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Savings-Linked Conditional Cash Transfers

A New Policy Approach to Global Poverty Reduction

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Executive Summary

This policy brief makes the case for linking conditional cash transfers to savings as a two-pronged poverty reduction strategy of supplementing income and building productive assets, while increasing effective financial inclusion of a given population. While conditional cash transfer (CCT) programs and policies have proven effective in achieving certain poverty *alleviation* goals, such as better health and education, only recently have we begun to explore the potential of CCTs to enhance economic inclusion and poverty *reduction* through wealth accumulation. The global proliferation of CCTs—due to their immense popularity, coupled with recent innovations in their design and delivery—present us with a ripe opportunity to explore new policy pathways to achieve poverty reduction through large-scale financial and economic inclusion for millions of the world's poor. The authors look at current programs through a financial inclusion and asset-building lens, drawing lessons for policymakers who wish to gain greater returns on their social investments by enhancing the effectiveness of their current, proposed, or potential CCT programs.

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On the Cover: Quechua woman opens her first savings account/PCA at Credinka Savings & Credit Bank in Cusco, Peru through a program designed by Edge Finance. Photograph by Yves Moury.

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"It's not a management task now to facilitate the worldwide scaling-up of the CCTs, but the development policy task is to make it work best, and that requires... adaptation."

—Joaquim von Braun, International Food Policy Research Institute, January 8, 2007

Making CCTs Work Better for the Poor

No other social investment policy innovation has gained as much attention recently as the conditional cash transfer (CCT). Since the advent of Mexico's CCT program (originally named Progresa but now known as Oportunidades) in 2002, social policymakers from Nicaragua to Nigeria have adopted similar or adapted models of this highly popular mechanism for alleviating poverty. While most CCT programs are clustered in Latin America and the Caribbean, they are also to be found in Africa, Asia, Central Europe, and even the United States. Today, the CCT concept is employed in around 30 countries, and many others are considering CCT programs.[1] The reach of CCT programs has likewise dramatically expanded within countries. Oportunidades, which covered 300,000 households in 1997, now reaches 5 million households; Brazil's Bolsa Família program, which started as an experiment in two municipalities in the mid-1990s, now covers 11 million households (46 million people), according to recent estimates.[2]

Conditional cash transfer programs are both social protection and social investment tools, as they aim to provide immediate economic assistance to the poor and vulnerable in the short term, while encouraging—by means of incentives and conditionalities—attitude and behavior changes that will theoretically have long-term effects. CCT programs have a proven track record in alleviating poverty.[3] Evaluations of existing programs have shown real positive improvements in participants' economic and social outcomes, such as significant improvements in current and future income as a result of greater investments in education and health.[4] CCTs have been shown to help households manage risk and reduce the impact of economic shocks, allowing them to maintain their productive household assets, as well as to nourish and educate their children.[5] Governments and researchers around the world are working to implement and test new programs. However, despite the momentum generated by the success of CCTs focused on health and education, the full potential of CCTs as a social investment strategy is far from being fully explored.

Governments considering new CCT policies should be thinking about how to innovate and expand on existing models. As the epigraph above alludes, scaling up CCTs should not necessarily be a priority. There is an urgent need for adapted models that respond to the need for the socioeconomic inclusion of the poor through policies aimed at asset accumulation, asset protection, and subsequent capacity building.

Governments should be asking the following questions: If CCT policies are effective in influencing positive behavioral changes among the poor with respect to health and education, could adjusted models have similar effects regarding

Conditional Cash Transfer Programs

A **Conditional Cash Transfer Program** is an anti-poverty social policy tool that targets qualified households or individuals based on conditional behavior. In general, these programs seek to provide economic assistance to poor, excluded families, with special emphasis on women, children, persons with disabilities, marginalized minorities, and other disadvantaged populations. The conditions generally refer to investment the human capital (education, health, nutrition), but may also address other aspects of behavior. The aim of these programs is to foster economic stabilization and social inclusion by encouraging: regular school attendance and health checkups for children; pre- and post-natal care for pregnant or lactating mothers; incorporation into the formal education system; participation in job training courses conducive to socioeconomic incorporation/reincorporation; and, sometimes, participation in productive or community development projects or community services.

economic and financial behavior? That is, if they can be successfully structured to promote investments in health and education, could they also be structured to create opportunities for the poor to enhance their financial and physical assets, and invest in their own economic development? If they can help families develop their human capacities, could they also help them build the financial capital necessary to pull themselves out of poverty? And given their cash-based structure, could CCTs provide the foundation for the financial inclusion of the poor, the vulnerable, and the underserved?

We argue that all of these questions can be answered in the affirmative. Conditional cash transfers are not only a potential gateway to financial inclusion; they are also a potentially powerful tool for reducing—not just alleviating—poverty. Conditional cash transfer programs could provide greater socioeconomic dividends if they were structured to help individuals or families develop productive assets. To do so, social protection programs and investments in the poor through CCTs should focus on:

• Inclusion of the poor in the formal financial system, and hence the formal economy.

• The accumulation of financial capital by the poor.

• Fostering the productive use and productive investment of accumulated assets by the poor to meet economic goals.

• Moving the poor out of social protection networks.

• Providing access to other tools that will protect the assets of the poor and reduce their vulnerability to economic shocks.

Providing access to other tools that will protect the assets of the poor and reduce their vulnerability to economic shocks Currently, there are experiments and programs linking social safety nets to financial inclusion, based on a "graduation model" supported by the Ford Foundation and others.[6] These programs acknowledge that individuals living in extreme poverty may not be equipped to take on microloans to lift themselves out of poverty. However, few efforts to date have explicitly linked saving or asset-building objectives—either as a condition or an incentive—to CCT programs. And others are only beginning to explore the potential that CCTs can play in fostering financial inclusion, and eventual economic empowerment, by connecting the poor to the formal financial system.

By linking CCTs with saving (and thereby encouraging productive investment in education, microenterprises, property acquisition, housing improvement, or retirement), policymakers are likely to see greater returns on their social investment policies. This is particularly true when considering the potential impact that more effectively designed CCTs could have on reducing the transmission of intergenerational poverty. Monetary savings allow the accumulation of financial assets and their subsequent transformation into other productive assets that can in turn foster self-development.

Savings-linked CCT policies are increasingly easy to design and deliver, given the advent of new technologies that are rapidly improving the provision of financial services to underserved populations, and the increasing interest of financial institutions in reaching bottom-of–the-pyramid (BOP) markets.

Drawing on encouraging pilot experiments and academic research in various countries, this policy brief offers concrete proposals for connecting, combining, and adjusting CCT policies (existing or potential) so as to facilitate the formal financial inclusion of the poor, in general, and encourage savings and asset building,[7] in particular. In the following section, we explore the theoretical and practical cases for linking conditional cash transfers with formal savings so as to promote financial inclusion. We highlight evidence from assets theory and behavioral economic theory, as well as innovations in the delivery of financial services and the commitment of governments to spur the financial inclusion of the impoverished. In section three, we illuminate a variety of policy design options for linking CCTs and savings accounts through regulated financial institutions.

More specifically, we look at how such policy models could encourage saving and asset-building behavior. In section four, we outline recent experiments with this approach and their outcomes to date. In section five, we explore the global potential for such innovative policies, focusing on countries that seem best placed in the short term to consider adapting their CCT programs to include savings. Finally, we enumerate specific next steps to be considered by those interested in incorporating savings into their CCT programs.

Linking Savings and CCTs

Savings, the basis of all accumulation processes, allow poor people to build their own assets and protect themselves against risks and shocks. Monetary savings permit the accumulation of financial assets and their subsequent transformation into other productive assets that in turn foster self-development.[8] This is true in all societies, from Uganda to Uruguay to the United States. Thus, a poverty trap could also be viewed as an "asset shortage" trap and reducing poverty a function of the ability to access, accumulate, and protect productive assets, including savings. Facilitating asset accumulation and risk reduction for the poor by providing access to effective financial services is largely a responsibility of the state.

Social Policy through an Asset Lens: Poverty Alleviation vs. Poverty Reduction

Until very recently, income level has been the standard measure of poverty. As a result, social policies aimed at the poor and the extremely poor have focused on supplementing income to provide subsistence in the short term. But being impoverished and the ability to move out of poverty have to do with other factors as well, including the capacity of individuals to invest in themselves and their future. Therefore, income level cannot be the main criterion for defining poverty and well-being. Poor families need more than a stable income to achieve sustainable economic independence: they need the means to achieve social and economic growth.

While traditional approaches to poverty alleviation have been successful in lessening symptoms of poverty, they have been unable to sustainably reduce poverty, as they have primarily focused on increasing income. Income-based public policies, which make it possible to alleviate the effects of abandonment and abject poverty, are essential. However, they cannot significantly reduce poverty, principally because they are unable to provide the means to strengthen an individual's capacity to take control of his or her own future and chart his or her own economic course. Asset accumulation by the poor, and the productive use of those assets, opens a path toward social and economic stability. A social policy that was clearly based on asset building and encouraged investment by the poor themselves would have positive psychosocial effects, enabling the poor to think differently about their individual and collective futures. It would enhance household stability, facilitate investment in productive assets such as property or a business, and offer better protection against economic shocks.[9]

Moreover, rewarding formal monetary savings can be considered an investment in education, in that opening a savings account and thinking about how and when to use accumulated savings involves a learning process.

Combining public policies based on income (such as food assistance or simple conditional or nonconditional transfer policies) with policies aimed at asset accumulation is essential for simultaneously addressing poverty alleviation and poverty reduction. Asset-based social policy in this sense can be viewed as a complement to more traditional income-based policy objectives.

Structural Poverty Reduction through an Assets Lens: Five Complementary Instruments

Among the various intervention options, structural reduction of poverty is mainly achieved through five types of instruments:

- *Asset building for the poor* by means of policies and initiatives that expand access to savings and other financial services (credit, insurance, remittances, etc.) through which the poor can make further productive investments in their human capital (such as health, education, and reduction of child malnutrition), physical capital (land and productive assets), and immaterial capital (property rights).

- *Protection of assets and vulnerability reduction* through access to micro-insurance products (life, health, accident and payment protection insurance).

- *Better opportunities for the poor to use or invest their assets more productively* (greater access to appropriately designed financial services; access to training, information and technical assistance; incentives to save and invest).

- *Well-designed social investment programs* that are more inclusive, better-focused, and prioritize reducing chronic poverty.

- *Policies that address the social and economic exclusion of marginalized groups.*

Social and Economic Impact on the Individual

From a behavioral economic as well as an assets perspective, encouraging the poor to save by means of conditional cash transfers has the potential to influence their long-term attitudes and behavior regarding finance, social and economic opportunity, and the future. Behavioral economic theory suggests that there is a role for public policy programs that "nudge" the poor to make "healthier" decisions.[10] Given the limited resources of the poor and their often even more limited access to or experience with formal financial services, facilitating their ability to save and their financial inclusion makes as much sense as encouraging increased investments in education and health.[11]

CCTs May Already Affect Savings Behavior

There is compelling, if limited, evidence that CCTs have had a positive effect regarding saving and investment by recipient individuals and families. Under Mexico's Oportunidades program, families increased their savings and investment levels, investing an average 12 percent of their cash transfers in income-generating activities (such as microenterprises).[12] CCTs also increased the number of families using banking services (2,889 out of 3,187 evaluated households did so). Paying cash transfers through banks helped families control impulse spending, reduced social/family pressures regarding the use of these resources, and helped families save and invest more of their income.[13] Similarly, a randomized controlled experiment of 7,658 households in the 320 communities participating in Oportunidades showed that for every peso transferred, 22 cents were invested.[14] According to this study, "Beneficiary households experience large increases in participation in microenterprise activities and increased investments in farm assets and agricultural activities."[15] Further, the households that received the largest transfers were more likely to invest them in income-generating activities.[16]

Likewise, under Paraguay's Tekoporã program, beneficiary households saved 20 percent more on average than they had prior to the program, with the highest savings rate changes occurring among the extreme poor. Moreover, there appeared to be a positive spillover effect in districts where the program was implemented, as even nonparticipants changed their savings behavior.[17] Although these indirect positive effects on savings behavior are encouraging, they are not widespread since the vast majority of

Positive Effects of Savings

A nudge toward improved monetary savings behavior could do more than "bank the unbanked." The linkage to a formal bank account, and the incentive to save in it, could potentially change the poor's attitude toward the banking system and toward their ability to invest in themselves and their family. There is a range of positive social, economic and psychological effects associated with asset accumulation, commonly known as "asset effects," including:

• Improved economic outcomes, such as an increased investment in human and financial capital; the ability to weather shocks, avoid financial crises, and smooth personal and household consumption; and a decreased use of informal or semi-formal financial services.

• Positive psychosocial impacts, including a greater future orientation, an improved outlook on life, and improved financial literacy.

• Greater social empowerment, such as improved social status and feelings of social inclusion.

• Enhanced civic and political engagement.

• Positive intergenerational impacts, such as improved economic and social behaviors among offspring.

For additional information on "asset effects," see Michael Sherraden, *Key Questions in Asset Building Research* (St. Louis: Center for Social Development, Washington University, 1999), http://gwbweb.wustl.edu/csd/asset/keyquestions.htm.

CCT policies and programs do not directly aim to encourage saving, and relatively few provide effective financial access[18] to recipients.

Innovative CCTs Are Increasingly Easy to Design and Deliver

While the traditional emphasis on health and education persists, fresh approaches regarding the delivery and scope of cash transfers have led pioneering governments and researchers to consider how the CCT model could be adapted to achieve other objectives.

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Traditionally, cash transfers or other social payments (whether conditional or not) have been made in person and directly in cash or in the form of food aid. However, some governments have moved toward modernized forms of government-to-person (G2P) payment systems, predominantly through the use of prepaid smart and/or debit cards, and in a few cases through accounts at formal financial institutions.[19] Moreover, governments are increasingly pursuing financial inclusion policies and programs, including strategies to expand the reach of microfinance.

Modernized payment systems make the management of cash transfer policies more efficient, particularly as these programs grow in scale and scope. Yet, according to the Consultative Group to Assist the Poor (CGAP), less than 25 percent of G2P beneficiaries receive their payments through bank accounts.[20] Not only is this an indication of the costly inefficiencies built into social policy delivery systems, it highlights a lost opportunity for banks (whether commercial or deposit-taking microfinance institutions) to capture and leverage large volumes of deposits. This is especially true when considering the upward growth of CCTs. With the competitive pursuit of BOP markets, there is a particular interest among various financial institutions to offer or increase the use of deposit services. This includes cultivating the savings of larger markets, including the poor and previously excluded. However, many financial institutions remain skeptical of the business case for small-balance savings.[21]

A relationship with governments that provide savings incentives and/or subsidies may provide an additional impetus for financial institutions to provide services to BOP markets in a serious way. In practical terms, the delivery of cash transfers through banks translates into reduced administrative costs for CCT programs. Encouraging savings behavior through CCTs translates into economies of scale and scope for both banks and governments. Governments benefit from an efficient infrastructure for financial services for the poor, while banks benefit from guaranteed deposits, increased client volume, and the prospect of long-term client profitability.[22] If governments design their CCT programs to incentivize saving and asset building, associated financial institutions stand to gain even higher returns, as clients leave their deposits in accounts for longer periods, accumulate greater sums, and are more likely make use of these institutions to obtain credit, buy insurance, or manage transfers or remittances.

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CCT programs can be costly investments. However, given the potential payoff for the state—in short-term efficiencies in the delivery of social payments and a strengthened financial sector, as well as the long-term gains associated with a financially included, increasingly stable, and economically empowered society—such an investment is worth consideration.[23] Indeed, as the poor use their savings to smooth consumption and invest in productive assets, they will improve their capacity for basic personal financial intermediation,[24] slowly achieve self-sufficiency as they move out of poverty, and, ultimately, reduce the need for long-term or even permanent government payouts throughout an individual's lifetime and across generations.

Possible Policy Models: Options for Linkages

There are various options for linking conditional cash transfer policies with savings, from simple linkages between traditional CCTs and saving accounts, to much more targeted, structured policies in which saving itself is a conditionality and savings outcomes a primary policy goal. Here we briefly describe a range of options for savings-linked policy models for CCTs.[25]

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Simple Linkage

CCT policies need not necessarily subsidize savings in order to reap some positive level of savings outcomes among participants. Simply depositing CCT transfers (aimed at whatever goal) into savings accounts may provide an effective basic infrastructure for financial inclusion through a facilitated relationship between the beneficiary and a formal financial institution. Longitudinal research by John Bynner and Will Paxton at the Institute for Public Policy Research (IPPR) demonstrated that the mere presence of a savings account has a positive effect on an individual's savings behavior and other asset effects.[26]

The use of individual bank accounts also facilitates and automates conditional transfers, reducing CCT operating costs and making transactions more secure and better protected from family pressures. Several programs already link conditional transfers with the banking system in some way, and these could be adapted relatively easily to allow for or to encourage some portion of a transfer to be diverted to a savings account.

However, under simple linkage, the incentive for beneficiaries to keep funds in the accounts, or to use the accounts beyond the transfer payment, is weak, particularly in countries where the general level of trust in the banking system and confidence in governance are relatively low. Moreover, this simple connection does not explicitly seek to spur long-term asset creation and the future orientation of the poor (though it may still have that effect). And should the savings accounts go underutilized (or even be over utilized, with constant withdrawals and no accumulation of deposits), there is a risk that banks will find the accounts too costly and unsustainable, even when subsidized and in large volume. New technology and creative design, however, may mitigate such risk factors.

Personal Capitalization Accounts

Personal capitalization accounts represent a more purposeful policy design for connecting cash transfers and savings.[27] PCAs, as currently conceived, promote asset building through the gradual accumulation and subsequent productive use of beneficiaries' own resources—namely, their savings. Under such programs, matching grants are deposited directly in individual PCAs as a reward for saving. The program encourages cash savings by the poor and incorporates a mechanism for the beneficiaries' socioeconomic graduation from the social payments system.

Specifically, PCAs are a time-bound savings system[28] that encourages and rewards poor and very poor beneficiaries for:

• opening individual bank savings accounts (with a *matching grant* as an ex post reward for opening the account);

• strengthening and organizing their regular savings (through a *direct and explicit individual subsidy* applied to the accounts, rewarding savings effort); and

• ultimately being able to invest accumulated savings in their own assets (home improvement; education; functional, job, or productive training; maternal/infant and reproductive health; business; technical assistance and expertise).

Moving from a system of *cash* transfers (payment by withdrawal/check at a bank counter) to *monetary* transfers (payment by bank transfer for direct deposit in the PCA) facilitates and automates existing conditional transfers. It reduces CCT program operating costs and makes transactions more secure. The accounts provide a safe and accessible place to save limited resources, and offer the poor an entry point into the formal economy.

Child and Youth Accounts

A CCT policy aimed at creating savings accounts for children and/or youth (either from birth or at specific life moments) would allow for the gradual accumulation of assets that could be used to finance future school expenses and higher education, or a future productive investment. The establishment of such accounts would mean that poor children, upon reaching adulthood, would be financially included in society and have a financial springboard toward better employment, better housing, and a better quality of life. Child and youth populations might also be a potentially valuable market segment for banks eager to capture large segments of BOP markets early on.

Savings-linked CCT payments aimed at children and youth can be structured to meet specific goals. For instance, CCT payments to encourage the enrollment of children in secondary school might be bifurcated so that the desired behavior (school attendance) generated both an immediate cash payment *and* a deposit into a targeted savings account, to be used for the child's future expenses (for continued education, to create a microenterprise). As with PCAs, the government could match the savings deposits of the child/youth, or it could seed the account to jump-start the accumulation of savings as well as provide an attractive initial deposit for the financial institution. Existing incentivized savings programs for children have had a positive impact on both economic and social outcomes.[29]

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While few CCT programs make transfers directly to children and youth, programs in Bangladesh (Female Secondary School Assistance Program), Mexico (Jóvenes con Oportunidades), and Colombia (Bogotá's Subsidio Condicionado a la Asistencia Escolar) directly deposit funds into a bank account that the students can use at a later time.[30] In its pilot phase, Britain's Education Maintenance Allowance (EMA) offered a cash subsidy to poor youth between the ages of 16 and 19 who remained in school after fulfilling their compulsory requirement. In one variant of the pilot program, transfers were made directly to the students; in the other variant, transfers were made to the parents. An evaluation of the pilot program revealed that the participation rate of those youth to whom direct payments were made was double that of the youth whose parents received the payments. The evaluators suggested that in the future paying at least part of the transfer to the young participants, possibly as a savings deposit, should be considered.[31]

> CCT payments to encourage the enrollment of children in secondary school might be bifurcated so that the desired behavior (school attendance) generated both an immediate cash payment *and* a deposit into a targeted savings account.

Connections with Micro-insurance and Other Financial Services

While the accumulation of assets by poor individuals and households can serve as the foundation for self-sufficiency and resiliency, it is likely that the poor will remain extremely vulnerable to economic and personal shocks. To mitigate the impact of such shocks, policymakers should consider ways to combine savings-linked CCT programs with instruments that protect the assets of poor beneficiaries. This would include access to micro-insurance products[32] as well as the implementation of appropriate consumer protection policies and guidelines.

As the assets of the poor grow, their financial needs will likely evolve. Thus, while savings may serve as the primary basis for asset accumulation, especially among the very poor, access to microcredit and microenterprise training and/or technical assistance will also be important to maximize the productive investment activities of the entrepreneurial poor.[33] It is feasible and, in some cases, even preferable to design CCTs that incorporate access microcredit, micro-insurance, and other technical assistance while encouraging saving.

The Global Experience So Far

Globally, policies and experiments aimed at connecting CCTs with savings objectives are rare and, in most cases, still in their infancy. However, where experimentation exists, encouraging results indicate that programs that aim to promote savings through CCTs have been successful. Below are a few examples of current experiments with savings-linked CCT programs.

Simple Savings Accounts: Oportunidades in Mexico

There are a small number of CCT programs that link their transfers to beneficiaries with bank accounts. Yet we found only one example that has introduced a simple linkage to a savings account: Mexico's Oportunidades program. While Oportunidades began as a simple conditional cash transfer program over ten years ago, in the past decade it has introduced an optional savings account component.[34] In addition to the cash payment, some of the transfer can be held in the beneficiary savings account with the Mexican Bank of National Savings and Financial Services (BANSEFI).[35] The most recent estimate we were able to locate (end of 2004) shows that over 1 million of the current 5 million beneficiary households have savings accounts connected with the program.[36] As Miguel Székely, Mexico's undersecretary for social development, noted in 2004:

> People started to receive payments in their BANSEFI accounts, and after the second or third time we started to notice that some women were keeping some of the money in their accounts. Later, other family members began to save in the same account. This was a surprising result because all the studies on savings in Mexico held that poor people did not save because they were poor, and not because they had no access to the financial system. Here we're seeing that it's not because they're poor, because even if it's in modest amounts, they're saving.[37]

Targeted Adult Accounts: PCAs in Peru

In 2003, Edge Finance S.A. began experimenting in Peru with a new approach to facilitating saving and asset building among the rural poor through personal capitalization accounts.[38] The project, which aims to foster saving by very poor peasant women in formal financial institutions, offers participants a small monetary incentive for opening and using individual savings accounts in the banking institution of the saver's choice (approximately 25,000 savings accounts have been opened). The matching grants and other subsidies (the incentives for opening an account and learning to use it) offered are viewed as a public investment in education.

The PCA concept, which facilitates broad-based financial inclusion, is promoted in small financial education workshops in which the participating women receive intensive training in the management of their personal financial resources and money management in general, and instruction in the possibilities for personal investment projects made possible by savings.

PCAs in Peru

The **Personal Capitalization Account Pilot** in Peru was designed to improve individual access of poor people, especially women, to deposit services in formal institutions. This pilot program is a *system* of *subsidized savings* that, for a limited period (24 to 36 months, depending on the case), encourages and financially rewards low-income rural women who: (a) open personal savings accounts (providing a *matching grant* for the initial deposit into the account); (b) develop discipline in regular savings (rewarding savers' monetary savings effort by means of *slightly subsidized interest rates*); (c) become familiar with formal financial institutions; and (d) ultimately have the ability (also rewarded with a low-cost *matching grant mechanism*) to invest—based on the savings they have accumulated and, possibly, complementary sources of investment—in personal assets (home improvements; education and school expenses; functional, job, and productive training; maternal/infant and reproductive health); and short- or long-term productive assets (investment in businesses, enterprises, and various initiatives, or in technical assistance and business development services). In all of these cases, the matching grants are deposited directly into the accounts by bank transfers.

Results from Peru's pilot projects are encouraging. One pilot revealed that 10,000 very poor rural women have accumulated more than $2 million in just two to three years of saving. If they maintain their current savings rate, individual participants could accumulate as much as $500 each over the course of five years. To put these numbers into perspective, if this pilot program were enlarged to include a million poor and very poor savers, it could potentially inject as much as $500 million into the formal financial system, strengthening the national financial sector. These funds could be used to finance local (through microcredit[39]) and national (through Treasury bonds) economic development.

External evaluations of the pilot programs indicate that the PCA approach is a highly effective and efficient (low cost/benefit ratio) strategy for mobilizing savings by poor families and drawing them into the banking system, as well as for promoting capital building and incentivizing productive investment while creating conditions conducive to civic inclusion, greater self-esteem, and a stronger role for women in the family and the community.

Targeted Youth Accounts: "Youth with Opportunities" in Mexico

One already institutionalized policy approach to connecting CCTs with savings is under way in Mexico, under the auspices of the national Oportunidades program. Jóvenes con Oportunidades (Youth with Opportunities), was added in 2003 as an additional benefit for participating families. The program consists of savings accounts for Oportunidades youth to incentivize continued education. An account is opened in a child's last year of *Secondaria* (roughly equivalent to middle school in the United States), and "points" are deposited in the account for each year of Educación Media Superior (roughly equivalent to high school in the United States) the student successfully completes.[40] Upon graduation from EMS, typically at age 18, the points are converted into approximately $336 cash, which the youth can then withdraw or leave in his/her savings account at BANSEFI, the program's affiliated financial institution. The student is also able to use this specialized account as a personal savings account, making and withdrawing deposits. However, the cash payout associated with accumulating points is not available until the account holder graduates. Since its inception, more than 330,000 youth have opened savings accounts with the Jóvenes program.[41]

Savings for Education in Colombia

Researchers in Bogotá, Colombia have also experimented with an interesting approach to distributing savings-linked CCTs. In a pilot program that expanded on Bogotá's Conditional Subsidies for School Attendance program (Subsidios Condicionados a la Asistencia Escolar, or SCAE), one-third of the total cash transfer to a beneficiary family is held in a restricted savings account and made available only when the family's children are enrolled in school the following year. While this approach does not necessarily encourage long-term savings, it does promote continued education. The program was designed to address findings that indicated that families face a number of challenges in saving money for their children's education.[42] The researchers hypothesized that "if families' long-term savings constraints are more significant for children's academic participation than the more short-term liquidity constraints, the savings treatment could generate both higher attendance and higher re-enrollment rates when compared to the basic treatment."[43] They found: "Simply postponing some of the cash transfers to a large lump-sum, at the time of the re-enrollment decision, increases enrollment in both secondary and tertiary institutions without reducing daily attendance. This suggests that there is much to gain in designing CCTs that better take into account the savings constraints (such as a lack of formal savings institutions or commitment problems) many families face."[44]

The Promise of Savings-Linked CCTs

While such interventions have been primarily experimental (with the exception Mexico's Jóvenes program), they give some indication of the potential impact savings-linked CCT policies can have on the saving and asset-building behavior of poor beneficiaries. Not only are poor recipients saving substantial portions of their transfers, they are using them to continue their education or invest in their children's education, invest in microenterprises, and even save for the future.

The findings from the programs highlighted here imply a potentially significant and positive connection between well-designed CCT programs and the ability of the poor to enter the formal economy, save money, and invest in their future and the future of their families. The lessons learned from these promising experiments in linking cash transfers to savings have laid the foundation for further innovation.

The Future of CCTs and Savings

Here we highlight possible scenarios for the future of savings-linked CCTs. This includes a review of current CCT programs that could easily be adapted to incorporate a link to savings accounts, evidence of an increasing interest in the PCA model, and suggested next steps for policymakers and researchers interested in further exploring these linkages.

Current CCT Programs Potentially Well Suited to Savings Linkages

In several countries, CCT programs are increasingly being formally linked to bank accounts or to delivery through the banking system. Elsewhere, programs are beginning to implement more advanced payment systems that encourage participants' use of more formal financial services. The World Bank notes favorably that such payment systems reduce transaction costs for both program administrators and the recipient (such as eliminating the need to stand in line to receive cash transfers); more importantly, creating bank accounts for and giving ATM cards to beneficiaries may increase the likelihood of their using the formal banking sector in other ways.[45]

The World Bank notes favorably that such payment systems reduce transaction costs for both program administrators and the recipient; more importantly, creating bank accounts for and giving ATM cards to beneficiaries may increase the likelihood of their using the formal banking sector in other ways.

While their benefits have not yet been evaluated, because of their advanced delivery mechanisms, such CCT programs are potentially well suited to adaptations that would provide linkages to savings accounts under any of the models described above and/or encourage saving and provide greater access to financial services in general.[46] How current programs could potentially incorporate a savings component include, but are not limited to, the following examples.[47]

Linking Account- or Bank-based Programs with Savings

• *Famílias en Acción, Colombia*. Colombia's expansive nationwide CCT program had reached over 1.5 million beneficiary households as of 2007. Beginning in March 2009, payments are distributed through affiliated banks (Bancafé, Banco Popular, and Banagrario) in the 700 municipalities that have a banking presence.[48] Although nearly 350 other municipalities have no formal banking presence, this new linkage between Famílias payments and the formal banking system is a first step toward broader financial inclusion of the poor in Colombia. Program administrators could formally link debit cards to bank accounts, as well as incorporate a savings option into their new CCT distribution model.

• *Bono de Desarrollo Human (Human Development Bonus), Ecuador*. Payments through Ecuador's nationwide CCT program are delivered like those in Colombia's Famílias program. Over 1 million Ecuadorian households receive CCT payments via the Banred Network (a network of private banks) or from the National Agricultural Bank. As with the Famílias program, given the bank-based infrastructure already in place for CCT payments, the government of Ecuador could consider offering a savings account option, or instituting a more targeted savings-linked component of the Bono program.

• *In Care of the Poor (COPE), Nigeria*. In 2007, Nigeria's National Poverty Eradication Program initiated an innovative CCT pilot program that not only provides cash transfers conditioned on certain education and health behaviors, but also incorporates a microenterprise component that connects beneficiaries with microloans and microenterprise training (and hence establishes connections between beneficiaries and microfinance institutions). At this stage, pilot programs for COPE are in effect in 12 Nigerian states and payments are delivered through microfinance agencies and some community banks. Connecting CCT beneficiaries with savings accounts would not only encourage financial inclusion, providing a safe place to deposit money in Nigeria's largely cash economy, it would also better prepare beneficiaries for micro-ventures, perhaps through greater financial know-how or an increased capital base with which to begin their enterprises. It would likely also improve Nigeria's ranking (currently second to last) among governments adopting electronic payments systems.[49]

• *Opportunity NYC, United States*. This CCT pilot in New York City provides a $50 cash incentive for recipients to open a bank account. Adapting this program to encourage greater savings rates among New York's poor would be relatively easy from a design perspective.

• *Capital Gains, Washington D.C.* In 2008, Harvard professor Roland Fryer announced plans to launch a CCT program in the District of Columbia's notoriously failing public school system to encourage better educational outcomes and reduce truancy rates among the city's poor and vulnerable children. Capital Gains is presently operating in 14 middle schools (grades 6 through 8). Bank accounts have been opened in the students' names, into which transfers are directly deposited. Presently, these accounts are simple accounts, and funds are immediately available for withdrawal. While the program aims to reward educational achievement and, albeit indirectly, teaches financial literacy, it has been criticized for putting too much money directly into the hands of children and youth who cannot properly manage it. Linking this program to savings, perhaps through depositing a portion of the monthly transfers into savings accounts restricted to higher education and training, might make the program more politically acceptable.[50]

Linking Branchless Banking/Technology-based CCTs to Savings

• *Programa Famílias, Argentina*. This program offers a reloadable debit card to beneficiaries. Its drawbacks, however, are that the cards may only be reloaded by the government (limiting additional personal accumulation of funds), and that funds must be drawn within one month or the beneficiary loses them (essentially penalizing beneficiaries for saving for the future). Nonetheless, the linkage to prepaid cards could easily provide a gateway to e-payments at financial institutions, though this program would require quite a bit of adaptation.

• *Bolsa Família, Brazil*. Brazil's "Family Stipend" program is much better positioned to incorporate a savings dimensions into its program. The Ministry of Social Development is in the process of moving 12 million recipients of cash transfers (25 percent of Brazilian families) from an electronic benefit card toward simplified accounts.[51] Brazil's far-reaching CCT policy once incorporated a savings component for school children in its Brasilia operations. From 1995 to 2001, the Bolsa Escola (School Stipend) program[52] in the Federal District piloted a complementary school savings scheme (Escola Poupança), in which a bonus equivalent to one minimum wage was paid into a savings account in the child's name each year. The child was only allowed to withdraw the money once he/she completed eighth grade.[53] While the program was well conceived, it suffered from implementation difficulties, including (a) separation from the Bolsa Escola Program; (b) lack of awareness of the savings bonus due to the long gestation period before bonuses were paid; and (c) a range of operational challenges.[54] The scheme was discontinued when Bolsa Escola was incorporated in Bolsa Família. However, with the new account-focused approach in a more unified national program, a savings dimension, either for children or adults, may have a much better chance of succeeding.

• *Program of Advancement through Health and Education (PATH), Jamaica*. This nationwide CCT policy covers approximately 12 percent of the country's population, or 300,000 recipients (as of September 2008).[55] Cash transfers are currently delivered through pre-paid cash cards at post offices throughout the country. Currently, these post offices do not mobilize deposits. However, the Postal Corporation of Jamaica is currently exploring the addition of new services, including expanded financial services, for CCT recipients.[56] Offering PATH recipients a safe place to save, or diverting some portion of their payments to a savings account, would be a beneficial new product offering.

• *Community-based CCT Pilot Program, Tanzania.* Tanzania's community-based CCT pilot project, administered by the World Bank, aims to mitigate the effects of HIV/AIDS on households. The project plans to leverage the possibility of cash transfers through mobile phones as popularized by Vodacom's M-PESA program, transferring funds either to communities (which would subsequently transfer funds to households) or to the households directly. The project administrators are presently working with M-PESA's project development department in exploring the possibility of instituting a pilot program of mobile transfers in a few villages.[57] Deposit-taking through mobile banking is rare, if not nonexistent, but its popularity is rising throughout Africa. Experiments with CCTs through mobile banking technology are particularly exciting and should be of interest to researchers and policymakers interested in linking CCTs with inclusive financial services for the poor.[58] One option may be to allow for beneficiaries to open savings accounts and use the mobile-banking apparatus to transfer funds into them.

• *Tekoporã, Paraguay*. The Tekoporã program (mentioned above) dispenses its cash transfers through designated mobile cashiers. While this program is relatively small (with only 4,324 recipients as of August 2006), evaluations have shown that beneficiaries improve their savings behavior substantially as a result of the program. It could more effectively facilitate the saving behavior of recipients, and provide them with more secure places to save, if it linked the program's payments to formal savings accounts at formal financial institutions.[59]

See Appendix for a more thorough review and additional examples of the current state of and/or potential for savings-linked CCTs around the globe.

Expanding the PCA Model: Building Momentum

Based on successful early evaluations of the PCA pilots in Peru, significant momentum is building with respect to expanding this model to established or potential CCT programs in Latin America and the Caribbean. In particular, the PCA design was found to be highly efficient and cost-effective. As a result of this encouraging evidence, a new regional project, Proyecto Capital, was initiated in 2008 to scale up the pilot programs and build awareness of the model, as well as of child and youth accounts models, throughout the region.[60] Encouragingly, Proyecto Capital's work is already stimulating interest among financial institutions, insurance companies, and many governments. For instance, Proyecto Capital and the Government of Colombia signed in September 2008 a cooperation agreement to mobilize, in bank accounts, the savings of the three million beneficiary families of Colombia's CCT program, Families in Action (*Familias en Acción*), promoting their financial inclusion and facilitating their socioeconomic graduation from the program. A similar agreement was signed in November 2008 with Peru's CCT program, the National Program for Direct Assistance to the Poorest Peruvians (*Programa Nacional de Apoyo Directo a los Más Pobres*), commonly known as "*Juntos*," that should ultimately benefit more than half a million low-income families. Activities under those agreements include an assessment of possibilities (and possible bottlenecks) for these families to participate in a program that would encourage them to save part of the conditional cash transfers they receive from the CCT programs in a savings account.[61]

Banks see savings-linked CCTs as a way to capture a new market, while governments view them as a powerful inclusion tool. Proyecto Capital contends that the PCA model, by offering CCT beneficiaries an option to save in a formal savings account, and encouraging such savings through small amounts of public subsidy, could work anywhere. Should this model prove successful at scale and in the social and economic contexts of other Latin American countries, it (or adapted versions) may also succeed in other countries around the world.

Next Steps

Policymakers interested in developing a savings-linked CCT program (whether from scratch or by creating an adapted version of an existing program) have many factors to consider and actors to engage. Policymakers need to define the ultimate goal(s) of their intended social investment program and determine the amount of resources to be devoted to its achievement. These factors will undoubtedly play the most influential role in the design of a new CCT policy model. Furthermore, policymakers will need to consider the poor's current access (physical/social) to financial services. Before a successful savings-linked CCT program can be put in place, policymakers will need to address those issues by (a) removing regulatory barriers that impede financial institutions from accepting small-balance deposits or the poor's ability to open and use such accounts, and/or (b) adopting new technologies and/or delivery mechanisms in order to enhance effective delivery of CCTs. Policymakers are also encouraged to allow for rigorous research and evaluation of their CCT programs. Experimenting with and understanding how different savings-linked CCTs function in a variety of settings is important for developing more effective social investment policies in the future.

Final Note

This policy brief aims to provide a conceptual and practical case for a new approach to poverty reduction by linking conditional cash transfer policies with savings accounts, as well as by creating mechanisms to promote saving and asset building among poor populations. This brief does not cover the full range of technical or political considerations and options associated with such policies. Yet we hope that the momentum generated by current experiments will encourage policymakers and researchers to think innovatively about financial inclusion and economic empowerment by means of social safety net and social investment programs. Given the trend toward large-scale conditional cash transfer programs, we hope to encourage more experimentation, research, and policy innovation to make these programs a more effective means of reducing poverty around the world.

Appendix: CCT Country Comparison Chart

Table 1: Programs Already Linked to Savings

	Mexico: Oportunidades	Mexico: Jóvenes con Oportunidades	Peru: PCA	India (Haryana): Apni Beti Apna Dhan (Our Daughter, Our Wealth)
Implementer	Government	Government	Edge Finance, S.A. Proyecto Capital	State government of Haryana
Year Implemented	1997	2003	2003 (pilot?)	1994
Objectives	Improved education, health and food intake among poor families, in addition to contributing toward building linkages with new services and development programs aimed at improving their social and economic conditions and upgrading their living standards.	Increased high school graduation rates and asset accumulation among poor youth; increased opportunities for income generation for participants upon graduation from high school.	Foster savings by poor peasant women in formal financial institutions, and achieve discipline in saving and the means to invest and build assets.	Reduced child mortality among girls and the abortion of female fetuses; increased school attendance among girls; marriage delay (girls must be unmarried at age 18).
Target Population	Extremely poor households.	Youth of Oportunidades beneficiary families enrolled in secondary school.	Poor, rural women	Girls born on/after October 2, 1994, in households below the poverty line (based on official below-poverty-line estimates) and certain castes. Girls must be first, second, or third child in the family. Families with more than 3 children not eligible.
Coverage	5 million households.	Since its inception, over 330,000 youth have opened up savings accounts.	30,000 savings accounts opened.	Not available
Payee	Mother	Deposits made to savings accounts in the name of recipient youth.	Recipient woman	Recipient girl
Payment Method	Cash distributed at payment points, and payments made through beneficiary's savings account with BANSEFI.	Payments made to a savings account with BANSEFI.	Payments made to a savings account with BANSEFI.	Re 2,500 invested in Indira Vikas Patras (federal government savings bond scheme) within three months of girl's birth; invested amount doubles in five years. Sum is reinvested every fifth year. Girl may withdraw the maturity amount when she turns 18, provided she is unmarried.

Table 2: Potential Savings Connection 1—
Linking Account-based CCTs to Formal Savings (Simple or Conditional)

	Argentina: Programa Famílias	Bangladesh: FSSAP	Bangladesh: PESP	Bangladesh: ROSC	Colombia: Famílias en Accíon
Implementer	Government	Government	Government	Government	Government
Year Implemented	2002	1994	2002	2004	2001
Objectives	Increased school attendance and enrollment; immunizations; bimonthly checkups for pregnant women	Increased school attendance; marriage delay (remain unmarried until passing the secondary school certificate examination).	Increased school attendance and improved academic performance	Increased school attendance and improved academic performance.	Complement the income of poor families in order to increment the family expenditures directed to food; reduce elementary and high school nonattendance and dropout; increase health care provided to children under 7; contribute to the intake of food of younger children.
Target Population	Families with a current beneficiary of the Jefes y Jefas de Hogar Desocupados program, with at least 2 children who have not completed secondary school	Unmarried girls who completed primary school and are enrolled in a recognized secondary school.	Poor families with children of primary-school age	Children who have not had an opportunity to attend primary school in remote areas and dropouts from primary school.	Extremely poor families with minors ages 0-6 not participating in other programs (health subsidy) and/or minors ages 7-17 enrolled in school (education subsidy).
Coverage	504,784 families (August 2007)	723,864 girls (as of 2005) or about 76 percent of girls in the project schools.	Over 5.3 million beneficiaries per year	500,000 children.	1.7 million households at the end of 2007.
Payee	Mother	Female student	Beneficiary's guardian	Mother/ guardian	Mother
Payment Method	Via debit cards with the Banco de la Nación Argentina.	Direct deposit to a bank account in the girl's name.	Direct transfer to beneficiary's bank account.	Direct transfer to beneficiary's bank account.	Through the banking system. Families residing in areas where Banagrario, Bancafé, Banco Popular branches exist can withdraw funds at nearby branches; transfers also deposited to smart cards in select cities.

Table 2 (continued)

	Ecuador: Bono de Desarrollo Humano	Guatemala: Mi Família Progresa	Indonesia: PNMP Generasi	New York City: Opportunity NYC	Nigeria: COPE
Implementer	Government	Government	Government	City of New York	Government
Year Implemented	2003	2008	2007 (pilot)	2007 (pilot)	2008
Objectives	Bridge the consumption gap; reduce the levels of chronic malnutrition and preventable diseases in children up to 5 years of age; maintain enrollment and 80 percent attendance rates for beneficiary children ages 6-16.	Increased school attendance among beneficiary children ages 6-15; improved health outcomes for pregnant women and children ages 0-16.	To improve 3 MDGs (maternal health, universal basic education, and reduction in child mortality) through increased school attendance and enrollment, and increasing children's and pregnant mothers' access to health services. Involves a household CCT and a community CCT.	Increased school attendance, health coverage, and employment training in low-income households.	Increased school attendance among children; antenatal care for pregnant women; life, vocational, health, and sanitation skills training for head of household.
Target Population	Households with children age 0-16 in the poorest 2 quintiles, and poor households with elderly and/or disabled members.	Extremely poor families with minors age 0-15, living in the most vulnerable municipalities.	Poor households with children in participating subdistricts.	Households with family income less than 130 percent of federal poverty line, with at least one child entering grade 4, 7, or 9; resident in one of the designated community districts.	Orphaned and vulnerable children.
Coverage	1,060,416 households (as of January 2006) or 40% of population.	Target is about 250,000 households by the end of 2009.	178 subdistricts in five provinces, covering approximately 300,000 poor households with children.	Approximately 2,400 families and 5,700 children.	3,000 households each in 12 pilot states by the end of 2009.
Payee	Women	Mother	Beneficiary households	Beneficiary families	Mother and designated household member
Payment Method	Can be collected at any branch office from Banred or the National Agricultural Bank.	Through a government-owned bank	Household CCT: recipient households receive regular cash transfers through the post office.	Payments are directly deposited into existing or recently opened bank accounts or stored value cards.	Via microfinance agencies and local community banks.

Table 2 (continued)

	Panama: Red de Oportunidades	Peru: Juntos	Philippines: Pantawid Pamilyang Pilipino	Turkey: Social Risk Mitigation Project	Washington, D.C.: Capital Gains
Implementer	Government	Government	Government	Government	Innovation Lab at Harvard University, and the District of Columbia
Year Implemented	2006	2005	2008	2001	2008 (pilot)
Objectives	Increased access to health services (immunizations for children ages 0-5; visit to basic health care providers); education outcomes (regular school attendance for children and participation in teacher-parent conferences); and capacity building.	Provide beneficiary families with health, nutritional care, education, and identification documents in order to ensure preventative maternal/child health and nutrition; decrease dropouts; promote registration and identification processes.	Increased access to health services for children and women and increase school enrollment rates.	Increased school enrollment; reduce rate of infant mortality and disease among children ages 0-6 by providing pre-natal care and basic health and nutritional services; prevent pregnancy health risks prior to birth by providing checkups and vaccinations, and birth/post-birth treatments.	Improved academic achievement, school attendance, and behavior among students in low-performing schools
Target Population	Families living under the extreme poverty line.	Poor households with children under 14 years of age.	Health grant: poor households with children under 5 years of age and/or pregnant women. Education grant: poor households with children ages 6-14.	Poor families with children ages 0-6 or in primary or secondary school, and pregnant mothers (poorest 6 percent of the population).	Public school students in grades 6-8 in participating middle schools.
Coverage	Approximately 16.6 percent of the population (70,000 households) nationwide.	453,823 (as of June 2008).	380,000 households in 140 of the poorest municipalities and 10 cities.	855,906 households (2.5 million beneficiaries, or 2.8 percent of the population), as of the end of 2006.	Students in 14 middle schools in the District of Columbia.
Payee	Mother	Mother	Mother	Mother	Student
Payment Method	Urban areas: banks; remote areas: post offices.	Via beneficiary's bank account at the Banco de la Nación and associated debit card	Land Bank of Philippines (cash cards and payroll). Payments made bi-monthly using ATMs and cash points.	Through banking institutions and the postal services in areas without bank branches.	Deposited directly into student-owned savings accounts at SunTrust Bank.

Table 3: Potential Savings Connection 2— Linking Branchless Banking/Technology-Linked CCTs o Savings Options

	Brazil: Bolsa Família	Colombia: SCAE	Dominican Republic: Solidaridad
Implementer	Government	Government	Government
Year Implemented	2003	2005 (pilot)	2005
Objectives	Increased school attendance; increased access to health services	Ensure preventative maternal/child health and nutrition, and decrease dropouts; promote registration and identification processes.	Increased school enrollment among students ages 6-16; improved nutrition and reduction of preventable diseases among children ages 0-5 years; ensure minimum levels of food intake; increased awareness of basic health, food handling, and citizenship rights and duties; promote birth inscription and documentation.
Target Population	Poor (PCI R$60.01-R$120) to extremely poor (PCI up to $60) households.	Poor students in grades 6-11.	Families living in extreme or moderate poverty with children ages 0-16 or adults 16 or older lacking identification.
Coverage	11.1 million families (June 2006)	10,000 beneficiaries.	461,446 families (December 2008)
Payee	Mother	Student	Head of household
Payment Method	Via debit card distributed to beneficiaries.	Via debit card distributed to beneficiaries.	Via debit cards, which can be used only in certain stores (*colmados*) for food and education supplies.

Table 3 (continued)

	Jamaica: PATH	Paraguay: Tekoporã	Tanzania: Community-Based CCT
Implementer	Government	Government	TASAF (World Bank and Government)
Year Implemented	2001	2005	2008 (pilot)
Objectives	Increased educational attainment and improved health outcomes of the poor; reduce child labor by requiring children to have minimum attendance in school.	Encourage investment in human and social capital through school matriculation and attendance, and by increasing access to health services for children.	Mitigate the effects of HIV/AIDS on households.
Target Population	Children ages 0-19 (or until graduation from secondary school); poor people aged 60 and older; pregnant or lactating women up to 6 months after delivery; people with disabilities; poor adults.	Households classified as extremely poor, with children under the age of 15 or pregnant women residing in the poorest districts of Paraguay.	Households that are very poor, not receiving benefits, and include an elderly person or orphaned and vulnerable children (OVCs).
Coverage	300,000 people (12 percent of the population as of September 2008).	4,324 beneficiary households, as of August 2006.	2,000 households, or an estimated 6,000 beneficiaries.
Payee	Family representative or his/her agent.	Mother	Not known
Payment Method	Checks disbursed through prepaid cash cards.	Mobile cashier.	Through community management committees; transfers via mobile phones are being explored.

Notes

1 Ariel Fiszbein and Norbert Schady et al., *Conditional Cash Transfers: Reducing Future and Present Poverty* (Washington, DC: World Bank, 2009), 4.

2 Ibid., 3.

3 Michelle Adato and John Hoddinott, "Conditional Cash Transfer Programs: A Magic Bullet for Reducing Poverty?" 2020 Focus Brief (Washington, DC: IFPRI, 2007).

4 Martin Ravallion, "Bailing Out the World's Poorest," Policy Research Working Paper 4763 (Washington, DC: World Bank, October 2008), 14–15.

5 Margaret Grosh, "Philippines: CCT Cushions Global Shocks and Reduces Poverty, Local and International Experts Say," World Bank News, December 4, 2008; and Margaret Grosh, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi, *For Protection and Promotion: The Design and Implementation of Effective Safety Nets* (Washington, DC: World Bank, 2008).

6 For more information about the graduation model, see Syed Hashemi and Richard Rosenberg, "Linking Safety Nets and Microfinance," Focus Note No. 34 (Washington, DC: CGAP, 2006).

7 Asset building is defined as "*accumulated resources that are invested for social and economic development*. These investments can be in human, social, or tangible assets, most often in education, homeownership, and small business development" (Center for Social Development, "Asset Building FAQ" [St. Louis: Center for Social Development, Washington University], http://csd.wustl.edu/AssetBuilding/Pages/AssetBuildingFAQ.aspx.

8 Amartya Sen, *Development as Freedom* (Oxford: Oxford University Press, 1999); and Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (Arm NY: M.E. Sharpe, 1991).

9 See Sherraden, *Assets and the Poor*.

10 Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions about Health, Wealth and Happiness* (New Haven: Yale University Press, 2008).

11 Michael S. Barr, Sendhil Mullainathan, and Eldar Shafir, *Behaviorally Informed Financial Services Regulation* (Washington, DC: New America Foundation, 2008).

12 Helena Ribe and Andrea Vermehren, "Adjusting Conditional Cash Transfer Programs to Urban Areas: Lessons from the Internatnal Seminar CCTs in Urban Areas, September 23-26, 2008, Cartagena, Colombia," presentation (Washington, DC: World Bank, October 29, 2008).

13 Ibid.

14 Paul Gertler, Sebastian Martinez, and Marta Rubio-Codina, "Investing Cash Transfers to Raise Long-Term Living Standards," Policy Research Working Paper 3994 (Washington, DC: World Bank, 2006), 2.

15 Ibid, 29.

16 Ibid.

17 Fábio Veras Soares, Rafael Perez Ribas, and Guilherme Issamu Hirata, "Achievements and Shortfalls of Conditional Cash Transfers: Impact Evaluation of Paraguay's *Tekoporã* Program," International Poverty Centre Evaluation Note No. 3 (Brasília: International Poverty Centre, UNDP, March 2008).

18 "Effective financial access" refers to the need for more than simple physical access to financial services for a population, as access alone tends to not be sufficient in truly banking the unbanked at scale. Instead, for access to truly be effective, products and delivery mechanisms must be designed with the needs, attitudes, and behaviors of the target population in mind.

19 *Leveaging G2P Payments for Financial Inclusion* (Washington, DC: CGAP, 2008).

20 Ibid.

21 For more information on the business case for small-balance savings, see Rani Deshpande, "Safe and Accessible: Bringing Poor Savers into the Formal Financial System," Focus Note Number 37 (Washington, DC: CGAP, 2006); see also "Highlight on Savings: Good for Clients, Good for Business?" (Washington, DC: CGAP, December 2007)

22 For more information on "long-term client profitability" see, "Savings for Poor People: Good for clients, good for business?" (Washington, DC: CGAP, December 15, 2007).

23 Since no CCT has been in effect long enough to assess actual return on investment, this potential payoff is speculative and theoretical.

24 Stuart Rutherford defines "basic personal financial intermediation" as "the set of mechanisms the poor need to use in order to 'intermediate' small savings into useful large lump sums. The process is 'personal' because it is about how one person can turn her savings into a lump sum for her own use. It is 'basic' because it is a basic requirement for everyday life for most poor people" (Stuart Rutherford, *The Poor and Their Money*, [New Delhi: Oxford University Press, 2000]).

25 This list is illustrative and does not necessarily convey the entire range of potential innovative models.

26 John Bynner and Will Paxton, *The Asset Effect* (London: Institute for Public Policy Research, November 30, 2001).

27 The authors use the term "personal capitalization accounts" to underscore the goal of financial asset accumulation (and subsequently the accumulation and protection of other human and productive assets) of recipient populations. PCAs are conceptual cousins of the individual development account (IDA) model, introduced in the United States by Michael Sherraden in the 1990s.

28 In current pilot projects in Peru, the PCA is structured as a matching grant system (a combination of one-time matching grant upon opening the account and subsidized interest rates paid on savings balances) that is time bound (24 months) and low cost (as low as $50 per year). However, the structure of such programs can be altered to the needs and goals of the respective government.

29 For an overview of these impacts, see Jamie M. Zimmerman, *Child Savings Accounts: A Primer* (Washington, DC: New America Foundation, 2008), and Jamie M. Zimmerman, Jeff Meyer, and Ray Boshara, *Child Savings Accounts: Global Trends in Design and Practice* (Washington, DC: New America Foundatin, 2008).

30 Fiszbein and Schady et al., *Conditional Cash Transfers*, 183.

31 Ibid, citing Karl Ashworth, Jay Hardman, Yvette Hartfree, Sue Maguire, Sue Middleton, Debbi Smith, Lorraine Dearden, Carl Emmerson, Christine Frayne, and Costas Meghir, "Education Maintenance Allowance: The First Two Years. A Quantitative Evaluation," Research Report RR352 (Nottingham, UK: Department for Education and Skills, 2002).

32 Micro-insurance products can be viewed, in essence, as another kind of savings product through which the poor transform small savings (the periodic insurance premium) in order to gain access to a usefully large lump sum in case of an agreed, contractual adversity.

33 See Hashemi and Rosenberg, "Linking Safety Nets and Microfinance," for an illustrative "graduation" sequencing between safety nets, including savings, and microcredit.

34 Fiszbein and Schady et al, *Conditional Cash Transfers*, 40.

35 Ibid, 212.

36 "Reconocimiento del Banco Mundial al proyecto de Banca Popular en México" (BANSEFI, December 9, 2004), http://innova.fox.presidencia.gob.mx/ciudadanos/biblioteca/index.php?contenido=458&pagina=28&imprimir=true.

37 "Mexico's *Oportunidades*: An interview with Miguel Székely, Undersecretary for Social Development" (*IDBAmerica*, December 2004).

38 Two savings mobilization pilot projects designed by Edge Finance S.A. (info@edgefinance.net) for the "Puno-Cusco Corridor" and "Southern Highlands" projects, International Fund for Agricultural Development (IFAD) and FONCODES.

39 The banking track record established by the PCA savers' disciplined saving behavior clearly facilitates the possibility of their qualifying for loans to finance their local productive enterprises (legitimate credit demand), thus resolving certain imperfections in the rural finance market. Because savings are the basis of all other financial services, the PCA is a tool for building trust between the bank and its customer.

40 Oportunidades, “Proyecto de Reglas de Operación. Programa de Desarrollo Humano Oportunidades. Ejercicio Fiscal 2008,” http://www.oportunidades.gob.mx/htmls/Reglas_de_Operacion_2008_con_links_100308.pdf, accessed June 12, 2008.

41 For more information, see Jóvenes con Oportunidades, “Preguntas Frecuentes,” http://www.oportunidades.gob.mx/jovenes/preguntas_frecuentes.html.

42 Felipe Barrera-Osorio, Marianne Bertrand, Leigh L. Linden, and Francisco Perez-Calle, “Conditional Cash Transfers in Education: Design Features, Peer and Sibling Effects: Evidence from a Randomized Experiment in Colombia,” Policy Research Working Paper 4580 (Washington, DC: World Bank, March 2008).

43Ibid, 9.

44 Ibid, 36-37.

45 Fiszbein and Schady, et al., *Conditional Cash Transfers,* 122.

46 Because the global CCT field is constantly evolving, this list is intended to be illustrative and is not necessarily exhaustive.

47 This is an illustrative, not a comprehensive, list. We acknowledge that other CCT programs connected to accounts, debit cards, and new technology exist that are not highlighted in detail here.

48 “Comienzen pagos de Families en Acción en más de 700 municipios,” Secretaría de Prensa, Presidencia de la República de Colombia, March 16, 2009, http://web.presidencia.gov.co/sp/2009/marzo/16/16162009.html.

49 “Government E-Payments Adoption Ranking: A Briefing Paper from the Economic Intelligence Unit” (London: Economist Intelligence Unit, October 2007).

50 Bill Turke, “Students’ Incentive Bank Opens; D.C. Test Program Rewards Efforts,” *Washington Post*, September 30, 2008.

51 *Leveraging G2P Payments for Financial Inclusion.*

52 Bolsa Escola was incorporated into the larger Bolsa Família program in 2001.

53 “Brazil: An Assessment of the Bolsa Escola Programs,” Report No. 2028-BR (Washington, DC: World Bank, March 15, 2001), 98.

54 Kathy Lindert, Anja Linder, Jason Hobbs, and Bénédicte de la Brière, “The Nuts and Bolts of Brazil’s Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context,” SP Discussion Paper No. 0709 (Washington, DC: World Bank, May 2007), 98.

55 Fiszbein and Schady et al., *Conditional Cash Transfers*, 266.

56 For a list of services offered by the Postal Corporation of Jamaica, see http://www.jamaicapost.gov.jm/range_of_services.htm.

57 Samantha de Silva, “Tanzania Community-based Conditional Cash Transfer Pilot Note” (Washington, DC: World Bank, Novemer 2008).

58 Ibid.

59 Soares, Ribas, and Hirata, “Achievements and Shortfalls of Conditional Cash Transfers.”

60 Proyecto Capital (www.proyectocapital.org) is a joint initiative of the Fundación Capital (info@fundacioncapital.org) — a specialized nonprofit organization aiming at massive asset-building and enhancement for the Poor in Latin America and the Caribbean — and of the Instituto de Estudios Peruanos, IEP — a social science research institution. It is presently supported by the Ford Foundation. Proyecto Capital seeks to support governments within Latin America and the Caribbean in the design, implementation, and evaluation of savings-linked CCT policies.

61 www.proyectocapital.org.

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