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The relevance of conditional cash transfers in developing economy: the case of Muslim countries

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Abstract

Purpose – The purpose of this paper is to critically analyse the relevance of directly targeted poverty reduction programmes in Muslim countries by means of conditional cash transfers (CCTs). The paper analyses the best practices and lessons learnt to date and explores the practical issues to implement CCT poverty reduction programmes in Muslim countries.

Design/methodology/approach – The methodology is based on the qualitative assessment drawn from CCTs implementation in Muslim countries, namely Bangladesh, Indonesia, Pakistan and Turkey. The methodology also identifies the practical issues including the use of Islamic instruments to implement CCT poverty reduction programmes.

Findings – The analysis in Muslim countries suggests that CCT programmes have had a positive effect and that the costs are relatively affordable if implemented with appropriate programme designs. In many cases, there have been positive secondary effects over and above the primary goal of poverty reduction. The paper also argues that the concept of CCTs is in line with the underlying principle of Islam to eradicate poverty via cash distribution approach.

Originality/value – A decade long experience in some Muslim countries demonstrates that social cash transfers (including CCTs) have a significant impact on reducing poverty and vulnerability and promoting human development. Since none of CCT programmes in Muslim countries explore and integrate the potential of Islamic instruments (Zakat, Sadaqat, Awqaf and Qard Al-Hassan), it is timely for governments, multinational development institutions and non-profit organizations to utilize these instruments to tackling poverty.

Keywords Developing countries, Zakat, Sustainable development, Muslim countries, Conditional cash transfer programme

Paper type Conceptual paper

Introduction

Conditional cash transfers (CCTs) can be defined as regular payments of money (or in some cases in-kind benefits) by government or non-governmental organizations to individuals or households in exchange for active compliance with human capital conditionalities. The main objective of CCTs is to decrease chronic or shock-induced poverty, provide social protection, address social risk or reduce economic vulnerability, while at the same time to promote human capital development (de la Briere and Rawlings, 2006). The central design element of CCTs is social cash transfers to poor households through targeted provision conditional on household members for investing in education, health and nutrition (see Fiszbein and Shady, 2009).

JEL Classification — I38, J22, H31

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CCTs have spread widely in many continents and improved the well-being of recipients in many countries (Fiszbein and Shady, 2009). Evidence has shown that CCTs have significant impact on poverty[1]. Other studies show a clear impact on educational enrolments (Skoufias and McClafferty, 2001; Schultz, 2004), positive effects on cognitive development in early childhood (Fernald *et al.*, 2008; Macours, *et al.*, 2008), higher impact on girls' participation in social and economic activities (Schurmann, 2009) and improved health and increased demand for health care services (Morris *et al.*, 2004; Gertler, 2004; Behrman and Hoddinott, 2005).

A recent systematic review by Kabeer *et al.* (2012) also concluded that CCTs appear to be an effective measure for achieving what they were designed to achieve: promoting children's education and reducing child labour among poor and marginalized groups[2]. In addition, Chaudhury *et al.* (2013) undertook a study to evaluate the overall impact of CCT programme in the Philippines (Pantawid Pamilya). Consistent with other studies around the world, the impacts found through this study are comparable to the levels of impact found in other CCT programmes around the world at this stage of programme maturity, particularly in terms of the programme's achievements in improved health service use and school enrollment.

CCT programmes have also been promoted by international institutions, other multilateral development banks and non-governmental organizations as an effective approach to extending social assistance. The CCT programmes can be characterized into five main elements: targeted to poor or extremely poor households and gender bias, include a nutrition component that provides cash transfers and nutrition supplements to children, pregnant and lactating women, benefits vary with the number of children and change with the children's age and gender, encourage greater school attendance for girls than boys and transfer amounts are greater for children at the secondary school age group than those at the primary school age group (Hyun, 2008).

The purpose of this paper is threefold: first, critically identify challenges of implementing CCT programmes; second, analyse the best practices and lessons learnt to date; and third, explore the practical issues to implement CCT poverty reduction programmes in Muslim countries.

This paper is set out as follows: second section describes the recent developments in CCTs. Third section discusses the lessons drawn from CCTs implementation in Muslim countries, namely Bangladesh, Indonesia, Pakistan and Turkey. Fourth section explores the practical issues including adopting Islamic instruments in the implementation of CCT poverty reduction programmes. Fifth section concludes with recommendations.

Recent development in CCTs

The role of CCT programmes in social policy varies from place to place as a consequence of differences in both programme designs and the context in which they operate. In the early years, CCTs were only run by few countries namely Mexico, Brazil and Bangladesh. However, numerous forms of CCT programmes now exist in many countries (Fiszbein and Shady, 2009). These programmes have grown in prominence on the global policy agenda. At present, the programme is implemented in as many as 35 countries as of 2010. Recently, some African countries in the West and Central Africa, including a number of small programmes launched by governments (notably in Cape Verde, Ghana, and Sierra Leone), have begun implementing CCTs.

Figure 1 shows that there has been a significant expansion of the existing programmes with greater coverage. In 1990, only three countries implemented CCT programme, with only one of the Muslim member countries. However, in 2010, more than 35 countries implemented CCT programmes, including ten from Muslim member countries. Generally, adoption of CCTs programmes in most countries follows a dual policy strategy – short-term income support (income smoothing) and long-term human capital investment – and they share a common basic structure of three elements: a cash



Sources: Word Bank (2009), author's compilation

Figure 1.
Development of CCTs in Muslim and non-Muslim countries

transfer, a targeting mechanism and conditionalities. However, there is variations in design of these aspects applied by individual countries[3].

Table I provides the overview of CCT programmes in Muslim and non-Muslim countries by starting date and cost. The first programme of CCTs was introduced in the 1990 as Programa de Asignacion Familiar (Family Allowance Programme) in Honduras with the aim of alleviating the burden of macroeconomic adjustment on the poor. Most obviously, CCT programmes vary with respect to the allocation of costs. The costs vary from US$0.7 million in Pakistan to US$3.2 billion in Mexico depending on the coverage. CCTs funding can rely almost exclusively on external financing from international financial institutions (i.e. World Bank, Inter-American Development Bank and Asian Development Bank) and can also primarily be through the national budget usually at least partly backed by loans – through the national budget (i.e. Brazil, Chile and Mexico).

The trends show that CCT conditionalities are well-established in the areas of education and health and target young children (0-6 years of age), pregnant women and school-aged children (7-11 years of age). In the area of education, CCT conditionalities require minimum attendance of 85 per cent of the school week and enrolment of school-aged children. In the area of health, CCTs typically required regular attendance of health clinics for families with young children (0-6 years old) and pregnant or lactating women. Other conditions may include involvement in the community activities, no child labour and obtaining an identity card.

In terms of relative coverage, CCTs range from approximately 40 per cent (Ecuador) to about 20 per cent (Brazil and Mexico) to 1 per cent (Cambodia) of the poor population. In terms of absolute coverage, they range from 11 million families (Brazil) to 215,000 households (Chile) to pilot programmes with a few thousand families (Kenya, Nicaragua, Paraguay and Morocco). In terms of budget, the costs range from about 0.5-0.8 per cent of gross domestic product (GDP) in Brazil, Ecuador, Turkey and Mexico to 0.08 per cent of GDP in Chile. The benefits based on mean household consumption range from 20 per cent in Mexico to 4 per cent in Honduras and to even less for programmes in Bangladesh, Cambodia and Pakistan.

Almost all CCTs have benefits targeted through a combination of geographical, household and individual survey and narrowly target the poorest in the society. Many other programmes also use community-based targeting or community screening of eligibility lists to increase transparency. Transfer amounts vary substantially, both within countries (i.e. depending on family composition) and between countries. Furthermore, most of CCT implementations particularly in Latin America have embedded rigorous monitoring system and conduct independent evaluations to measure the impact of CCTs.

Lessons from CCT programmes in Muslim countries

In this section, we review the CCTs experience in four Muslim countries, namely, Bangladesh, Indonesia, Pakistan and Turkey, and compare CCTs along four dimensions: policy rationale, design characteristics, impact evaluations and lessons learnt from the project implementations. Throughout the years, these four countries have faced tremendous challenges in the form of high level of poverty, gender disparity and economic vulnerabilities.

In 2007, the Government of Indonesia launched two large-scale pilots of programmes to tackle these issues: CCTs to households, known as the Hopeful Family Project (PKH), and an incentivized community block grant programme,

Country	Starting date	Programme name	Cost
Asia			
Cambodia	2005	Cambodia Education Sector Support Project	US$5 million
	2002	Japan Fund for Poverty Reduction Girls Scholarship Program	US$3 million
Indonesia	1998	Jaring Pengamanan Sosial Program Keluarga Harapan	US$350million
		National Community Empowerment Program-Healthy and Smart Generation	Rp1 trillion US $20million
Mongolia	2005	Child Money Program	1.4% of GDP
Vietnam	2010	Nutritional Conditional Cash Transfer	US$50 million
Philippines	2008	Pantawid Pamilyang Pilipino Program	US$471 million
Bangladesh	1994	Female Secondary School Assistance Program	US$40 million
	2002	Primary Education Stipend Program	US$103.63 million
	2004	Reaching Out-of-School Children	US$63 million
	2007	Maternity allowance programme for Poor Lactating Mothers	Not available
	2007	Educational stipend for students with disabilities	Not available
	2008	100-day Employment Guarantee Programme	US$290 million
India	1994	Apni Beti Apna Dhan (Our Daughter, Our Wealth)	Not available
Pakistan	2006	Child Support Program	PRs 120 million
	2003	Participation in Education through Innovative Scheme for the Excluded Vulnerable	US$706,500
	2004	Punjab Education Sector Reform Program/Punjab Female School Stipend	PRs 960 million
Latin America			
Argentina	2002	Programa Familias	US$853.3 million
Bolivia	2006	Juancito Pinto	US$30 million
Brazil	2001	Bolsa Alimentação	R$8.3 million
	2001	Bolsa Escolaa	R$626 million
	2003	Bolsa Familia	R$10.4 billion
	1990	Programa de Eradicacão do Trabalho Infantil	R$535 million
Chile	2002	Chile Solidario – Programa	0.08% of GDP
	1981	PuenteSubsidio Unitario Familiar	US$70 million
Colombia	2001	Familias en Accion (FA)	0.2% of GDP
	2005	Subsidio Condicionado a la Asistencia Escolar–Bogotá	Not available
Dominican	2005	Solidaridad	RD$125 million
R.	2001	Tarjeta de Asistencia Escolara	RD$236.6 million
Ecuador	2003	Bono de Desarrollo Humanoa	US$194 million
El Salvador	2005	Red Solidaria	US$51.4 million
Guatemala	2008	Mi Familia Progresa	0.2% of GDP
Honduras	1998	Programa de asignacion familiar (PRAF)	US$20 million
T.Tobago	2006	Targeted Conditional Cash Transfer Programme	US$250 million
Jamaica	2001	Program of Advancement through Health and Education	J$1.7 billion
Mexico	1997	Progresa-Oportunidades	US3.2 billion
Nicaragua	2005	Atención a Crisis	US$1.8 million
	2000	Red de proteccion social (RPS)	US$3.7 million
Paraguay	2006	Tekoporã/PROPAIS II	US$9.6 million
Peru	2005	Juntos	US$100 million
Panama	2006	Red de Oportunidades	US$160.1 million

(*continued*)

Table I.
Overview of CCT programmes

Country	Starting date	Programme name	Cost
Africa and Middle East			
Burkina Faso	2008	Orphans and Vulnerable Children	US$1.4 million
Kenya	2004	Cash Transfer for Orphans and Vulnerable Children	US$2.2 million
Malawi	2005	Public Works Programme – Conditional Cash Transfers	US$ 12.1 million
Tanzania	2000	Tanzania Community-Based Conditional Cash Transfer	Not available
Mozambique	2003	Bolsa Escola	Not available
Nigeria	2008	Care of the Poor	Not available
West Bank Gaza	2004	Social Safety Net Reform Project Palestine	Not available
Egypt	2009	Ain es-Sira Conditional Cash Transfers (CTT) pilot programme	Not available
Turkey	2001	Social Risk Mitigation Project	$360 million
Morrocco	2008	Tayssir Program	US$2.2 million
Yemen	2007	Basic Education Development Project	Not available
North America			
New York	2009	Opportunity NYC	US$150 million

Note: Refer to the Appendix for details of the project implementation
Sources: Author's compilation

Table I.

known as the National Community Empowerment Program-Healthy and Smart Generation (PNPM Generasi). PNPM Generasi differs from a traditional household CCT in that block grants are allocated to communities rather than to individual targeted households[4].

In Indonesia, the incidence of child labour is very high, and many parents expect their children to work (Hutagalung *et al.*, 2009). Even after the implementation of CCTs, child labour has not reduced significantly due to the fact that 82 per cent of the enrolled students are working and studying simultaneously. Since targeting mechanism of the programme was using a quota system, if the quota is not filled, the money was returned to the treasury, and it causes a rift between the statistical bureau and implementation agency. Furthermore, in the absence of incentive to teachers and medical providers, verification process for programme remains very poor.

Preliminary results from the interim evaluation of Generasi in Indonesia reveal significant impacts in health and little impact in education (Olken *et al.*, 2014). The evidence from this study points to community mobilization, potentially a significant factor in explaining these dramatic improvements in health. However, for education, the lack of overall impact raises questions regarding Generasi and whether the education targets for primary and junior secondary education were the correct ones.

In the case of Turkey, the implementation of CCTs through its Social Risk Mitigation Project (SRMP) has been quite successful[5]. There are two impact assessments that are conducted by Ayala Consulting (2006) and Akhter *et al.* (2007) which showed that there is an increase in enrolment rates, school attendance and use of health facilities like vaccination and women delivering in hospitals. The programme has had a massive impact on the status of women because the payments are usually

made to them. To further reduce the gender gap, a higher amount of cash is provided to girls as compared to boys under the programme. Other programmes have also been implemented in the form of local initiative, with the focus on women's participation.

From other perspectives, the most prominent and positive lesson that can be drawn from Turkey is that with strong ownership from Government leaders and civil servants, at both central and regional levels, and with sustained capacity and adequate budgeting, CCTs can succeed in reducing the vulnerability of poor households and in maintaining their investments in their children's health and education. Even in situations such as that of Turkey in which specific income/consumption data are not available at the outset, proxies can be rapidly developed that lead to an overall good targeting outcome.

In Bangladesh, there are few specific impact assessment studies for the Female Secondary School Assistance Program (FSSAP) (Schurmann, 2009; Khandker and Pitt, 2003; Pathmark Associate, 2003)[6]. The impact assessment study reports a wide range of positive impacts of the stipend programme on girls' lives, such as increase in age at marriage, greater birth spacing, positive attitude to smaller family size and higher employment and earning levels (Pathmark Associates, 2001). Similarly, according to Khandker and Pitt (2003), girls' enrolment has increased significantly at the secondary level, reduced gender inequality in access to education and outnumbered boys' enrolment in secondary school.

The early evaluation of CCTs in Pakistan was undertaken for the Female School Stipend Programme (FSSP)[7].The evaluation shows that the enrolment of eligible girls increased in the short term of six female students per school in terms of absolute change and an increase of 9 per cent female enrolment in terms of relative change depending on the programme specifications. There is suggestive evidence that participating girls delay their marriage and have fewer births by the time they are 19 years old. Also, girls who are exposed to the programme and eligible for the benefits given in high school increase their rates of matriculation and completing high school.

Another CCT initiative in Pakistan is the Child Support Programme (CSP), which is yet to be formally studied in terms of impact[8]. However, the main lesson from the pilots is that the implementation of the programme nationwide within a year is too ambitious. The design and implementation of CCT requires adequate administrative capacity, and the system takes time to develop. In the case of Pakistan, the system took three to four years before it could take on the onus of running the CCT effectively. Furthermore, to be successful requires the existence of good quality and easily accessible services. It is also found that while the urban supply capacity position is encouraging, in the rural districts, the situation is not very good.

As a comparison on the impacts of CCT programmes, Table II reports some of the primary indicators on measures used in the evaluation of CCTs in non-Muslim countries specifically in Latin America. In many cases, there have been positive secondary effects (i.e. child labour, women status, spillover and investment spending) over and above the primary goal of poverty reduction as follows:

- Effectiveness: in countries that have high initial levels of inequality and have been implementing CCT schemes for a fairly long period, it has been observed that the programmes contribute to reduction in inequality. It is important to note that the impact of these programmes was greatest for extremely poor individuals[9].
- Impact on individuals and family: CCT programmes have been fairly successful in reducing acute distress and increasing consumption levels of the poor in the countries in which they have been operating. The impact of these schemes on the

Programme	Bolsa Escola	Familias	PRAF II	Progresa	RPS
Outcome					
School enrolment	✓[a]	✓		✓[a]	✓[a]
Preventive health check-ups		✓[a]	✓[a]	✓[a]	✓[a]
Vaccinations		✓[a]	✓[a]	✓[a]	✓
Pre-natal care			✓[a]		✓
Impacts					
Food availability		✓		✓[a]	✓[a]
School achievement				✓	
Nutritional status (height)		✓	✓	✓[a]	✓[a]
Anaemia			✓	✓[a]	✓
Indirect effects					
Child labour	✓	✓		✓	✓
Women status		✓		✓[a]	
Spillover				✓[a]	✓[a]
Investment spending				✓[a]	

Notes: ✓, indicator was evaluated. [a]Unambiguous impact in the expected direction
Source: Handa and Davis (2006)

Table II.
Evaluation indicators and impacts from major CCT programmes in non-Muslim countries

severity and depth of poverty has been more pronounced, and these schemes have contributed to an increase in the income of the poor households substantially[10].

- Impact on community level: CCT programmes can support overburdened family networks and communities, with the marked impact on promoting more regular health check-ups among pregnant women and children in countries with good and functioning health and reducing children's participation in the labour market infrastructure.
- Impact in terms of pro-poor growth: expenditure on CCT scheme is a double-edge investment in economic development. Households receiving grants use for food and health care for the family, for the basic education of their children and for investments in physical capital, while the additional purchasing power transferred to the beneficiaries has a multiplier effect, strengthens the local economy and breaks the vicious circle of poverty.
- Impact on self-help capacities: there is lack of evidence to suggest that CCT programmes in developing countries significantly lead to increased dependency or that they reduce the incentive to work. On the contrary, in most cases, the programmes help recipients to help themselves, and the beneficiaries use part of their transfers to invest in high-yielding productive assets.
- Impact on MDGs: in order to achieving the Millennium Development Goals of halving the number of poor people and undernourished population by 2015, CCT programmes can bring quick results. For example, Brazil started CCT schemes (Bolsa Familia) in 2003, and the beneficiaries have now reached seven million households and are projected to cover 11 million (40 million people) by December 2010. In 2001, there were 16.6 million undernourished people living in Brazil. By 2005, however, the number had been reduced to 12.0 million.

- Financial viability: despite the initial high cost due to the fact that CCT is more sophisticated and integrated than unconditional programmes, the overall administrative and transaction costs are relatively low compared to other social assistance programmes (less than 10 per cent of overall cost). On the other hand, the small payments can have a substantial long-term impact.
- Food security: the impact of CCT schemes is more encouraging with most programme evaluations indicating an increase in food acquisition. It translates into better intakes of nutrition including intra-household food distribution[11]. Transfers from the OPORTUNIDADES programme to households in rural Mexico resulted in increased investment in micro-enterprise and agricultural activities and were able to increase their consumption by 34 per cent after five-and-a-half years in the programme (Gertler *et al.*, 2006).

Practical issues in implementing CCTs in Muslim countries

Some practical issues in implementing CCT programmes for Muslim countries can be identified into several categories: how to design appropriate programmes for Muslim country's specific social and policy context?; what are the institutional and management arrangements required for Muslim countries to effectively deliver to poor households?; and what systems and procedures work best for Muslim countries?

Based on the best practices from countries, governments, multilateral institutions and other institutions experiences on CCTs, the practical issues of implementing CCTs could be discussed along seven main themes: policy rationale, targeting, cash transfer and conditionalities, duration and exit, cost and financing, institutional responsibilities and resource mobilization:

(1) Policy Rationale – implementing CCTs must come with a comprehensive policy design since it is utilizing a complex schemes intended to accurately and objectively identify communities, households and individuals to meet programme criteria. Figure 2 depicts the process arguments whether CCT is the right policy instrument for individual countries before the implementation of the project. There are important factors to be considered before implementing the programme, that is, level of poverty and inequality, availability of resources, cost and benefits of redistribution, agency problem, misinformation, externalities transparency, existence of cash transfer targeting and view on distributive justice. Furthermore, CCTs have budgetary effects on policy makers since it involves large amount of expenditure. The duration, size and cost may exert fiscal pressure for a country with limited resources. In many countries, there are cases of management inefficiency, lack of transparency and clientelism in the selection of beneficiaries and allocation of resources.

(2) Targeting – a number of factors influence the choices of targeting mechanism employed in designing CCTs. Muslim countries can adopt three main types of targeting systems: first, individual assessment using some form of test such as verified means testing (VMT) of incomes, assets and/or consumption; unverified means testing (UMT); proxy-means testing (PMT) using observable variables, community-based or self-based targeting; second, categorical/group (geographic, demographic); and third, self-selection (by purchase of commodity, work requirement and community bidding). However, no single blueprint works best in all situations. Countries have experimented with different methods at all levels and with different approaches.

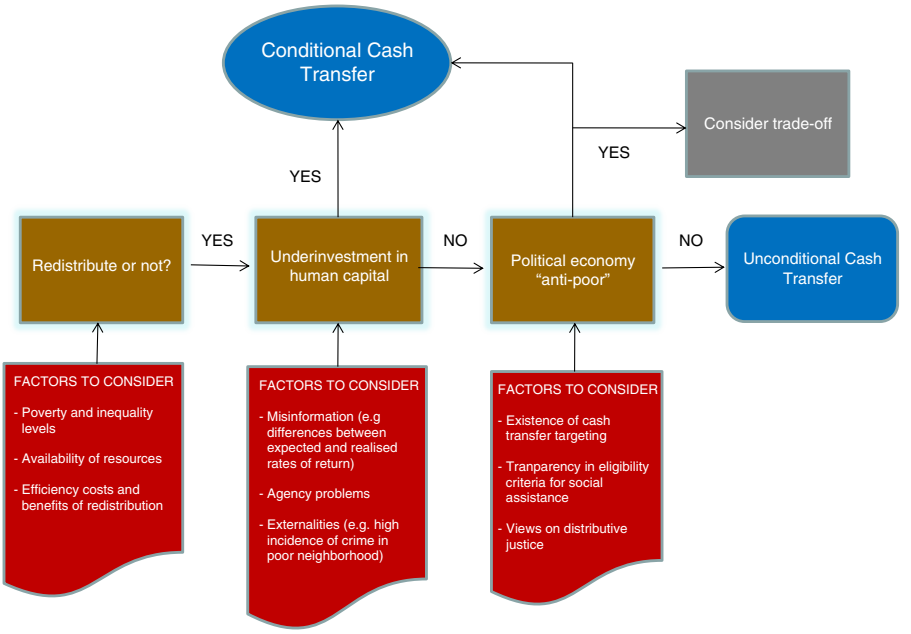

Figure 2.
Is CCT the right policy instrument?

Source: Based on Fiszbein and Schady (2009)

(3) Method of cash transfer – Muslim countries' programme design can maximize the use of electronic transactions such as mobile transfers that reduce both costs and opportunities for corruption. It is also the most effective way to deliver social transfers (Samson *et al.*, 2000; Overseas Development Institute, 2007). Often physical control over food is more expensive and more difficult to audit, so corruption and leakage problems may tend to be greater[12]. Furthermore, the innovations in cash transfer delivery systems are creating more developmental opportunities for participants in social transfer programmes, expanding access to financial services, communications and more productive livelihoods.

(4) Conditionalities – in term of selecting the appropriate conditionalities for Muslim countries' CCT programmes, it always involves the trade-off between simplicity and impact. The simplest conditionalities involve discrete choices, such as school enrolment. However, a household will not necessarily be required to follow through with the activity that generates the social gain (school attendance). More effective conditionalities require monitoring of continuous decisions over time, such as school attendance. The most demanding and potentially troublesome conditionalities evaluate outcomes such as educational performance or nutrition's impact on health (Bangladesh's PESP and Honduras' PRAF).

(5) Duration and exit – the design for Muslim countries CCT schemes can assume a beneficiary family is generally to be in the programme in short period. The duration of the programme must be long enough to enhance human capital of the next generation whereas a shorter time horizon may suffice if the primary objective is to enable the poorer households to crossover the poverty line.

Thus, Muslim countries' programme for CCT must clearly identify exit rules that need to remain credible and avoid a culture of dependency. There must be a steady flow of exits in the case of beneficiaries who failed to meet the programme's conditions.

(6) Cost and financing – costs of CCT programmes usually involve six major expenditure components: targeting costs, which usually involve geographical targeting and proxy means tests, costs of implementing and managing conditionalities, monitoring and evaluation expenses, logistical costs of delivering cash, costs of supporting the supply of human capital services and the private costs to beneficiaries[13]. It is expected that administrative costs of implementing will be fairly high, at least initially, and it might be very difficult to find the necessary fiscal space to implement these programmes. The implementation of the whole programme can be best done through Muslim countries soft financing to member countries. In addition, Muslim countries can also tap the large pool of Zakah and philanthropist opportunities in member countries to scale-up CCT programmes[14].

(7) Institutional responsibilities – most CCT schemes require strong coordination with government agencies at central, regional and local levels, which include the strong coordination links between governments, in particular municipal/district agencies. The coordination arrangements include creating a national steering committee, whose main functions are policy making, strategic planning and approval of budgets, and approval of coordination directives and guidelines for regional and local staff charged with service provision, as institutions responsible for basic health and other social services need to be devolved.

In order to effectively implementing CCTs in Muslim countries and eradicate poverty, it is suggested that Muslim countries develop a full-fledged policy guideline for CCTs implementation. This guideline should address the following issues: to provide essential background information for designing and implementing CCT programme; to give a step-by-step guidance on particular form of CCT programme; and to design practical tools to assist the CCT programme's design and implementation.

Linking CCT programme to Zakat, Sadaqat, Awqaf and Qard Al-Hassan

Islam places great emphasis on redistribution of income and wealth as well as legislates institutions for poverty alleviation such as Zakah, Awqaf, Sadaqat and Qard Al-Hassan. These instruments are capable of combating poverty and enhancing welfare of the poor segment of the society. Zakat (obligatory) and Sadaqat (non-obligatory) combat poverty through the redistributive approach while Awqaf (perpetual) is utilized to improve non-income aspects of the poor such as education and health and increase the access of poor segments of the society to resources, employment and physical facilities. Furthermore, Qard Al-Hassan (benevolent loan) is a loan granted to needy voluntarily without the expectation of any return on the principal, and it inculcates the concept of Islamic solidarity.

The concept of CCT is in line with the underlying principle of Islam to eradicate poverty via cash distribution approach. Zakat can be used as part of CCT programme under the category of fisabillah. Zakat is a form of social security, not merely charity, and that it has an objective to build socio-economic justice through distribution of wealth. A fatwa issued by the International Shari'ah Board on Zakat (ISBOZ) explains

that Zakat can be used in undertaking development projects, educational services and health care services as long as the beneficiaries of such projects fulfil the criteria to be recipients of Zakat. By simply utilizing domestic Zakah collection through proper management, recent estimate shows that 17 out of 39 IDB member countries can alleviate the poorest living with income under $1.25 per day out of poverty.

Although Awqaf applies to non-perishable properties such fixed property, land or buildings, the concept of CCT also conforms to Awqaf principle that it can be applied to cash money, books, shares, stocks and other assets. Awaqf has been used to mobilize additional resources for poor segments of the society to address socio-economic issues such as education, entrepreneurial development and health care. For example, in 2006, JCorp Bhd launched corporate Awaqf in Malaysia. JCorp has managed to set up one Awaqf hospital and 12 Awaqf clinics with total assets of US$50 million through Awqaf. Furthermore, Awqaf funds can also be used to provide investable fund for working capital financing and capital investment for the micro-businesses.

The concepts and past practices of Zakat and Awqaf make a strong case for linking CCT programmes to Islamic poverty instruments or even microfinance (Qard Al-Hassan) as a double-edged poverty reduction strategy in enhancing social welfare with the focus on health and education, while increasing effectiveness of Zakat and Awqaf institutions. In the case of Zakat and Sadaqat, the specific category under which these funds are utilized by the beneficiaries can be the basis of conditionality. Despite the fact that CCT programmes and policies have proven effective in achieving certain poverty alleviation goals, none of CCT programmes explore and integrate the potential of Islamic instrument in Muslim countries.

Conclusions

CCT schemes have shown some success in raising human capital levels among the children of the poor, although there is lack of strong evidence that the conditions are the cause of improved education and health status. The recent debate surrounding CCTs, however, focusses on appropriateness and effectiveness of this approach rather than the programme itself in developing countries where the existing social, education and health infrastructure is extremely weak, and the capacity to monitor and manage the schemes is costly and can be counter-productive.

There are several improvements needed for CCTs: formulation of CCT programmes must be part of an overall integrated social policy package; CCT strategy must come up with a clear exit path for the programme to avoid devastating effect from withdrawal of benefits from the beneficiaries; fragmentation of actions and clientelism must be avoided; there should be transparency in the operation to ensure that the wider population and beneficiaries understand the CCT programme and CCT programmes must be efficient with minimum cost structure to achieve efficiency gains that uniformly distributed among the poor.

The probability of Muslim countries successful implementing strategy of CCT programmes will depend on five critical factors: political will and the commitment of politically relevant groups within comprehensive social protection strategies; administrative capacity to implement cost-effective broad scale and complex CCT programmes; financial resources required to implement CCT programmes in a sustainable manner; specific needs of the country must be tailored to, and for which, adequate supply should exists in areas where the programme is to be implemented and development cooperation with other multilateral development institutions.

Notes

1. According to the three consumption-based indices comprise of the Foster-Greer-Thorbecke measures. Foster *et al.* (1984) is a generalized measure of poverty within an economy. It combines information on the extent of poverty (as measured by the Headcount ratio), the intensity of poverty (as measured by the Total Poverty Gap) and inequality among the poor (as measured by the Gini and the coefficient of variation for the poor).
2. Examples of systematic reviews of CCTs include Leroy *et al.* (2009); Gaarder *et al.* (2010) and Lagarde *et al.* (2009).
3. Appendix 1 summarizes the target, coverage, conditions and benefit structures across the world.
4. The PNPM Support Facility (PSF) was established in 2007 to support the management and technical implementation of the Government of Indonesia's (GOI) flagship community-based poverty alleviation programme (National Program for Community Empowerment), which is the largest community-based poverty reduction programme. The governments of the Netherlands, Denmark, Australia and the UK have contributed more than US$67 million to the facility.
5. SRMP was part of the Government of Turkey response to a series of economic shocks together with the World Bank that culminated in the economic crisis of 2001 with US$559.7 million of total project cost.
6. FSSAP was jointly initiated by the World Bank and the Government of Bangladesh (GOB) in 1993 with project cost of US$148 million.
7. Please refer to Chaudhury and Parajuli (2006) for details of the programme.
8. The World Bank and the Government of Pakistan agreed that this CSP pilot will be carefully evaluated to assess its impacts.
9. Even when a program could not lift a household above the poverty line, it nevertheless reduced the depth of poverty (Barrientos, 2005).
10. Studies have shown that recipients regard it as a contribution to family income and use it for the feeding and basic education of the children living in the household (Barrientos and De Jong, 2004; Devereux, 2001).
11. In Brazil, where the functioning of the Bolsa Familia was evaluated from 1995 to 2004 by the Ministry of Health and Welfare, a survey found that 82.4 per cent beneficiaries reported eating better and the prevalence of stunting in children was 29 per cent lower compared to non-Bolsa families.
12. In Bangladesh's Food-for-Education Programme, teachers were required to physically distribute the food commodities, distracting them from their teaching duties (Tietjen, 2003).
13. Contrary to expectations, however, the costs of administering the CCT schemes as a proportion of GDP has been less than 1 per cent in all the countries reviewed except in the initial period where setting them up means incurring certain fixed costs.
14. Mohieldin *et al.* (2012) use the percentage of the estimated Zakah proceeds to GDP in selected Muslim countries and show that 17 out of 39 OIC countries can alleviate the poorest living with income under $1.25 per day out of the poverty line simply by utilizing domestic and remittances Zakah collection. The implementation of the whole mechanism can be best done through combination of Zakah and Cash Awqaf to ensure funding sustainability.

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Appendix

Table AI.
CCT programmes – conditions, coverage and transfer benefits

Country	Programme	Conditions			Coverage	Target, cash transfer and benefits structure
		Education	Health	Others		
Asia						
Cambodia	Cambodia Education Sector Support Project	×		×	3,850 new scholarship recipients in each year	"Poorest" (according to the proxy means score) half of the scholarship students within each school receive a scholarship of $60; the less-poor half receive $45. 100 secondary schools receiving 30-50 new scholarships a year; or 14% of lower-secondary schools
Cambodia	Japan Fund for Poverty Reduction Girls Scholarship Program	×		×	93 secondary schools	Flat benefit of $45/girl. 45 scholarships for poor girls to go into grade 7 (that is about 4,185 girls and 15% of lower-secondary schools)
Indonesia	Jaring Pengamanan Sosial	×			1.2 and 1.6 million scholarships for households	Rp 10,000 a month for students in primary school; Rp 20,000 a month for students in junior secondary school; Rp 25,000 a month for students in senior secondary school
Indonesia	National Community Empowerment Program-Healthy and Smart Generation	×	×		200 subdistricts (300,000-450,000 households)	US$8,300-16,000 per village and achieving the 12 health and education indicators
Indonesia	Program Keluarga Harapan	×	×		348 subdistricts in 49 districts, 7 provinces; includes 387,928 poorest households	Minimum Rp 600,000; maximum Rp 2,200,000
Mongolia	Child Money Program	×	×		609,000 children from 303,000 households.	MNT3,000 (US$2.60) per child. Household with children ages 0-18
Vietnam	Nutritional Conditional Cash Transfer		×		1.6 million children	US$30 per eligible child per year. Children age 0-5 in poor households
Philippines	Pantawid Pamilyang Pilipino Program	×	×		Poor households in 140 of the poorest municipalities and 10 cities	Health transfer currently set at P500 ($11) a per household per month (for a period of 12 months per year), regardless of the number of children; Education transfer is P300 (US$7)

(*continued*)

Table AI.

Country	Programme	Conditions: Education	Conditions: Health	Conditions: Others	Coverage	Target, cash transfer and benefits structure
						a per month (for a period of 10 months per year), up to a maximum of 3 children
Bangladesh	Female Secondary School Assistance Program	×		×	723,864 girls or 76% of girls in the project schools	Combined stipend and tuition subsidy: Tk 906 for nongovernment schools; Tk 847 for government schools. Unmarried girls who completed primary school and are enrolled in a recognized secondary school.
Bangladesh	Primary Education Stipend Program	×			5.3 million beneficiaries per year	Tk 100 per month (one student per family), Tk 125 per month (more than one student per family). Poor families with children of primary school age
Bangladesh	Maternity allowance programme for Poor Lactating Mothers		×		60,000 women from 3,000 unions (20 mothers from each union)	Tk. 220 per month starting from the third month after conception for the duration of two years in order to improve their nutrition levels
Bangladesh	Educational stipend for students with disabilities	×			12,000 poor students	The rate of stipend varies from Tk. 300/ month for 1st grader to Tk. 1,000/month for 12th grader or higher
Bangladesh	Reaching Out-of-School Children	×			500,000 children	In 36 subdistricts: Tk 100 per month to children and approximately Tk 25,000 per year to community school. In 24 subdistricts: no stipend to children, but approximately Tk 55,000 per year to community school. Children who have not had an opportunity to attend primary school in remote areas and dropouts from primary school
Bangladesh	100-day Employment Guarantee Programme			×	2 million poor	Tk.100 per day as wage per person per for 100 days in a year. Those with functionally landless, lack of productive assets, women headed household where the women are

(*continued*)

Table AI.

Country	Programme	Conditions Education	Health	Others	Coverage	Target, cash transfer and benefits structure
						widowed, deserted, and destitute, day labour or temporary worker, income less than Tk. 300 per month
India	Apni Beti Apna Dhan (Our Daughter, Our Wealth)	×	×	×	Not available	Incentive for female births plus marriage delay: within 3 months of girl's birth, Re 2,500 is invested in Indira Vikas Patras, a federal government savings bond scheme in which the invested amount doubles in 5 years. The sum is reinvested every fifth year. The girl can withdraw the maturity amount of Re 25,000 when she turns 18, provided she is unmarried
Pakistan	Child Support Program	×			13,265 with children aged 5–12	PRs 200 per month for family with 1 child and PRs 350 per month for family with more than 1 child
Pakistan	Participation in Education through Innovative Scheme for the Excluded Vulnerable	×			8,000 students	PRs 600 quarterly for 1 child, and an additional PRs 200 quarterly if the household has 2 or more children of poor and disadvantaged people
Pakistan	Punjab Education Sector Reform Program/Punjab Female School Stipend Program	×			186,503 (2003); 279,928 (2006); 455,259 (2007)	PRs 200 per student per month; Girls at secondary school level
Latin America						
Argentina	Programa Familias	×	×		504,784 families	Arg$155-305 a month per child aged 5-19, depending on the number of children (minimum 2, maximum 6)
Bolivia	Juancito Pinto	×			1.2 million children	Bs 200 ($25) per child per year

(*continued*)

Table AI.

Country	Programme	Conditions: Education	Conditions: Health	Conditions: Others	Coverage	Target, cash transfer and benefits structure
Brazil	Bolsa Alimentação		×		1.5 million beneficiaries in 2002	R$15 per child per month, for a maximum of 3 children
Brazil	Bolsa Escolaa		×		Families with children ages 6-15 and monthly PCI no greater than R$90 ($43)	R$15 ($7) per month per child for a maximum of 3 children
Brazil	Bolsa Famíliaa	×	×		11.1 million families	Basic benefit (R$62) for extremely poor families; variable benefit (R$15) per child (maximum 3 children less than 15 years of age) for both extremely poor and poor families; variable benefit (R$30) per youth (maximum 2d aged 15-17) for both extremely and poor families
Brazil	Programa de Eradicacão do Trabalho Infantil	×		×	400,000 students (2000), 1,010,057 children (2005), 3.3 million beneficiaries	Urban areas (capitals, metropolitan regions, and municipalities with more than 250,000 habitants): monthly transfer of R$40 per child (to family); rural areas: R$25 per month (to family) for each child registered; for after-school activities: R$10 (urban areas) and R$20 (rural areas) to schools for each child or adolescent enrolled; for 15-year-olds at extreme risk: transfer of R$65 per month and of R$220 per year for school activities
Chile	Chile Solidario	×	×	×	256,000 households	Decreasing monthly benefits for the first 24 months: $21 per month for the first 6 months, $16 per month for the second 6 months of the programme, $11 per month for the third 6 months, and finally $8 for the last 6 months, an amount equivalent to the family allowance (SUF) adjusted yearly for inflation; these amounts are for 2006;

(*continued*)

Table AI.

Country	Programme	Conditions Education	Health	Others	Coverage	Target, cash transfer and benefits structure
						After 24 months, "exit grant" equivalent to a monthly SUF for 3 years
Chile	Subsidio Unitario Familiar	×	×		1.2 million individuals	Ch$5,393 ($10) per month; poor households (in the bottom 40% of the income distribution) with pregnant women, school-age children, or disabled members
Colombia	Familias en Acción	×	×		1.7 million households	Education subsidy: in elementary school, Col $15,000 per month (approximately $8) for each minor attending grades 2-5; b in high school, Col$25,000-60,000 per month (approximately $14-33) per minor attending grades 6-11; health subsidy: Col$50,000 per month (approximately $3,028) per family with members aged less than 7 years
Colombia	Subsidio Condicionado a la Asistencia Escolar–Bogotá	×			10,000 beneficiaries; Poor students in grades 6-10	3 types of transfers: $15 per month conditional on attendance; $10 per month to the household and approximately $50 ($5 a month for 10 months) at the end of the academic year; $10 per month and $240 at the end of secondary school, conditional on completion
Dominican Republic	Tarjeta de Asistencia Escolara	×	×	×	88 districts, 2,115 schools, and 29 provinces; 100,000 households	RD$300 per eligible household (flat benefit); poor households with children aged 5-15 enrolled in school
Ecuador	Bono de Desarrollo Humanoa	×	×		1,060,416 households (5 million people); 40% of population	$15 per month per family; senior and disabled heads of household: $11.50 per month; households with children aged 0-16 in the poorest 2 quintiles, and poor households with elderly and/or disabled members

(*continued*)

Table AI.

Country	Programme	Conditions Education	Health	Others	Coverage	Target, cash transfer and benefits structure
El Salvador	Red Solidaria	×	×	×	77 municipalities	Education: $15 per month per household with children aged 6-15; health: $15 per month per household with children aged 0-5 and/or pregnant women; health and education: $20 per month per household for households that qualify for both health and education benefits
Guatemala	Mi Familia Progresa	×	×		250,000 households	Education subsidy: in elementary school for children aged 6-15, Q 150 per month (approximately $20) regardless of the number of eligible children; health subsidy: Q 150,000 per month (approximately $20) per family with members less than 16 years old
Honduras	Programa de Asignación Familiar	×	×		240,000 households, 17 departments, 133 municipalities, 1,115 towns; 15% of population	In all 17 departments, food security (nutrition) benefit is $113 per household per year. In 4 departments (where IDB supports the PRAF), additional education and health benefits are; education benefit: $60 per household; health benefit: $40 per household; delivery incentive: $60 per pregnant woman. households with children aged 6-12 who have not completed grade 4 of primary school (education), and pregnant women and/or children less than 3 years old
Trinidad &Tobago	Targeted Conditional Cash Transfer Programme		×	×	15.5% of population (201,500 people)	Family living below poverty line (TT$665) will get: family (1-3 members) $300; family (4-5), $400; family 6 and more, $500
Jamaica	Program of Advancement through Health and Education	×	×		300,000 people or 12% of total population: 70% children, 11%	J$650 per month per beneficiary (established limit of 20 beneficiaries in any one family).[a]Beginning December 2008, a new

(*continued*)

Table AI.

Country	Programme	Conditions: Education	Conditions: Health	Conditions: Others	Coverage	Target, cash transfer and benefits structure
					disabled, and 19% elderly, pregnant or lactating mothers	differentiated scheme of benefits is in place: boys receive 10% higher benefits than girls at all grades; lower-secondary students receive 50% higher than base benefit; upper-secondary students receive 75% higher than base benefit; all other categories receive the base benefit of $650
Mexico	Oportunidades (formerly PROGRESA)	×	×		5 million households, 18% of total population	Education: primary school – varies by grade, $12-$23 per child per month plus $23 per child per year for school materials; secondary – varies by grade and gender, $34–$43 per child per month plus $29 per child per year for school materials; middle/higher – varies by grade and gender $57-$74 per child per month plus $29 per child per year for school materials; Education: $336 in a savings account upon completion of high school (grade 12); health: $17 per household per month; $23 per month per adult over 69 years old who is part of a beneficiary family
Nicaragua	Atención a Crisis	×	×	×	3,000 households; poor households residing in region affected by drought	Food transfer: $145 per household per year; education transfer: $90 per household per year; school "supply-side" transfer: $13 per child (1-time transfer at the beginning of the school year); school "backpack" (supplies): $25 per child per year; health transfer: $90 per household per year (was to be paid to health provider, but was never implemented); $15 per household per month while participating in training courses, up to 6 months

(*continued*)

Table AI.

Country	Programme	Conditions Education	Health	Others	Coverage	Target, cash transfer and benefits structure
Nicaragua	Red de Protección Social	×	×		20,000 households	School attendance grant (bono escolar): C $240 ($17) per family every 2 months; school material support (mochila escolar): C$275 ($20) per child per year; health and nutrition (bono alimentario): C$480 ($34) per family every 2 months. households with children aged 7-13 enrolled in primary school grades 1-4 (education); health care services are targeted to children aged 0-5
Paraguay	Tekoporã/PROPAIS II	×	×		Tekoporã: 14,000; PROPAIS II: 5,800 households	Flat benefit (G/ 60,000) + variable component (G/ 30,000 per child up to a maximum of 4). Benefit range: G/90,000-G/ 180,000 (equivalent to $18-$36)
Peru	Juntos	×	×	×	453,823 families	S/100 ($33) per month. Poor households with children less than 14 years old
Panama					Nationwide	$35 per month per household; the amount was increased to $50 in July 2008 as a response to food price inflation. The amount is flat per household, irrespective of the number or ages of children. Families under extreme poverty line (16.6% of the population, 70,000 households)
Africa and Middle East						
Burkina Faso	Orphans and Vulnerable Children	×	×		3,250 households	Children aged 0-6: CFAF 1,000/quarter or CFAF 4,000/year; children aged 7-10: CFAF 2,000/ quarter or CFAF 8,000/year; children aged 11-15: CFAF4,000/quarter or CFAF 16,000/year; in villages with CCTs, payments are made as described below under "conditions"

(*continued*)

Table AI.

Country	Programme	Conditions			Coverage	Target, cash transfer and benefits structure
		Education	Health	Others		
Kenya	Cash Transfer for Orphans and Vulnerable Children	×	×		12,500 OVC in 37 districts	K Sh 1,000 ($13.70) for 1-2 OVC, K Sh 2,000 ($20.50) for 3-4 OVC, and K Sh 3,000 ($27.40) for 5 or more OVC aged 0-17
Tanzania	Community-Based Conditional Cash Transfer (Tanzania Social Action Fund)	×	×		2,000 in 40 villages (6,000 individual)	Children = US$ 6/bimonthly (50% of food poverty line); elderly = US$ 12 / bimonthly (100% of food poverty line). An Orphan and Vulnerable Child (OVC) or elderly person (60+), not receiving benefits from a program providing similar benefits in kind or cash
Malawi	Public Works Programme – Conditional Cash Transfers			×	565,281 direct beneficiaries (3.1 million people including indirect beneficiaries)	MK1,000 for work on a public works programme for 10 days (8 hours per day at MK100.00 per day). Can buy a subsidized 50 kg bag of maize and one 50 kg bag of fertilizer
Mozambique	Bolsa Escola	×			Not available	School attendance no less than 90%. US$20/ household per month for very poor families, e.g., with orphans and unemployed parents
Nigeria	Care of the Poor	×	×	×	3,000 households each in 12 pilot states	Cash transfer (the Basic Income Guarantee) based on number of children per household: 1 child, N1,500; 2-3 children, N3,000; 4 or more children,N5,000. A compulsory saving of N7,000 monthly in favour of the participants to be disbursed as a lump sum after a year for the establishment of viable microenterprises after undergoing training
West Bank Gaza	Social Safety Net Reform Project Palestine	×	×	×	Not available	Education: regular school attendance for children 6-18 years; nutrition: Quarterly check-ups for children 0-3 years; Bi-annual check-ups for children 4-6 years; other: Send representatives to 2 awareness sessions per

(*continued*)

Table AI.

Country	Programme	Conditions: Education	Conditions: Health	Conditions: Others	Coverage	Target, cash transfer and benefits structure
						year per household. nutrition: up to $8 per month for children 0-6 years; education: up to $8 per month for children 6-12 years, up to $12 per month for children 12-18 years (during the school year); other: up to $12 per month for households for awareness
Egypt	Ain es-Sira Conditional Cash Transfers	×	×	×	380 families	Child school attendance, visits to the health clinic and attendance at awareness sessions on nutrition, finances and health
Turkey	Social Risk Mitigation Project	×	×		855,906 households; or 2.5 million beneficiaries (2.8% of population)	Education grant per month: primary $13 per boy, $16 per girl; secondary – $23 per boy, $30 per girl; health grant: $12.50 a month per child aged 0-6, over 12 months; pregnancy grant: $13 per month during pregnancy and a 2-month lactating period; delivery at a health clinic: one-time payment of $41
Morrocco	Tayssir Program	×			53,288 households and 93,536 primary pupils	US$8 for each child in grades 1 and 2 to US $13 for children in grades 5 and 6
Yemen	Basic Education Development Project	×		×	215 school in 67 areas	Girls in grades 4-5: $35 per year; girls in grade 6: $35 per year, plus achievement bonus of $5; girls in grades 7 and 9: $40 per year; girls in grade 8: $40 per year, plus achievement bonus of $5 conditional on performing well in an external examination
North America						
New York	Opportunity NYC	×	×	×	2,549 families, 6 high-poverty communities in New York City	Family lives in the designated community districts with income⩽130% of federal poverty line and having child in Grade 4 or Grade 7 or Grade 9. Payment per year:

(*continued*)

Table AI.

Country	Programme	Conditions			Coverage	Target, cash transfer and benefits structure
		Education	Health	Others		
						approximately $4,000-$6,000 varies with family size and varies based on number of conditions met. Available for 2-3 years. Education: Improvement or sustained high performance on standardized tests US$300-600. Rewards for efforts: high attendance; parent-teacher conferences; review of low-stake interim test results; discussing annual test results with school; library card. Health and dental care: for all parents and kids – $20/month; annual non-emergency medical check-ups, with age appropriate screenings – US$100-$200/visit. Work: at least 30 hours per week for 6 out of every 8 weeks, 75% of time – $150/month; completing approved training or education courses while holding a job and working at least 10 hours per week – US$3,000 programme maximum

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