International Policy Centre for Inclusive Growth
United Nations Development Programme

Volume 12, Issue No. 2 ▪ 2015

Empowered lives.
Resilient nations.

Social Protection, Entrepreneurship and Labour Market Activation





EDITORIAL

International Policy Centre for Inclusive Growth

The International Policy Centre for Inclusive Growth (IPC-IG) is a joint project between the United Nations and Brazil to promote South-South learning on social policies. It specialises in research-based policy recommendations on how to reduce poverty and inequality as well as boost inclusive development. The IPC-IG is linked to the UNDP Brazil Country Office, the Secretariat of Strategic Affairs (SAE) and the Institute for Applied Economic Research (Ipea) of the Government of Brazil.

Director: Jorge Chediek

Senior Researcher: Diana Oya Sawyer

Policy in Focus

Policy in Focus is a regular publication of the International Policy Centre for Inclusive Growth (IPC-IG). This issue was developed in partnership with Canada's International Development Research Centre (IDRC) and the IPC-IG following the seminar (held in Brasilia from 10 -11 September 2014) organised to discuss social protection and its linkages to jobs, entrepreneurship and women's economic empowerment. It provided an opportunity for international experts and policymakers to take stock of recent research findings and lessons learnt, as well as to discuss policy recommendations. This issue is a continuation of the debates and discussions held at the seminar.

Editor-in-Chief: Michael MacLennan, UNDP/International Policy Centre for Inclusive Growth

Specialist Guest Editors: Fábio Veras Soares, UNDP IPC-IG and Carolina Robino, IDRC

Copy Editor: Jon Stacey, The Write Effect Ltd.

Publications Manager: Roberto Astorino

Editorial Team: Rosa Maria Banuth, Paula Simone and Manoel Salles

Cover art: Mosaic produced by the IPC-IG Publications Team, composed of photographs by Eskinder Debebe/UN Photo; Martine Perret/UN Photo; Shareef Sarhan/UN Photo; Victoria Hazou/UN Photo; and Douglas Klostermann/2009 IPC Photo Competition.

Some of the photographs used in this publication are licensed under The Creative Commons license; full attribution and links to the individual licenses are provided for each.

Editors' note: *On behalf of the UNDP IPC-IG, I am grateful to the Canadian International Development Research Centre (IDRC) for their collaboration in the development of this special edition. In particular, we would like to extend a special thanks to the specialist guest editors Fábio Veras Soares and Carolina Robino for their dedication to the publication of this issue. We are additionally grateful to Cristina Cirillo for her technical support and to Luisa-Francesca Emily Schalck for her efforts in finding and selecting photographs for this issue.*

Finally, we also would like to express our sincere appreciation to all of the authors for their generous and insightful contributions, without which this issue simply would not have been possible.

Editorial Office

International Policy Centre for Inclusive Growth
United Nations Development Programme

SBS, Quadra 1, Bloco J, Ed. BNDES, 13º andar
70076-900 Brasilia, DF - Brazil
Telephone: +55 61 2105 5000

E-mail: publications@ipc-undp.org ■ URL: www.ipc-undp.org

ISSN: 2318-8995

Summary

Rural Development Programmes and Conditional Cash Transfers: Examining Synergistic Effects in Latin America

by Jorge Higinio Maldonado,[1] John Alexander Gómez[1] and Tomás Rosada[2]

The link between social protection programmes, labour markets and entrepreneurship projects is particularly relevant in the case of Latin America. As part of the goal to overcome intergenerational poverty, conditional cash transfer (CCT) programmes attempt to increase the human capital of young people; but these efforts come to nothing if beneficiaries cannot enter the labour market or connect with the promotion of entrepreneurship projects (Cecchini and Madariaga 2011; Rangel 2011).

In the rural sector, agricultural or rural development projects are the most direct ways for households to embark on income-generating initiatives. Projects that promote rural production or rural development consist of a series of sustained and sustainable processes of economic, social, cultural and environmental change that benefit the rural community (Moseley 2003). A programme for promoting rural production would encourage these changes by creating and supporting productive capabilities among rural populations.

Rural households can simultaneously receive benefits from social protection initiatives and productive development schemes. As these programmes may overlap, a pertinent question emerges regarding whether this overlap produces complementary benefits for the recipients. Accordingly, the project Conditional Cash Transfers and Rural Development in Latin America, undertaken by *Universidad de los Andes* and financed by the International Fund for Agricultural Development (IFAD), seeks to identify synergies (when the effect of two or more programmes acting simultaneously is greater than a simple sum of effects) between the two aforementioned types of initiatives and, where these synergies exist, investigate the mechanisms that promote them. This article presents some of the results from the project, and discusses their implications.

Why is it relevant to study synergies between CCT and rural productive development projects?

Identifying synergies between different initiatives would allow policymakers to combine different programmes to accelerate improvements in the living conditions of rural households. Ignoring these kinds of interactions—or not taking advantage of them—would mean incurring a significant social opportunity cost.

Furthermore, although their presence may not be directly observed, we might well find complementary dynamics between programmes; that is, two initiatives might affect the same outcome of interest, even if their combined impact does not have a multiplier effect (i.e. it is just the sum of the two effects).

Additionally, complementing one programme with another is not necessarily new—it is something that is already being put into practice but has not been widely studied. Finding interactions between these two types of interventions may offer policy insights into the design of pro-poor programmes so that contributions to the improvement of the lives of vulnerable rural communities in Latin America might be achieved.

Although research in this field is still in its early stages, there are already some indications that it is important to explore interactions between programmes.

The topic was first discussed by Sadoulet et al. (2001), and more recently Sabates-Wheeler et al. (2009) and Tirivayi et al. (2013) have highlighted the need for more in-depth studies. Policymakers have also perceived the idea of synergies, and some recent attempts to complement different programmes can already be seen. Brazil, for example, has engaged in an effort of articulation between social protection and productive initiatives through the *Brasil sem Miséria* plan. Mexico is implementing the *Territorios Productivos* programme, aimed at an integral attention to beneficiaries. In El Salvador, the *Comunidades Solidarias Rurales* transfer programme includes a component aimed at generating income and productive development. Moreover, two recent initiatives—*Haku Wiñay* in Peru and *IRIS*[3] in Colombia—have specifically aimed at taking advantage of potential synergies between different programmes; their objective is to design and promote interactions between programmes (including rural ones) that could enhance results for programme beneficiaries.

One way of classifying interactions between programmes could be by the magnitude of their aggregate impact. If two programmes operating in tandem generate a result greater than the simple sum of each discrete intervention, they are said to generate a positive externality and that synergies exist in their relationship. One example of such a synergy was reported by the UK Department for International Development (DFID 2011) in Bangladesh, where the transfer allowed beneficiaries to multiply their income when accompanied by training and access to productive assets. If the two programmes affect the same outcome indicator, and the aggregate effect is the sum of each programme's separate effects, it is said to be a relation of complementarity.

Furthermore, if the policy aims to promote the aggregate effect by introducing a second programme, we say that a direct effect can be seen. On the other hand, if the result is unexpected but improves the conditions of households through its interaction, we say that the effect is unintended.

Understanding the channels through which these interactions operate is relevant in contexts where there are multiple initiatives affecting households, in order to effectively formulate public policies (Sabates-Wheeler et al. 2009). Additionally, although we have thus far considered the positive effects of interactions between programmes, undesirable effects at both the individual and aggregate level cannot be ruled out. One example could be the disincentives for people to participate in programmes for promoting rural production if this makes them ineligible for transfer programmes; or the struggle within households to keep children at school to fulfil the conditionalities for transfers, and the decision to use child labour in undertaking new productive enterprises.

Further contributions could be made in the areas of institutional structures and operations, as each initiative has gained experience that could be useful for other projects. Social protection programmes, and especially CCTs, have been noteworthy for their success and their abilities in selecting beneficiaries, as well as for including evaluation as an essential part of their design—features that are not often seen in rural production initiatives. Productive development programmes, meanwhile, have accumulated extensive experience in formulating rural projects—a growing need and interest for transfer programmes (Cecchini and Madariaga 2011; Rangel 2011).

However, it is important to note that productive development programmes include a wide range of initiatives, while transfer programmes tend to be more homogeneous, even across countries.

TABLE 1 Summary of CCT Programmes and Rural Development Projects (RDP) Analysed

	Emerging programmes		
	Colombia	**El Salvador**	**Peru**
RDP	*Oportunidades Rurales* (OR)	*Plan de Agricultura Familiar* (PAF)	*Sierra Sur* (SS)
Type of RDP	Technical assistance, asset financing and savings promotion	Technical and non-technical assistance, personal and social skills workshops	Technical assistance, asset financing and savings promotion
Institution in charge	*Ministerio de Agricultura y Desarrollo Social*	*Ministerio de Agricultura y Ganadería*	*Ministerio de Agricultura*
CCT	*Familias en Acción* (FeA)	*Comunidades Solidarias Rurales* (CSR)	*Juntos*
Institution in charge	*Departamento para la Prosperidad Social*	*Fondo de Inversión Social para el Desarrollo Local*	*Ministerio de Desarrollo e Inclusión Social*

Source: Authors' elaboration.

What empirical evidence is there?

The CEDE-Uniandes-FIDA project has sought to confirm whether synergies exist between conditional transfer programmes and selected rural development projects in each of the six chosen countries.

These have been divided into two groups: Colombia, El Salvador and Peru, where the CCT programmes are currently being consolidated and the possible recommendations of the study are particularly relevant; and Brazil, Chile and Mexico, where the CCT programmes are much more established, and thus will hopefully provide lessons for the first group. Here we present the preliminary results for countries in the first group.

Table 1 presents a summary of the programmes analysed in each case. All of the rural development projects (RDPs) are initiatives funded by IFAD and run by the Ministry of Agriculture in each country, whereas the CCTs analysed are run by different institutions, depending on the country.

The analysis in the three countries included collecting primary information through surveys conducted with households, interviews with leaders of organisations and focus group discussions with members of these organisations and households. However, the identification strategy and the methodological approach were slightly different for each country, depending on the availability of information and the particular characteristics of each case (Table 2).

It should also be noted that in each case complementarity analyses were performed to gain greater insights into the potential synergies.

Results are not uniform across countries, but some insights are worthy of note: in terms of well-being, increases in income are observed in Peru, but only for households that have a better level of education or endowment of physical capital. In Colombia, total consumption increased in the short term, but in the medium term the effect vanished. Assets—measured through an index—exhibited a positive effect even in the medium term. In El Salvador, the positive effects are observed in terms of new crops or animals owned by the households.

There is no significant effect on the decision to use child labour, school attendance or empowerment of women in the household. There is a significant effect on financial inclusion in Colombia (micro-insurance) and El Salvador (credit and access to banks), as well as a positive effect on environmentally friendly practices.

These modest effects can be explained by exogenous conditions affecting the potential of observing them. One of the findings in this sense is that targeting of these programmes reach different groups; therefore, programme intersection was weaker than we had expected. This finding raises the question of just how comparable are the universes of social protection beneficiaries and beneficiaries of production promotion programmes. We must also bear in mind that targeting strategies appear to be subject to local decisions.

Although the quantitative analysis might suggest low synergistic effects, the qualitative analysis showed the incidence of unintended and complementary effects of the transfer on productive activities. For instance, it seems that the combination of the two interventions helped some households in Colombia to face extreme weather events (floods) much better than those that did not have access to both. Institutional analysis also showed that there is room for further analysis of synergistic effects, particularly at the local level.

Furthering the Discussion

The analysis performed so far shows that the creation of synergies between social protection and productive development programmes is not automatic. However, complementarities exist between programmes, and, in some cases, access to transfers provides sufficient leverage to initiate productive processes that would not otherwise be feasible.

Results found in this study are a combination of various factors. First, groups of beneficiaries may not be the same across different programmes. When initiatives do intersect, households may take advantage of this in certain ways, varying from one country to another, and depending on the private and public endowments.

However, exploiting these advantages takes time and depends on the productive activity, the real opportunities that are available to the households, and how difficult it is for them to access complementary public assets such as roadways, communications, markets and, in particular, an institutional structure conducive to the synergies between both initiatives. This calls for an integrated strategy of public spending, where targeted interventions ought to be complemented by an adequate provision of public goods and services.

An initial attempt to examine the institutional structures in the region for addressing both agendas (social and productive) suggests that there is ample room for lowering delivery costs through interaction and cooperation, increasing efficiency and reducing poverty in a more cost-effective way. However, this may require a rethinking of the design and implementation of both types of programmes, a task that is not necessarily a simple undertaking. ■

Table 2 Summary of Methodological Approaches Used in each Case

	Emerging programmes		
	Colombia	**El Salvador**	**Peru**
Quantitative strategy/ methodology	Identification of synergies through an intensity analysis of CCT programmes over RD execution	Identification by PSM and a regression discontinuity design (RDD)	Construction of a control group by simulating programme's filter, hypothetical questions and regional PSM, refined by households' PSM
Database	Carried out cross-section survey	Carried out cross-section survey	Carried out cross-section survey
Period	2014	2014	2013–2014
Observed unit	Households	Households	Households
Qualitative strategy/ methodology	Institutional agent interviews, beneficiary interviews and focus groups	Institutional agent interviews, beneficiary interviews and focus groups	Institutional agent interviews, beneficiary interviews and focus groups
Complementary analyses	Impact evaluation of the RD programme through an intensity analysis	Identify if RD programmes might work as a graduation strategy	Indirect effects of the technical training of the RD programme on non-beneficiaries

Source: Authors' elaboration.

Cecchini, Simone, and Aldo Madariaga. 2011. *Programas de Transferencias Condicionadas. Balance de la experiencia reciente en América Latina*. Santiago: United Nations Economic Commission for Latin America and the Caribbean.

DFID. 2011. *Cash Transfer Literature Review*. London: Department for International Development.

Moseley, Malcolm. 2003. "Rural Development: Making It Local." In *Rural development: principles and practice*, edited by Malcolm Moseley. Thousand Oaks, CA: Sage Publications.

Rangel, Marta. 2011. "Pobreza rural y los programas de transferencias condicionadas en América Latina y el Caribe." *Working Paper* No. 92. Santiago: RIMISP – Centro Latinoamericano para el Desarrollo Rural.

Sabates-Wheeler, Rachel, Stephen Devereux, and Bruce Guenther. 2009. "Building Synergies between Social Protection and Smallholder Agricultural Policies." *Future Agricultures Working Paper* No. 6. Brighton: Future Agricultures Consortium. <http://r4d.dfid.gov.uk/pdf/outputs/futureagriculture/fac_working_paper_no6.pdf> (accessed 10 August 2015).

Sadoulet, Elisabeth, Alain de Janvry, and Benjamin Davis. 2001. "Cash transfer programmes with income multipliers: PROCAMPO in Mexico." *FCND Discussion Paper* No. 99. Washington, DC: International Food Policy Research Institute. <http://cdm15738.contentdm.oclc.org/utils/getfile/collection/p15738coll2/id/47886/filename/43344.pdf> (accessed 10 August 2015).

Tirivayi, Nyasha, Marco Knowles, and Benjamin Davis. 2013. *The interaction between social protection and agriculture. A review of evidence*. Rome: Food and Agriculture Organization of the United Nations. <http://www.fao.org/3/a-i3563e.pdf> (accessed 10 August 2015).

1. Centro de Estudios sobre Desarrollo Económico - CEDE, Universidad de los Andes.

2. International Fund for Agricultural Development (IFAD).

3. IRIS is the acronym used to describe Integrated Rural Initiatives or Iniciativas Rurales Integradas in Spanish.

The authors would like to thank all members of the working team of the project Conditional Cash Transfers and Rural Development in Latin America (<www.sinergiasrurales.info>), financed by IFAD and executed by CEDE-Universidad de los Andes, whose work has produced the preliminary results presented in this article. The team directors in each country are: Andrés Moya (CEDE) in Colombia, Margarita Beneke (FUSADES) in El Salvador and Úrsula Aldana (IEP) in Peru. We also acknowledge the help and financial support received by IFAD and the Centro de Estudios sobre Desarrollo Económico (CEDE, Centre of Studies for Economic Development) at the Universidad de los Andes in Bogotá, Colombia. The study in Peru was also partially supported by the International Development Research Centre (IDRC) through the Consorcio de Investigación Economica y Social (CIES) and Proyecto Capital.