



Policy Brief 3

February 2006

Inter-Regional Inequality Facility
sharing ideas and policies across Africa, Asia and Latin America

Red de Protección Social

Nicaragua

This series of Policy Briefs summarises the experiences of recent government initiatives aimed at addressing inequality in Africa, Asia and Latin America.

Current Policy Briefs in the series:

- Social grants, South Africa
- Familias en Acción, Colombia
- Red de Protección Social, Nicaragua
- Programme for Advancement through Health and Education, Jamaica
- Social safety nets, Indonesia
- Maharashtra Employment Guarantee Scheme, India
- National Employment Fund, Tunisia
- Youth Training, Argentina and Chile
- National Functional Literacy Programme, Ghana
- Universal Primary Education, Uganda
- Upgrading educational opportunities for the poor, Sri Lanka
- Health insurance for the poor, India
- Affirmative action, Malaysia
- Affirmative action, India
- Affirmative action, Nigeria

The Inter-Regional Inequality Facility was initiated in 2004 to promote inter-regional dialogue and knowledge sharing on MDGs and inequality.

Institutions participating in the Inter-Regional Inequality Facility include:



African Development Bank



African Union Commission



Asian Development Bank



Inter-American Development Bank



New Partnership for Africa's Development



United Nations Economic Commission for Africa

www.odi.org.uk/inter-regional_inequality

Objectives

Despite reasonable rates of economic growth and poverty reduction during the 1990s and early 2000s, Nicaragua faces clear challenges in reaching the various targets set out in its Poverty Reduction Strategy Paper. Poverty in rural areas remains high, and significant numbers of households have no access to safe or potable water, receive no prenatal care or family planning, and do not send their children to school.

The Red de Protección Social (RPS) is one part of the country's overall anti-poverty strategy. It represents a significant departure from previous anti-poverty programmes, in terms of being targeted explicitly at households in extreme poverty, and being subject to rigorous monitoring and evaluation. Its main objectives are to:

- increase family spending on food;
- increase school enrolment and attendance among children aged 7-13;
- increase basic health care and nutrition of children aged under 9;
- improve pre-natal and post-natal care for women.

Description

The RPS is a conditional cash transfer programme. A pilot phase was introduced in 2000, and an expansion phase began in 2003. It provides grants of up to approximately US\$240 per year to poor households with young children and/or pregnant women, for up to five years. All grants are paid to the female head of household, and are subject to the conditions that all children between 7 and 13 years of age are enrolled in school, with adequate attendance and performance, and that all children under 5 years of age, and pregnant women, attend health check-ups.

The RPS is currently providing benefits to around 30,000 households, amounting to around 3% of the country's population. The total financing available to the programme since its creation has been approximately US\$ 40 million, most of which has been made up of external financing from the Inter-American Development Bank.

Lessons learned

Evaluations of the RPS show quite comprehensively that the policy has been a success. It has been well targeted, with 81% of its beneficiaries coming from the poorest 40% of the population. Impact assessments indicate that it has reduced the rate of extreme poverty by one third, increased enrolment in the first four grades of school by around 20 percentage points, and reduced the prevalence of stunting among children under 5 by six percentage points. Factors which have contributed to this success include the two-stage implementation strategy and a clear allocation of responsibilities among stakeholders.

At the same time, the effectiveness of the programme could be increased further, by putting in place automatic financial mechanisms for solving supply-side problems, and by increasing coordination with other rural development programmes and basic line agencies. There is also a danger that the programme will face severe budget constraints from 2006 onwards. Civil Society organisations and relevant policy makers need to be better informed of the beneficial impacts of the programme, so as to put it higher up the policy agenda.

Background

Following a decade of economic and political disarray in the 1980s, Nicaragua has advanced far in restoring a stable, private sector-led, market economy. Hyperinflation was halted in 1991, and trade barriers were progressively lowered during the 1990s. A healthy economic growth began in 1994 and continued until 2000, associated with a fall in the national poverty headcount from 51% to 46%. In 2004, the country achieved the Highly Indebted Poor Countries Initiative (HIPC) completion point, and economic growth has continued at a modest pace, despite the effects of a series of natural disasters and declining terms of trade (falling coffee prices and rising oil prices).

Despite these achievements, clear challenges remain in reaching the various targets set out in the country's Poverty Reduction Strategy Paper (PRSP). Poverty in rural areas remains high, with 67% of the rural population being classified as poor and 27% being classified as extremely poor. Almost 35% of women in extremely poor households receive no prenatal care or family planning, while almost half of children in extremely poor households do not attend school. Some 35% of the overall population has no potable water and 16% have no access to safe water; in extremely poor households in rural areas, these figures are even higher. At the same time, a persistent fiscal deficit of between 6% and 8% of GDP reduces the funds available for social sector investment.

Details

The Red de Protección Social (RPS) is a conditional cash transfer programme. It was designed in 1999, and introduced in two phases: a pilot phase between 2000 and 2002, and – following a positive evaluation of the pilot – an expansion phase between 2003 and 2006.

Geographical coverage

Six municipalities were selected for the programme pilot: Totogalpa, Yalaguina, Terragona, Ciudad Dario, Tuma la Dali and Esquipulas. They were selected on the basis of having high levels of extreme poverty and demonstrated local institutional capacity, including the existence of local education and health services. In the expansion phase, coverage was extended to include all villages in the six original municipalities, and to villages in three additional municipalities: Wiwili, Rio Blanco and San Dionisio.

Benefits

The RPS provides three types of grants. The first is an education grant, which provides eligible households with US\$15 every two months, plus an additional US\$25 dollars per year, for each child enrolled in school, for the purchase of school supplies. The second is a food security grant, which provides eligible households with US\$42 every three months. The third is a health grant, which provides up to US\$90 per family per year to cover payments to private providers of health-related services.

All grants are paid to the female head of household. The education and food security grants are limited to a three year period, while the health grants are limited to five years. In addition, while education grants remain constant over the three years, the food security

grants are reduced to US\$36 and US\$32 dollars during the second and third year respectively, equivalent to a reduction of about 15% per year. This is aimed at inducing beneficiaries to work and reduce their dependence on cash transfers.

Eligibility

Eligibility for RPS grants within each of the selected municipalities is determined by a combination of geographical and household-level targeting. Each village is first grouped according to its estimated poverty level. In the poorest villages – with more than 55% of households in extreme poverty – geographic targeting is applied: all households are potential beneficiaries. In less poor villages – those with less than 45% of households in extreme poverty – household targeting is applied, using a proxy-means test. For all other villages, the targeting method to be used is decided on a case by case basis. The final beneficiary roster is called the *Padron Final*.

Conditionalities

Payment of the each grant is subject to conditionalities. For the education grant, households must provide proof that all children aged 7–13 are enrolled in school, with no more than 6 absences within a two month period, and adequate school performance. For the food security and health grants, children must attend growth and development check-ups, every month for children less than 2 years and every two months for ages 2–5; household heads must also comply with immunizations for their children between 6 and 9 years of age, and pregnant women must attend four pre-natal, one post-natal and four counseling sessions. Benefits are withdrawn if a household fails to comply with these conditions.

Funding

The main source of funding for the RPS is the Inter-American Development Bank. US\$10 million was provided for the pilot phase, and US\$22 million for the expansion phase (depending on satisfactory evaluation of the pilot). This includes 10% of co-financing from the Government of Nicaragua however. The Programme has received additional financing of US\$0.3 million from the World Bank International Development Association, and US\$5 million from the Central American Bank for Economic Integration. In sum, the total financing available to the programme since its creation is US\$ 38 million, US\$ 26 million of which has been disbursed so far.

Implementation

Institutional framework

At the national level, overall policy strategy and co-ordination is the responsibility of a Co-ordinating Council. This is composed by representatives from five line ministries, a representative from the aid donors' consultative group, and is led by the Secretariat of Strategy and Coordination from the Presidency. The Programme Executing Unit, part of the the Ministry of MIFAMILIA, is in charge of overall programme administration and execution.

At the municipal level, local committees ensure cooperation, coordination, social control and social communication of the programme. They are made up of local delegates from the Education and Health Ministries, the coordinator of the Local

Government Technical Unit, two representatives of local civil society, and the head of the Local Executing Units (UEL) of the RPS. At the village level, village committees oversee the programme and promote the achievement of objectives and quality of results.

Compliance with conditions

The RPS utilizes a state-of-the-art information system for verifying compliance with the RPS conditions. For education, forms confirming school enrolment and attendance of beneficiary children are completed by school teachers, and sent to the UEL. The UEL in turn checks the quality and completeness of the required information, and then passes them on to the RPS central office. The RPS then enters the information onto a computer database and determines the percentage of forms fulfilled, and gives further instruction if set norms are not fully satisfied. For health, the system is similar.

Beneficiary workshop meetings

An important role in the implementation of the RPS is been played by beneficiary meetings. There have been close to 900 such meetings so far, each involving around 20 households. They serve a number of important functions, including communicating programme objectives and benefits; monitoring the selection of beneficiaries; verifying relevant information of beneficiaries (e.g. names, ages, identification ID); providing proof of registration forms; and electing voluntary social promoters to assist with implementation.

Inclusion of poorest rural households

Certain aspects of the RPS threaten to exclude benefits to the poorest households, particularly in rural areas. Many children in rural areas do not have birth certificates, or the official health records established by the health ministry, while many head of households do not have identification (ID) cards. The RPS incorporates a series of actions so as to prevent such people from being excluded. Heads of household without identification cards are provided with provisional ID cards, and given six months for obtaining a permanent card, generally at a subsidised price. Similar procedures exist for children without birth certificates and to pregnant women and children without official health records.

Monitoring and evaluation

The RPS is monitored and evaluated in four different ways. First, The International Food Policy Research Institute has been contracted to evaluate the impact of the RPS programme on key indicators, namely health, nutrition and education. Second, an External Advising Committee (EAC) was established by the RPS to have a qualified external opinion on the impact evaluation methods, processes and findings and recommendations. Third, an international auditing firm implements quarterly external audits to monitor transparency and compliance with financial procedures, information systems and operating policies. Finally, there is internal monitoring and evaluation of the RPS by the FSS committee.

Impacts

Number of participants

The RPS is currently providing benefits to 28,129 households in

Table 1 Number of households and beneficiaries participating in the RPS, 2005

Municipality	Beneficiary Households	Children 0–5 years	Children 6–14 years	Pregnant women	Postnatal women
Totogalpa	1,077	1,376	2,253	339	192
Yalaguina	1,359	950	1,921	209	111
Terragona	1,457	1,282	2,441	244	158
Ciudad Dario	3,467	2,981	6,454	597	392
Tuma la Dalia	5,679	7,198	14,180	1,168	694
Esquipulas	1,427	1,739	3,190	287	152
Wiwili	8,647	9,585	13,701	2,016	967
Rio Blanco	2,741	1,525	3,562	256	147
San Dionisio	2,275	1,389	2,476	215	113
Total	28,129	28,025	50,178	5,331	2,926

Note: * indicates the three new municipalities to which the programme was expanded in 2003.

nine municipalities (Table 1), representing a share of 3% of the country's population.

Efficiency of targeting

Early assessments showed that the RPS is very well targeted, with 81% of its beneficiaries coming from the poorest 40% of the population, and 55% from the poorest 20%. These figures compare very favourably with similar programmes implemented elsewhere. Furthermore, in areas where the RPS was geographically targeted, the percentage of non-poor households participating in the programme was only 15%. Studies have also shown that, when classified by national deciles of height-for-age ratios, 52% of children in RPS households come from the two lowest deciles of the distribution, and virtually none from the two highest, again indicating efficient targeting.

Impacts on households

The most recent estimates (IFPRI, July 2005) suggest that the RPS reduced the rate of extreme poverty by one third between 2000 and 2004, a very large amount. It was also estimated that, if the programme was to receive an annual budgetary allocation of US\$15 million, the national PRSP-MDG target of halving the rate of extreme poverty by 50% by 2015 would be amply accomplished.

Impacts of the RPS on human capital accumulation have also been substantial. Again, the most recent estimates (IFPRI, July 2005) showed that the RPS increased enrolment in the first four schooling grades by around 20 percentage points, which was around double the expected impact. The size of the increase was even higher among extremely poor households. By international standards, these impacts are among the largest observed for programmes of this type. The RPS also had a large impact on a range of health and nutrition indicators.

Finally, the amount of child labor has fallen by 50% in RPS areas, and there has been no reduction in labor force participation (due for instance to lower work incentives). Social assessments suggest women have more independence in spending decisions, and new avenues for meeting and discussing issues of concern. The only concerns are that, despite wide distribution of iron and

anti-parasite supplements, rates of anemia remain high among young children, and that the impact of the programme on child immunisation and malnutrition rates appears to be falling over time.

Factors contributing to success

A number of factors have contributed to the success of the RPS. First, it has recognised supply-side problems in the provision of basic public services in rural areas. Second, the two-stage implementation strategy allowed adjustments to be made prior to further programme expansion. Third, the clear allocation of responsibilities set out in the Operating Manual and institutional framework allowed for the transparent and accountable implementation of the programme. Finally, the development of beneficiary meetings and the recruitment of village promoters increased the targeting efficiency of the programme.

Despite its success, there is a concern that the RPS is still too low in the Government's policy agenda. Out of the resources generated by debt relief under the HIPC programme, the RPS was only assigned 0.6%, or less than US\$ 1 million (PRSP Second Progress Report, November 2003). There is also a possibility that current sources of funding from multilateral agencies will not be continued beyond May 2006. Unless bilateral agencies cover the short-fall, there is a danger therefore that the programme will face severe budget constraints from 2006 onwards.

Lessons learned

Evaluations of the RPS show quite comprehensively that the policy has been a success. It has been well targeted, and has had substantial positive impacts on levels of health, nutrition, and human capital accumulation in participating households. Leakage of benefits to the non-poor and adverse effects on labour force participation have been avoided. This success has been achieved largely through a well defined set of objectives, a strong impact evaluation framework, specific actions for areas with low access to public services, and learning and adjustment following a pilot phase. Internal management capabilities regarding surveys and cartography have also been a critical element for achieving social inclusion.

Nevertheless, there are still ways in which the effectiveness of the RPS could be improved. These include:

- increasing coordination with basic line ministries to address related supply-side problems. For example, the large deficit of inputs (micronutrients, vaccines, etc) for adequately addressing the health care protocols could have been resolved at a much earlier date;
- incorporating other key interventions into the scheme (e.g. availability of safe water), since these can easily be identified with the RPS's information system;
- putting in place automatic financial mechanisms for solving supply-side problems. For example, specific HIPC budget relief could have been used to automatically increase spending on personnel, school materials and facilities in the

RPS areas of influence, in accordance with identified supply-side problems;

- increasing coordination with relevant rural development programmes in RPS's areas of influence, for example through specialized extension activities, enhanced farming systems and access to credit. All information for adequately selecting these households is available from the RPS's census information. For a detailed proposal see Lacayo (2004);
- expanding monitoring mechanisms for detecting and responding to those who will be most adversely affected by large covariant risks;
- translating the line ministries responsibilities into a set of ministerial decrees, which communicate the added functions and internal processes required for RPS operation.

Finally, key Civil Society organizations and relevant policy makers need to be better informed of the results of the programme's impact evaluations. In this regard, targeted CCT programmes such as the RPS need to incorporate in their design a comprehensive social communication strategy, for putting the programme higher up the social agenda and enhancing domestic political commitment.

References and further reading

- Arcia, G. (2002). Impacto Fiscal de la Red de Protección Social (RPS): requerimientos y perspectivas financieras para su expansión. Inter-American Development Bank.
- Caldes N., Coady D. and Maluccio J. (2004). The cost of poverty alleviation transfer programmes: A comparative analysis of three programmes in Latin America. FCND discussion paper No.174.
- Coady, D. (2004). Designing and evaluating social safety nets: theory, evidence, and policy conclusions. FCND discussion paper No.172
- Government of Nicaragua (2002). PRSP First Progress Report.
- IFPRI (2005). Sistema de Evaluación de la Red de Protección Social (RPS)-MIFAMILIA, Nicaragua; Evaluación del Impacto: 2000-2004. Final Report on behalf of the RPS, by J. Maluccio, M. Adato, R. Flores and F. Roopnaraine.
- Lacayo, C. (2004). Análisis comparativo de sistemas de monitoreo y evaluación: El caso de Nicaragua. Regional Policy Dialogue, Inter-American Development Bank.
- Rawling, L. and Rubio G. (2003). Evaluating the Impact of Conditional Cash Transfer Programmes: Lessons from Latin America.
- World Bank (2003). Nicaragua poverty assessment: Raising welfare and reducing vulnerability; Report No.26128-NI.

This paper was written by Carlos Lacayo, an independent consultant. He can be contacted at: clacayo@ibw.com.ni or clacayo@isopartners.com. A longer version of the paper can be obtained on request from the author. The paper was edited by Edward Anderson of the Overseas Development Institute.

©Overseas Development Institute 2005

This and other papers are on our website: www.odi.org.uk/inter-regional_inequality

This Policy Brief has been produced by the Secretariat of the Inter-Regional Inequality Facility at the Overseas Development Institute, London. Initial sponsorship for the Facility has been provided by the UK Department for International Development.



The views in the paper are those of the author(s) and do not represent the official position of the institutions participating in the Inter-Regional Inequality Facility.