Control and Accountability in Conditional Cash Transfer Programs in Latin America and the Caribbean:

Key Topics and Areas for Further Improvement

1. Introduction[1]

Conditional cash transfer (CCT) programs in Latin America and the Caribbean (LAC) have become flagship national social programs with increasingly broad coverage and demonstrated results. By providing cash payments to poor families that meet certain behavioral requirements (called co-responsibilities[2]), generally related to children's health care and education, CCTs seek to alleviate poverty in the short-term while fostering human capital development in the long-term. Evidence from a number of countries shows that these programs are well targeted, reduce poverty in the poorest households, and improve the use of education and health services.

CCT programs face several distinctive implementation challenges, which require effective control and accountability mechanisms. CCTs often (i) cover a large number of beneficiaries, implying a large quantity of cash payments; (ii) are highly visible; (iii) involve shared program responsibilities across levels and departments of government; and (iv) depend on national systems for financial management, auditing, and other management processes.

Strong control and accountability mechanisms at all stages of CCT program implementation are critical to minimize and manage risks, and to ensure effective program implementation and sustainability. For example, efficient and transparent targeting and payment systems contribute to program credibility and guard against political or other manipulation. More broadly, maintaining a positive reputation for effective prevention of fraud and control of errors leads to public support and gives CCTs legitimacy as a social policy instrument.

2 We use the term "co-responsibilities" instead of "conditionalities" to reflect the double responsibility involved in compliance with program requirements to use social services. The beneficiary is responsible for using services and the program is responsible for providing the services.

This note presents key control and accountability topics and trends in CCT programs in LAC. It summarizes main findings and recommendations from several previous reports that have documented control and accountability mechanisms, identified risks, and analyzed critical areas that may need to be improved.

The purpose of this note is primarily practical. It seeks to provide CCT practitioners a list of tools and good practices to oversee the control and accountability systems of their CCT programs. It also provides some guidance on factors to be considered in selecting among different mechanisms.

2. Control and Accountability Issues in CCTs

Control and accountability are critical throughout the cycle of CCT program implementation. A 2007 Special Review of CCT control and accountability systems in programs supported by the Bank in LAC[3] identified key topics and developed a framework, including a menu of tools and good practices, for the oversight and control of fraud and error intended to guide practitioners in the appraisal and supervision of CCT operations. Table 1 outlines several moments, or program activities, during CCT implementation when control and accountability are particularly critical, adapted from the 2007 Special Review.

Table 1. Key Moments for Control and Accountability in CCT Programs

Moment/activity	Implications for Control and Accountability
Eligibility and targeting	Eligibility and targeting processes are critical to ensure that the appropriate beneficiaries are identified and errors of inclusion are minimized.
Verifying compliance with co-responsibilities	Verification of compliance is important as CCT programs only provide payment if there is evidence of compliance with co-responsibilities. Control regarding compliance is related to ongoing monitoring; information systems linking local information to the payment process; quality-control reviews; and policies on the consequences of noncompliance.
Payment	Payment involves the delivery of cash as well as the process of determining the amount, frequency, and mechanism(s) for the transfer of funds. It is critical to ensure proper procurement, financial management, and corruption control at this phase.
Exit	Processes and guidelines defining how and when beneficiaries exit from the CCT should be transparent and communicated to beneficiaries in advance of their exit.
Communications	Communications strategies provide outreach and information to potential and actual beneficiaries and the public at large. Transparency in communication allows for public accountability.
M&E, including Management Information Systems (MIS)	M&E systems include MIS, audits (process, fiduciary, etc.), internal and external quality control mechanisms, management of complaints and grievances, social controls, spot checks, and impact evaluation. MIS are important for accountability as they link and reconcile information on eligibility, co-responsibilities, and information to and from payment providers.

Based on the framework created in 2007, the LAC Social Protection Unit (LCSHS) has been reviewing control and accountability within Latin American CCT programs with the

3 See "Control and Accountability Mechanisms in Conditional Cash Transfer Programs: A Review of Programs in Latin America and the Caribbean," Operational Innovations in Latin America and the Caribbean, Volume 1 Number 1, World Bank. March 2007. http://siteresources.worldbank.org/INTLACREGTOPLABSOCPRO/Resources/CCTReview_FINAL.pdf.

aim of improving the preparation of new CCT projects and supporting Task Managers doing project supervision. Two reviews, in 2009 and 2010[4], addressed project risks, the status of mitigating measures designed to address identified risks, follow-up actions related to those mitigating measures, and lessons learned from the implementation of CCT programs.

Overall, the past reviews have concluded that basic control and accountability mechanisms are in place in the CCT programs reviewed in LAC and there are no major issues for immediate concern. However, there is variation in the performance of control and accountability measures across countries and there is a need to identify potential risks up front and devise potential solutions in advance.

The previous assessments concluded that the most important risk-mitigating improvements to CCT programs are the existence of clear criteria for beneficiary identification, registry, and eligibility (both for entering and exiting the program); the utilization of well-designed Management Information Systems to carry out the main CCT processes (registration, eligibility, verification of co-responsibilities, payments, complaints and appeals, and monitoring); and the existence of internal control mechanisms, which provide information to make necessary changes within programs. The main findings and recommendations for the implementation of those improvements are presented below.

Eligibility and targeting

CCTs in the LAC countries reviewed use a range of mechanisms to target the poorest households. Many countries use a two-phase system, which starts with geographic targeting that focuses on the poorest areas of the country (often using poverty maps), which will then undergo a second phase of household targeting. The most common form of household targeting is the proxy means test, in which scores for applicant households are generated based on easily observable characteristics (e.g. quality of the family's dwelling, family's durable goods, household demographic structure, levels of education, etc.) that are weighted using statistical analysis based on household surveys. One notable exception is Brazil, which uses a simple means test to collect self-reported income information from beneficiaries.

Current targeting systems generally minimize errors of inclusion, or leakage of program resources to ineligible, often better-off, households. This signifies that the mechanisms used, including poverty mapping, formulas, and thresholds, are largely effective in identifying the poorest households. Evidence to support this finding comes primarily from independently verifiable sources, including nationally representative household surveys. However, the existence of budgetary or geographical constraints to coverage could increase the possibility of errors of exclusion, or the non-inclusion of eligible households[5]. Mechanisms for challenging decisions (e.g. citizen committees, grievance and redress procedures, etc.) can also mitigate the risk of inclusion and exclusion errors.

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4 "Control and Accountability Mechanisms in Conditional Cash Transfer Programs: A Review of Programs in LAC" (June 2009) and "Control and Accountability Mechanisms in Conditional Cash Transfer Programs in LAC's portfolio: A Review of Programs in LAC" (November 2010). World Bank, internal documents.

5 Exclusion errors can result from geographic targeting, which leaves out eligible households living in non-poor areas of the country, or from enrollment ceilings, which limit the number of eligible households who participate in the program at a given time.

The availability of transparent information on program targeting criteria and results through clear operational rules is critical to program accountability. It is also important that countries continue to monitor targeting effectiveness (e.g. by including basic questions on program participation in national household surveys) and adapt control mechanisms as needed if targeting approaches change (e.g. targeting approaches targeted to urban areas).

There are several examples of CCT programs in LAC that have reduced risks associated with targeting mechanisms and updating the roster of beneficiaries:

- In Brazil, the *Bolsa Familia* program uses several mechanisms to reward and improve municipalities' performance in managing the roster of beneficiaries. Municipalities receive performance-based financial incentives in the form of administrative cost subsidies to partially reimburse the cost of implementing a biannual recertification of eligibility of beneficiaries.
- In Bolivia and the Dominican Republic, the CCT programs coordinate with other institutions to reduce the number of poor people without documentation. This, in turn, allows beneficiaries to become eligible, reducing the risk of exclusion errors.
- In Jamaica, the government has instituted several mechanisms to reduce targeting errors (inclusion and exclusion), including the use of an objective and transparent Beneficiary Identification System (BIS) (which is being improved to produce a new scoring formula based on the latest household survey), home visits, recertification, database cross-checks, and the establishment of appeals committees to reassess the situation of households at the margin of eligibility.

Verification of co-responsibilities

Enforcement of co-responsibilities varies widely across programs. In some cases, compliance is encouraged and facilitated, but benefits are almost never revoked in the case of non-compliance. In other cases, benefits are automatically discontinued if compliance cannot be verified. While overall non-enforcement increases the risk that beneficiaries will abuse the program, strict enforcement may exclude beneficiaries too hastily. There are many reasons for non-compliance: in some cases requirements may not have been fulfilled, while in other cases, services may not have been available or reporting may have been inaccurate. Countries should consider their priorities to find a balance between the two extremes.

The 2007 report highlighted the importance of exploring the reasons why beneficiaries are not complying with program co-responsibilities. In some cases, they may not have sufficient access to health and/or educational facilities. In other cases, centers may not be recording and reporting on all of the clients the serve. The report also found that in most cases it is much more difficult to verify compliance with health co-responsibilities than with education co-responsibilities. Most schools have attendance reporting systems

in place, and can share their lists with the CCT program. Health centers, on the other hand, often must implement new systems to track CCT participant visits, and can be reluctant to comply with what they perceive to be a new burden.

Even if health and education reporting systems are in place, there are additional factors that affect the effective verification of compliance with co-responsibilities. The flow of information must be organized such that compliance information can effectively travel from the place where beneficiaries use the service to the central level where compliance is verified. Furthermore, this flow of information must be timed in coordination with payment cycles to ensure that compliance information is available in time to determine which beneficiaries should be paid for a particular time period.

The 2009 report showed improvements in the verification of co-responsibilities in Brazil where mechanisms to promote and improve municipalities' performance in managing compliance monitoring increased, especially for health co-responsibilities. Since 2009, the creation of intersectoral committees for CCTs and the definition of clear roles and responsibilities at national and regional levels of the health and education sectors have paved the way to improve the verification of co-responsibilities in countries like the Dominican Republic, Panama, and Honduras.

Payment

CCTs require a systematic, secure system for monitoring the distribution, collection, and processing of payments made to program beneficiaries. The three reviews found that payment processes do not face major risks in terms of procurement and financial management and do not appear to be corruption-prone. This is in part because the size of individual cash transfers is small and the verification of compliance with co-responsibilities (depending on the degree of enforcement) tends to reduce the potential misuse of funds. The identified risks related to payments include: supervision of contracts with payment agencies, transparency of payment systems, and timeliness and validity of payment reconciliation processes. Where payment processes are contracted out, supervision is critical to ensure accountability because third parties do not have the same accountability channels as public institutions. Proper supervision of contracts can imply spot checks and regular monitoring of payment process indicators.

Addressing financial management risks involves ensuring the use of control measures that cover accounting and reporting requirements related to payments. Many programs maintain rigorous documentation of cash flows and clear procedures for dealing with non-collection and non-receipt of benefits. Auditing procedures, including concurrent audits, can contribute to effective oversight. Where financial management capacity is weak, project design should include components to strengthen institutional capacity as a whole and financial management practices specifically.

Image source: IDB America Magazine, October 14, 2011

A number of CCTs have improved their payment processes over the last few years. For example:

- In Bolivia, the program stopped using the Army to deliver payments in remote areas and contracted financial agencies to provide payments for the entire country. The reconciliation process is conducted daily through a technological platform.
- In Colombia, the program increased the bancarization of beneficiaries through personal bank accounts.
- In Argentina, payments for the Family Allowance program made directly to beneficiary bank accounts increased from 70 percent in 2008 to 93 percent in 2010.

Several programs have been looking at alternative payment mechanisms (e.g. debit cards, cell phones and mobile banks), which can increase accountability, while also reducing the costs of delivery and increasing beneficiary access payments. Additionally, some programs are increasingly using the banking system, which can enhance security and efficiency and provide additional services to beneficiaries (e.g. Argentina, Brazil, and Mexico). These systems still require proper controls, such as documentation of cash flow and procedures for dealing with non-collection and non-receipt of benefits. For example, debit card fraud can be assessed by comparing the loss and/or theft of CCT debit cards with that of normal debit cards.

Communications

Making official program data and information on program contracts and results publically available improves transparency and builds in public accountability. It is good practice to post program information on processes and indicators on the Internet. Posting beneficiary lists may increase transparency and has not been controversial in most countries, but it is important to consider cultural norms regarding privacy and confidentiality before adopting this strategy.

There is significant variation among countries in the degree to which program information (e.g. monitoring indicators, evaluation results) is publically available. Mexico's *Oportunidades* continues to be the best example with bimonthly monitoring indicators, targeting and coverage performance, operational rules, and evaluation results publically available. Examples of recent improvements in other countries include:

- Colombia's *Familias en Acción* program published information on impact evaluation results and operating rules.
- The Dominican Republic posts *Solidaridad* beneficiary lists and operational manuals online.
- Guatemala's *Mi Familia Progresa* CCT developed an improved website to publicize information about program results.
- Jamaica's PATH program posts program rules, eligibility, benefits and payment information on the MLSS website.

Management Information Systems

Management Information Systems (MIS) are considered the backbone of CCT programs because they facilitate good program management, decision-making, and program accountability. MIS are not merely repositories for data, but rather can be powerful instruments to facilitate evidence-based decision-making and to ensure program oversight and accountability, all of which contribute to better program results (see Figure 1).
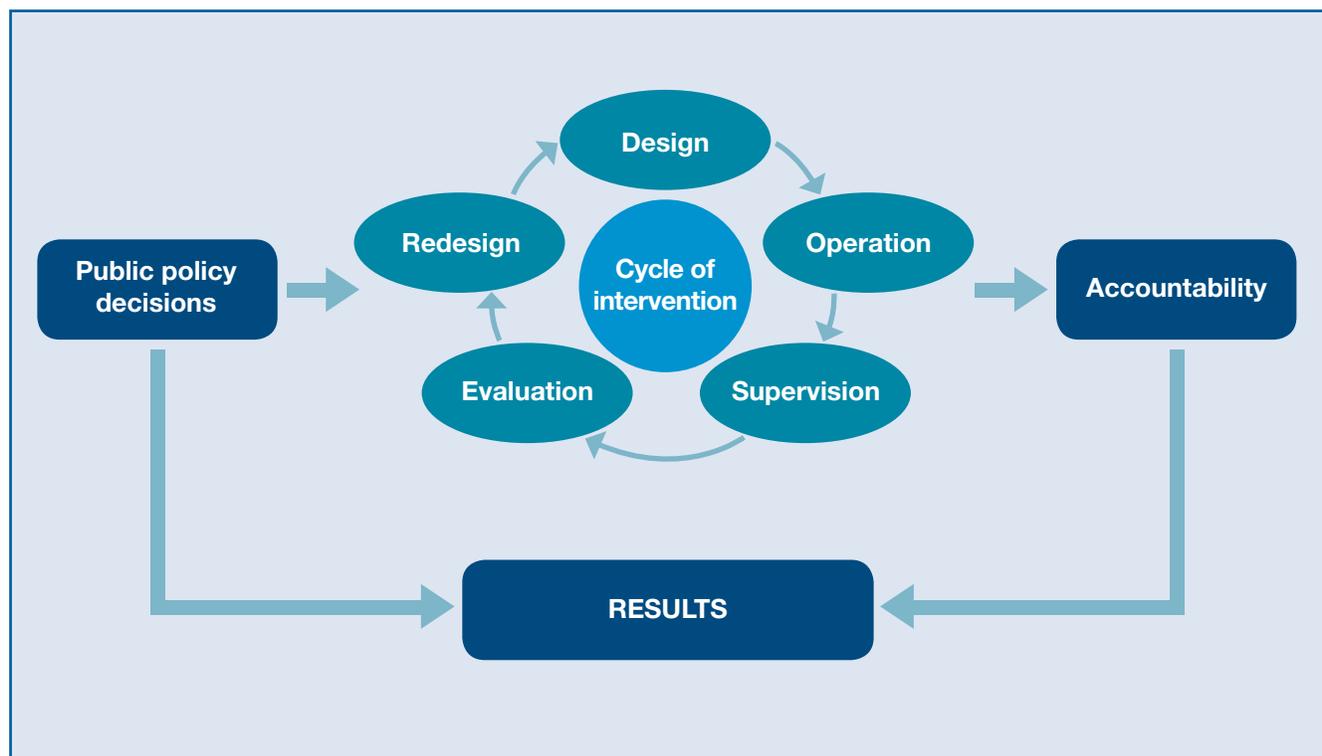
Source: World Bank, 2010. Management Information Systems for Conditional Cash Transfers and Social Protection Systems in Latin America.

The 2007 review found that many of the CCT programs lacked an MIS with the capacity to track all beneficiaries, local program indicators, and safeguards to protect against unintentional human error and identified evaluating and expanding these systems as a priority. Technical, management, and business processes are critical to maintaining accountability. More specifically these include:

- Technical and management processes: MIS team capacity, structure, and roles and responsibilities; MIS hardware and software procurement and maintenance plans; MIS development and maintenance cycle; and country infrastructure capacity.
- Business processes: data, information, and records management; network management (service standards and disruption tolerance); information security and access control; and data transfer within and across agencies.

The level of complexity of the MIS and the degree of integration with other programs and/or institutions should be determined by program and policy objectives and is often a political decision. The 2009 review recognized the challenge of integrating different modules, including beneficiary registry, verification of co-responsibilities, and payments in the first

stages of program implementation. The report concluded that establishing a functional MIS early in project implementation (especially with new programs) is critical to improving program management and ensuring risk mitigation.

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Key Findings on MIS in 2010

The following key messages emerged from the 2010 workshop entitled, "The Role of Management Information Systems in CCTs and Social Protection Systems in Latin America."

- Good quality data is the pillar of an effective MIS. Key data include those that identify beneficiaries (e.g. name, sex, birth date); reflect desired program results (e.g. family income, nutritional status, school attendance); and capture processes expected to lead to the desired results (e.g. co-responsibilities).

- Data must be transformed into a format that is useful for decision-making: critical program indicators.

- MIS utilize distinct modules, generally focused on a specific program process (targeting, payment, verification of co-responsibilities, etc.). Modules can be separate or linked to facilitate analysis across processes and institutions. Many MIS begin with a few key modules and add modules gradually as needed.

- MIS provide concrete tools for program improvement (e.g. alerts when indicators reach critical levels).

- MIS can provide information that can be used to communicate to multiple audiences—both inside and outside the program—about program effectiveness to improve program accountability.

Source: World Bank, 2010.
Full report: http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/mis_ctt_english_full_report.pdf
Summary note: http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/MIS_brief_dec2010_FINAL.pdf

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Since 2010, there has been notable progress in the development and quality of MIS in the region, leading to improvements in targeting and verification of co-responsibilities. For example:

- In Panama, the program has begun to use the MIS on targeting and registration to undertake a process to evaluate eligibility of all beneficiaries, resulting in the reduction of inclusion and exclusion errors.
- In Bolivia, an improved MIS merged multiple databases into a single, integrated database, instituted internal controls and systems audits, and created an interface with the payment system. Furthermore, the updated MIS is web-based with the capacity to operate off-line in areas without connectivity.
- In Jamaica, a fully revamped MIS includes key modules on beneficiary database, verification of compliance with co-responsibilities, and payment, as well as a system of service standards. The MIS produces key summary tables that are incorporated in periodic management reports.

Once reliable information is generated via the MIS (as well as spot checks, scorecards, etc.), programs need to use the information for program improvement. Results can also be used as the basis for monitoring disbursement (e.g. Jamaica).

3. Use of complementary mechanisms to increase accountability

All the CCT programs reviewed use a variety of accountability tools, including both top-down and bottom-up approaches, to address different types of risks associated with the key activities or processes described above. There is a clear recognition that each tool has advantages and disadvantages and that bottom-up approaches (e.g. social accountability) are complements, rather than substitutes, to top-down approaches (e.g. formal audits and internal monitoring) (see Table 2). Multiple tools are needed to effectively mitigate the range of project risks.

Table 2. Pros and Cons of Selected Control and Accountability Mechanisms

Mechanism	Pros	Cons	Where used?
Top-down approaches			
Supreme audit institutions	Use country systems, resources, international standards	Influence/effectiveness depends on their standing in country	Nearly all LAC countries
Call centers	Focus on client service, important in decentralized environments, promote accountability and monitoring	Need to operate very well or can backfire	Argentina, Brazil
Spot checks	Promote accountability, have consequences for corruption	Impact can be limited, cover small sample, expensive	Argentina, Colombia
Crosschecking databases	Inexpensive, quick	Need to have technical prerequisites in place (unique ID, capacity, expertise)	Argentina
Concurrent audits	Provide timely information that can be acted upon in the short-run	Can be costly	Argentina, Honduras
Evaluation	Most basic accountability tool, independent	Provides results after actions have taken place, expensive to do everywhere	Argentina, Brazil, Colombia, etc.
Bottom-up approaches			
Commissions with municipal, civil society, and beneficiary participation	Take advantage of skills/ commitments in some places, may be closer to beneficiaries	Depend on volunteers, role needs to be defined carefully, can't make up for general program weaknesses	Argentina, Brazil
Mothers' committees	Contribute to empowerment of beneficiaries, close to clients, strong self-interest	Depend on volunteers, members may become "intermediaries"	Colombia
Civil society organizations	Third-party, close to client	Potential conflict of interest	Argentina, El Salvador

Source: Adapted from World Bank, 2007.

Some examples of accountability mechanisms used in CCTs in LAC include:

- In Colombia, the *Familias en Acción* program uses spot checks, or sample-based site monitoring, to review program operations in different localities. Program staff interview participants, program officials, and local governments using structured questionnaires, covering 400 indicators of critical program aspects including enrollment, verification of compliance with co-responsibilities, payment, appeals, and participation in and quality of health education sessions. Results indicate which aspects of the program work well, where there is regional variation in program management, and what changes in procedures, staff, training or other inputs may be needed. The program has been successful at using the information collected in spot checks to improve program results. For example, spot checks revealed problems with long wait times for payments and program mangers worked with banks to reduce wait times. Furthermore, spot checks detected areas, such as improved communication about the program to beneficiaries and municipalities, in which staff needed more training, which was then provided.

- In the Dominican Republic, the Government makes complaint forms available to all beneficiaries of the CCT program *Solidaridad*. Beneficiaries can report complaints individually or in a group. Complaints usually refer to lack of information about beneficiary rights and responsibilities, general program functioning, and the lack of social services (health centers and schools) that would allow beneficiaries to comply with program co-responsibilities. The forms are received by Regional Committees and forwarded to the appropriate agency that deals with the issue. Central program staff then analyze and respond to the complaints.

- In Jamaica, both internal and external auditors audit the program on an annual basis. The team of internal auditors ensures (a) that PATH and its operations conform to the Financial Administration and Audit Act; (b) that adequate systems and procedures are in place for quality control and the prevention of irregularities; and (c) that operational procedures are efficient. External audits facilitate in-depth assessment of PATH's financial accounts and internal operating systems.

Brazil: Hotlines at multiple levels of government

- Federal level: 3 hotlines are operated by more than 100 staff to disseminate information on *Bolsa Familia*, respond to queries from beneficiaries and local project managers, and resolve questions and complaints.

- State level: In the state of Piaui a hotline covers 400,000 beneficiaries and receives around 300,000 calls per month with complaints and queries about the program.

- Municipal level: Ji-Parana (in the Northern state of Rondonia) set up a hotline for grievance redress for 11,000 *Bolsa Familia* beneficiaries. Municipal staff follow-up on complaints of program irregularities.

- In Brazil, the *Bolsa Familia* Program uses hotlines (toll-free call numbers), controls through the Public Audit Network, and Social Control Committees. The Committees are composed of members of the community, civil society and government and are responsible for: verifying if the program reaches the most vulnerable and poor, validating the accuracy of beneficiary data and the frequency of the recertification process, following the payment process, and ensuring monitoring of beneficiary compliance with co-responsibilities. Committees report irregularities to the municipal government and, if these are not addressed in an appropriate and timely manner, to the Ministry of Social Development (which will follow up through the Public Audit Network).

4. Ongoing Considerations

While the state of control and accountability in CCT programs in LAC is strong, there is an ongoing need to refine, update, and strengthen these mechanisms to ensure transparency and positive results. The 2007 review identified the need to engage clients in the discussion of control and accountability to share experiences and promote mutual learning. Over the past few years, clients have been increasingly interested in cross-country learning experiences on topics such as MIS, payment systems, and social audits. The LAC Social Protection team has been working on benchmarking best practices in areas like social audits, information dissemination, spot checks, payment systems, MIS and the management of CCTs during election periods through country consultations, comparative studies, and surveys. Results from these assessments are being published as a series of policy notes and communicated directly to CCT program staff through an established Community of Practice. There is a need to continue to facilitate cross-country exchanges as well as dialogue with other stakeholders involved in control and accountability.

The following additional topics have been identified as requiring attention in the near future to ensure adequate control and accountability.

- **Ensuring effective controls related to eligibility, targeting, and exit strategies.** These areas are critical to ensuring that CCTs serve the appropriate beneficiaries. It is important that countries develop processes and controls for recertification, a process to periodically reassess beneficiary eligibility. Based on results from targeting assessments[6], some programs are reviewing their eligibility criteria to improve targeting effectiveness (e.g. Colombia is rolling out a new System for Selecting Beneficiaries of Social Spending and Jamaica is reviewing its proxy means test and scoring formula). Other programs have introduced electronic technology for gathering targeting data in the recertification process, which can improve data quality, thereby improving accountability. Another critical aspect is the identification of effective controls to evaluate beneficiary exit from CCTs.

- **Adapting control mechanisms as payment systems change.** Several countries (e.g. Bolivia, Dominican Republic, Jamaica, and Panama) are assessing alternative technologies (mobile banks, cell phones, etc.) to increase equitable access to payments. As new systems of payment are adopted, control systems based on traditional payment processes must be adapted to support proper accountability.

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6 Targeting assessments use basic questions on program participation in national household surveys to evaluate targeting effectiveness.

- **Continuing improvements in the design, operation, and use of MIS.** Although MIS are becoming more developed in the region, a number of challenges remain. These include cross-referencing databases, timely updating, and accessing data from the health and education sectors (e.g. Colombia, Dominican Republic, and Panama). Systems audits are an important tool to assess the effectiveness and security of a program's MIS.

- **Ensuring effective control and accountability during program expansion.** Programs face significant and distinct challenges as they expand. It is critical to reassess control and accountability mechanisms to ensure that they effectively address the key program processes at the larger scale. In the case of expansion to urban areas, it may also be important to consider the impact of violence on the design and implementation of control and accountability tools.

- **Using cross-cutting and complementary control and accountability mechanisms.** Internal audits are critical for the sytematic oversight of operations and financial management. Internal audits based on positive experiences (e.g. Argentina, Jamaica, and Mexico), should be used as a benchmark for other countries. Programs should be careful to use social accountability tools as a complement to formal audits and internal monitoring, not as a substitute for these activities. This is an important area for experimentation and sharing of lessons learned to establish best practices in different contexts.

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opportunities for all