

# Do CCT Programmes

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# Have a Pro-Poor Spillover Effect?

**Conditional Cash Transfer** programmes (CCTs), such as *Progresa* in Mexico or *Bolsa Família* in Brazil, have been compared to a “magic golden bullet in development”. A plethora of rigorous evaluations of such programmes points to a significant increase in food consumption among cash-recipient households. A topic that has not received much attention yet is the impact of cash transfer programmes on the food consumption of households that *do not* receive the transfer (programme-ineligible households) but that are in the same village as cash recipients.

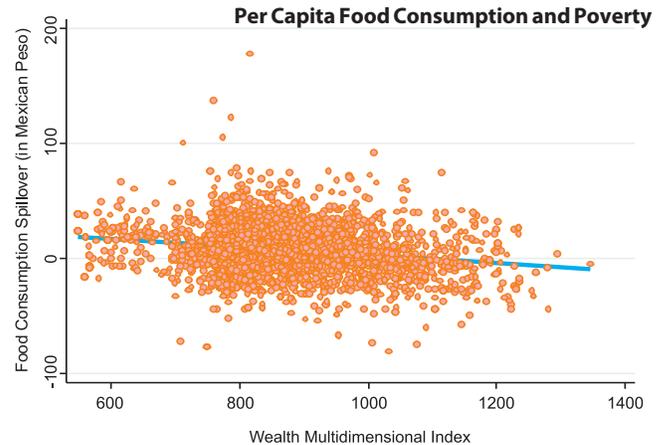
Why should we care about programme-ineligible households? In many cases, funding for a CCT is limited. Hence governments and non-governmental organisations often allocate transfers to the most vulnerable groups of a population. But the vast majority of those deemed ineligible for the programme are far from what we would consider “well-off”. For example, the monetary value of ineligible’s daily per capita food consumption in Mexico’s *Progresa* was less than US\$1.0 when the programme started in 1997. Poverty therefore persists even among ineligible households. If a CCT has a positive food consumption spillover on ineligible households, the overall impact on poverty is much greater than previously recorded.

Why would programme-ineligible households increase their food consumption, even though they do not receive the cash transfer? First, transfers increase the recipient households’ demand for goods and services. This in turn changes prices and labour demand in the community. If a programme-ineligible individual is a labourer, the increase in demand for goods and services leads to more employment opportunities, and thus additional income. If programme-ineligible households are engaged in small business activities they benefit from increasing prices (higher profits).

Second, the liquidity induced by a CCT improves credit markets (Angelucci and De Giorgi, 2009). The consequent increase in access to loans can be used to scale-up domestic agriculture, livestock production and other small business activities.

Third, a CCT may lead to increases in informal food gifts from programme participants to programme-ineligible households. In the anthropology literature, this phenomenon is often referred to as “solidarity”. The economic literature emphasises the importance of in-kind sharing as a means of informal insurance against shocks (illness, crop failures and so on). Households have an incentive to share food with other households in order to receive help when they themselves fall into precarious situations (the principle of “reciprocity”). These and other important channels through which a CCT affects ineligible’s consumption are discussed in depth in Lehmann (forthcoming).

Is the food consumption spillover pro-poor? Using data from Mexico’s *Progresa* we analyse if poorer ineligible households or the



“better-off” ineligible households benefit from the food consumption spillover. We compare the average monthly per capita food consumption of ineligible households in villages where households receive cash transfers to that of ineligible households in villages where there is no CCT. Our results suggest that the increase in food consumption is greater for poorer ineligible households than for “better-off” ineligible households. In general, the poorer the village as a whole, the greater the spillover on ineligible households. The food consumption spillover, therefore, benefits the very poor.

The figure visualises the relationship between the increase in ineligible households’ monthly per capita food consumption and their level of pre-programme poverty. The latter is represented by a wealth multidimensional index. The lower the index, the higher the level of poverty. Each dot represents the increase in food consumption for a programme-ineligible household in our sample (i.e., non-recipients of transfers) due to the existence of a cash transfer programme in the village. The downward-sloping line shows the trend. We see that poorer ineligible households benefit more from the existence of a CCT in their village. Their increase in food consumption is, on average, higher than that of “better-off” ineligible households in the same village.

What are the implications? Evaluations of CCTs that focus entirely on programme participants do not capture the overall community impact on poverty. Poorer, programme-ineligible households indirectly benefit from the programme through higher food consumption, and thus the impact on poverty is greater than previously recorded.

#### References:

- Angelucci, M. and G. De Giorgi (2009). “Indirect Effects of an Aid Program: How Do Cash Transfers Affect Ineligibles’ Consumption?” *American Economic Review* 99 (1), 486–508.
- Lehmann, C. (forthcoming) “Consumption Externalities in Conditional Cash Transfer Programmes: Who Benefits, Who Loses, and Why?” *IPC-IG Working Paper*. Brasilia, International Policy Centre for Inclusive Growth.

