

Conditional Cash Transfer Programs and Civic Participation



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Abstract *Conditional cash transfer programs are currently one of the main approaches employed by governments in pursuit of poverty eradication. Such programs have been proven to be effective in several poverty alleviation objectives. Generally, a monthly cash transfer is given to the female head of a household under the condition that certain criteria are fulfilled related to the development of human capital, such as education and health care. The present paper provides a rationale for the inclusion of civic engagement or participation measures within the design of conditional cash transfer programs, as these may further inequality reduction objectives. It investigates to what extent current conditional cash transfer programs promote civic participation among the families that are included in such programs by means of two case studies: the conditional cash transfer programs 'Chile Solidario' in Chile and 'Juntos' in Peru. The conclusions that follow from this analysis indicate that these programs only indirectly promote civic participation at the community level and that they do not explicitly or directly emphasize this capacity. Hence, the present paper suggests that in the future conditional cash transfer programs be broadened so as to include a specific emphasis on the promotion of civic participation and social capital creation. A focus on social capital may further inequality reduction goals because the promotion of active civic citizenship provides the excluded with an opportunity to voice their needs and demands in the political dialogue.*

Introduction

Democracy, in the overall majority of countries in Latin America, still faces many limitations and challenges. For the first time in history an entire developing region, with highly unequal societies, is politically organized under democratic rule. Latin America is often named as the most unequal continent in the world. Besides high levels of inequality, the continent also faces problems of widespread poverty as a large segment of its population lives below the poverty line. As such, the world experiences an unparalleled reality in this region: a troika of democracy, poverty and inequality (PNUD, 2004). Although democracy assumes the equality of all individuals in society, the practice of democracy in the region subsists in circumstances of greater or lesser economic and

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political inequality as the majority of the population is unable to participate in socio-economic and political life (Peeler, 2009). Democracy may have spread in Latin America, yet its foundations are weak and it coexists with high levels of inequality and a lack of public participation. Nevertheless, democracy itself, in the form of political participation, could be the key to a reduction in levels of poverty and inequality. This claim will be clarified in the remainder of this paper.

Political and social participation are major indicators of a proper functioning democracy. Levine and Molina (2007) state that more participation indicates a higher probability that the government and its decisions represent the needs and interests of the wider population. This means that the quality of democracy is influenced by the level of public participation in politics, as well in the decision-making process as through political and social organizations (Levine & Molina, 2007). However, when assuming this to be the case, it follows that the existence of widespread poverty and inequality in Latin America demonstrates significant signs of a lack of political and social participation. The entire notion of poverty and equality indicates that there are certain segments of the population that are under-represented by the government since their living standards are too low to meet their needs and expectations. Democracy involving society in more than only electing the government could resolve this lack of political participation among the indigent. "Participatory democracy" may provide the excluded with the possibility to participate in and affect policy debates and outcomes, thereby reducing political inequality and economic inequality. The result will be the representation of wider array of interests as the marginalized become increasingly included in politics (Stoker, 2006).

Besides political and social inequality, Latin America also faces *economic* inequality, as it experiences wide income gaps between the wealthy and the indigent. Latin America today finds itself an enormous opportunity to reduce such inequality because it has faced a significant increase in economic growth during the last decade. Yet it must be emphasized that, though economic growth is an indispensable aspect of poverty reduction, it is not a sufficient one because it does not reach all parts of the population. Only a small segment of the population in Latin America benefits from its countries' economic growth, leaving many others marginalized. High levels of inequality mean that the revenues of growth are predisposed to those that are not in circumstances of poverty, in particular the wealthy. This again relates to the notion of *political* inequality since the privileged dispose of the power to control political debate through which they are able to obstruct tax reforms and public expenditure reforms. Given the fact that politicians originate generally from



higher income groups, policies concerned with, for instance, redistribution are difficult to become legislated (Chronic Poverty Research Center, 2008).

The present paper suggests that a reduction in both political and economic inequality levels may be achieved through social public policies directed at empowerment and civic engagement or participation of the indigent and excluded factions of the population at the local or community level. The kind of social public policy addressed in this paper concerns the conditional cash transfer program. Conditional cash transfer programs are currently one of the main tools in governments' approaches for poverty eradication. Generally, such programs are designed to raise family incomes by means of cash transfers (i.e. monthly allowances or stipends) reducing poverty levels over the short term. Moreover, conditional cash transfer programs aim to end intergenerational poverty and to build human capital (ECLAC, 2010).

A less articulated feature of conditional cash transfer policies in the scholarly literature is the program's inherent potential of empowering the excluded groups so to enhance citizen or political participation, thereby reducing inequality levels in the long term. Often the literature on the capacities of conditional cash transfer programs refers to the impact such policies can have such as enhancing civic participation or engagement at the community level. Yet it does not explicitly state how this policy can lead to more citizen participation and how this in turn can contribute to a reduction in overall inequality and poverty. Moreover, the promotion of civic participation or engagement by conditional cash transfer programs only plays a secondary role. Therefore, this paper attempts to analyze how conditional cash transfer programs currently foster citizen participation on the local level and how such participation could be enhanced. The main aim of this paper, then, is to investigate this rather unidentified link between civic or political participation and inequality reduction within conditional cash transfer programs.

This question is approached by looking at conditional cash transfer programs in two South American countries, Chile and Peru. Both countries face poverty issues among its population and severe levels of socioeconomic and political inequality. Exclusion and a lack of public participation in Peru and Chile have been voiced in several public polls, such as the *Latinobarometro*. When participants to the survey of the *Latinobarometro* (2010) were asked whether they believe governmental decisions favor only few people, 63 per cent of the Peruvian population and 61 per cent of the Chilean population agreed this was the case. Furthermore, when the respondents were asked whether certain persons or groups have so much influence that the interests of the majority



are ignored, 68 per cent of the Chileans and 61 per cent of the Peruvians agreed. These results partly show that the vast majority of the Peruvian and Chilean public believes that their governments do not adequately represent their citizens (Corporación Latinobarometro, 2010). As such, Chile and Peru are practical examples of countries in which poverty, inequality, a lack of political participation, and a democratic culture with weak foundations, are prevalent.

The analysis on the conditional cash transfer programs in Chile and Peru may shed light on how these programs intend to foster civic integration among the program's participants. Both *Chile Solidario* and *Juntos* are relatively "new" projects. The former program started in 2002 and the latter originates from 2005, which makes them of valuable concern to investigate how these programs currently contribute to reducing poverty and inequality, and to enhancing civic participation levels.

The remainder of the paper will proceed as follows. First, the link between participatory democracy and inequality will be discussed, giving a rationalization for the significance of including features such as civic participation and engagement in conditional cash transfer programs. Next, briefly the methodology of the subsequent analysis of the conditional cash transfer programs *Chile Solidario* and *Juntos* will be explained, thereby introducing the concepts of human capital and social capital as units of analysis. Subsequently, the conditional cash transfer policies in Chile and Peru will be illustrated, thereby focusing on the extent to which both programs already foster civic engagement. Finally, a discussion will follow drawing conclusions from the analysis, and finding that current conditional cash transfer programs emphasize the creation of human capital and assign a less importance to that of social capital. It will be suggested that in the future the conditional cash transfer programs in Chile and Peru could include a component with respect to the promotion of civic engagement so as to foster the formation of social capital.

Participatory Democracy as a Solution to Inequality: a theoretical framework

In the overall majority of Latin American democracies, the democratic dialogue favors that of the elites, falling short of reaching the overall population. Several justifications have been provided by these elites including the assumption that decision-making on public policy matters is too complex and hence needs specialist or professional knowledge. Another rationalization concerns the belief that in representative democracy public participation is sufficiently realized through the citizens' vote in elections and referenda (Pruitt & Thomas, 2007). However, as the inequality and poverty



levels in combination with the data surveys from Chile and Peru described above demonstrate, the Peruvian and Chilean population do not feel sufficiently represented by their own governments. They feel alienated and excluded because they perceive governmental decisions to favor only a small fraction of the population.

It appears that public participation through elections and referenda are inadequate to address the needs of the people. Hence, representative democracy that is concerned only with voting appears to be an inadequate manner to govern countries such as Chile and Peru. As inequality is still a persistent problem both in terms of income levels and political participation, additional policies are essential that aim at the empowerment of and civic engagement or participation by the excluded groups in society. Both Chile and Peru have been implementing conditional cash transfer programs in order to advance the creation of human capital and to lift indigent families out of poverty. It is only in an indirect manner that these programs foster citizen participation at the community level. Since this paper suggests the inclusion of a component that directly fosters civic participation, an important question concerns how policies that include local forms of civic engagement measures may contribute to an increase in overall political participation in the long term and thereby reduce levels of inequality. In order to address this question, the link between participatory democracy and inequality shall be analyzed by means of a literature review. The correlation between participatory democracy and inequality is particularly of practical and scholarly significance, as our knowledge on this correlation determines the way inequality is being addressed.

Civic engagement or participation can be defined as a process that organizes citizens and their organizations to affect, participate in, and control public institutions and affairs for equitable development (Malik and Waglé, 2002). Malik and Waglé (2002) argue that civic engagement, which is generally perceived as an end in itself, also is a crucial way through which social capital and development may be furthered. These authors found that development objectives are expected to generate greater long-term results when they include a component of civic engagement in their design. The notion of civic participation at the community level has been assessed and has on the whole shown to produce benefits that lead to better organization, implementation and sustainability of development efforts.

Participation in political institutions and civil life are significant indicators of political inclusion. There are essentially two ways through which citizens can influence political decision-making. First, citizens have the right to join political parties and to vote in elections, which is also



called formal political participation. Second, they may engage in political participation that goes beyond ways of formal participation so as to bridge the gap between themselves and the formal political institutions. The latter way of participation concerns civic engagement or participation (Pahad, 2006). Greater civic participation derives its justification from the paradigm of political democracy that stresses civil and political liberties as a source of good political governance. It presumes that governance will become more “representative, accountable, transparent and equitable” if opportunities to participate in civic life increase (World Bank, 2008).

In order for the excluded and marginalized sections of society to participate civically, they need to be empowered. Empowerment has various definitions in the social sciences literature. This paper will wield the concept of empowerment as defined by the World Bank (2002), namely, “the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives”. As such, the process of civic participation goes along with empowerment since it aims at the expansion of assets and capabilities of indigent people so that they can participate in social and civic life. Martínez (2010) argues that all human beings have rights; nevertheless they have to be put into practice. This is possible only if citizens have resources that can empower them to make use and to claim their rights. Those that have no such resources at their disposal only possess unattainable rights. Therefore, it is imperative to facilitate access to, for instance, education, employment and health for the excluded. Only if such conditions have been satisfied, it will become more feasible for the marginalized to participate civically within their community.

In the Political Science literature, political participation is often seen as a mechanism through which the needs and interests of citizens are conveyed to political decision-makers. Regular elections function to pressure the decision-makers to respond to these needs and interests (Puri, 2004). Booth and Seligson (1978) define political participation as “behavior influencing or attempting to influence the distribution of public goods” (p. 6). It is plausible to assume that high levels of democratic political participation ensure the inclusion of a wider array of interests of society since a larger section of the population is being empowered to order for inclusive economic institutions. Simultaneously, democratic institutions will be an effective mechanism to hold the national government responsible for the demands for basic needs of the economically marginalized (Barbone et al., 2007). It thus results that political participation has the potential to contribute to a reduction in inequality because the central government will be more responsive to the underprivileged when it



is being pressured for pro-equality policies. Yet in the scholarly literature this link is still inconclusive and opinions vary considerably. Some, such as Friedman (2002), have argued that inequality is the natural consequence of political liberties, while others have argued that an increase in political participation by citizens indeed reduces economic inequality (Reuveny & Li, 2003; Huber et al., 2006).

For instance, Huber et al. (2006) concluded that democracy has a significant impact on the reduction of inequality. Democracy in general allows for the underprivileged to express their interests and, in the long term, leads those in government concerned with the welfare of the marginalized to build political parties. Those political parties will be able to gain public support, to obtain influence in the legislation process, and to form policies concerned with redistribution. Hence democracy provides the powerless with the opportunity to mobilize and use political parties and other organizations, such as labor rights organizations and local assemblies, in order to participate in the political decision-making process.

Nevertheless, it requires some considerable amount of time for political parties and labor organizations to institutionalize, to gain representation, and in addition, to pass crucial legislative bills on for example income distribution (Huber et al., 2006). And of course, one must take into account that not all democracies are created equally since the link between participatory democracy and inequality is preconditioned by fragmentation along ethnic and economic lines, which in turn, could obstruct the extent to which the marginalized groups participate in politics. For instance, in Chile and Peru, the majority of the marginalized population consists of indigenous people. The degree to which democracy generates pro-poor results is higher in societies with a large middle-class and low social and economic fragmentation (Barbone et al., 2007). In such cases featuring persistent social and economic divisions, policies aimed at inclusion and civic participation are indispensable in order to overhaul this imbalance.

When analyzing the link between participatory democracy and inequality the other way around, that is, how inequality influences the potential for democratic political participation, an often expressed conclusion in the literature concerns a negative relationship between the two variables. Solt (2008) conducted a study investigating the effect of economic inequality upon political participation and engagement of its citizens. He found that higher levels of income inequality strongly suppress the political interests among all but the wealthy people, and hence concluded that more economic inequality generates greater political inequality. Lipset (1960) and



Dahl (2006) also claimed that societies with high levels of poverty and inequality obstruct the possibility for a situation in which the majority of the population may participate in politics. Solt, Lipset and Dahl thus all conclude that high levels of inequality have a negative impact on public political participation.

In a similar vein, Houle (2009) found that inequality is a major obstacle to the consolidation of democracy in general, but not to democratization itself. This explains the fact that democracy has spread in the largely unequal continent of Latin America, yet has failed to consolidate. Houle provides the example of Costa Rica and India, which are developing countries, though relatively equal, and which have been able to establish stable and preserved democracies. On the other hand, Peru with a highly unequal population has fluctuated between democracies and dictatorships. Between 1946 and 2000, Peru has seen four democratic collapses and thus also four instances of democratization. As such, the difference between Peru and, Costa Rica and India, does not refer to the link between inequality and the ability to *establish* democratic regimes but, in turn, to the relation between inequality and the ability to *consolidate* democracy. Thus, the above findings suggest that inequality is a major obstacle to citizen political participation and engagement and, moreover, in general to democratization consolidation processes. To reduce levels of inequality is therefore an objective of paramount importance.

The relation between inequality and participatory democracy thus goes into two directions. First, greater political participation can result in lower levels of both political and economic inequality. Empowerment is a crucial condition for civic engagement because the excluded must be empowered so to provide them with the possibility to put their civil and political rights into practice. In the long term, local civic participation may translate into more concrete political participation in terms of pursuing their interests and needs through holding the government responsible. Second, inequality impedes political participation in particular, and the consolidation of democracy in general. In practice, this means that in societies where high levels of inequality persist, it logically follows that the needs and interests of the wider population are not represented. Hence the degree of political participation by society is low, having a negative impact on the quality of democracy. For democratic institutions tend to flourish only if *all* people effectively make use of them.

The above rationale demonstrates that it is highly encouraging for conditional cash transfer programs to include a component that fosters civic participation, rather than only redistributing resources to the marginalized and underprivileged and increasing their human capital. Current



conditional cash transfer programs do not always emphasize or include explicitly such a component. Classical conditional cash transfer programs attempt to encourage the development of human capital through providing access to education, health care, and the formal labor market, which, then, may indirectly lead to enhanced levels of civic and political participation. As a larger part of the population will participate in politics, gradually inequality will decrease. The subsequent part of this paper will explore the inherent potential of the conditional cash transfer policies implemented in Chile and Peru, which both include, to a greater or lesser extent, a component that attempts to foster civic participation and inclusion directly.

Methodology

The above literature review provided a rationale for a policy response aimed at enhancing civic engagement or participation among indigent people. Reduced levels of inequality foster consolidation of democracy and enhanced civic engagement may significantly contribute to declining levels of inequality. As such, the main assumption of this paper holds that the inclusion of a civic participation component in conditional cash transfer programs aimed at broadening political participation is of great significance for the reduction of inequality.

Before actually proceeding to an investigation of the conditional cash transfer programs in Chile and Peru, this section explains how the rest of the paper will develop. Both conditional cash transfer programs *Chile Solidario* in Chile and *Juntos* in Peru will be analyzed with regard to the extent they incorporate aspects of civic participation, and how the influence of such aspects within the program can be enhanced so to integrate indigent families in social and political life. Throughout the analysis of the programs' capacity of civic engagement, the main units of analysis are human and social capital.

The concepts of human capital and social capital should be distinguished carefully. Human capital involves the agency of human beings. The capabilities of a person depend on variables such as personality, socioeconomic background, and economic situation (Sen, 1997). Through, for instance, education, training, and experience, individuals can increase their capabilities or human capital. Human capital can thus be understood as individual empowerment through knowledge and skills that an individual has accumulated (Raczynsky & Serrano, 2005). Social capital, on the other hand, is relational. Whereas human capital is part of the individual's mind, social capital inheres in the framework of relationships. Hence, in contrast to human capital, social capital is not the personal



possession of the people that make use of it (Narayan, 2002). Social capital gives rise to the formation of an organization or group that is much more than the accumulation of individuals attempting to accomplish their own private objectives: it serves as a “bridge” between persons to pursue a common goal (Kilpatrick et al., 2003).

Several definitions have been given to the concept of social capital; however most concentrate on participation in networks and the norms that steer their reciprocal action. These norms produce secondary virtues such as knowledge and trust, which in turn provide a basis for reciprocity and collaboration (Kilpatrick et al., 2003). Robert Putnam’s definition of social capital is one of the most commonly cited. Putnam emphasizes the notion of collective benefit and hence he defines social capital as “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam, 1995, p. 67).

Social capital is essential to a community as it can influence the effectiveness of government institutions (Narayan, 2002). Social capital brings individuals together to defend their interests and to further collective needs and interests. Civil society, through the accumulation of social capital, functions as a balance to the authority of the government. In societies in which there is relatively few social capital, several political disruptions can emerge since centralization of political power can give rise to an unresponsive government system (Fukuyama, 2001). “When a society’s social capital inheres mainly in primary social groups that are disconnected from one another, the more powerful groups dominate the governance structures to the exclusion of other groups” (Narayan, 2002, p. 61). Conversely, in societies where social groups are connected through dense relationships, social cohesion and less exclusion is to be expected (Narayan, 2002).

Social capital is related to the notion of “civic virtue”, which is strongest when entrenched in a concentrated network of social relationships (Malik & Waglé, 2002). Putnam (1993) reasons that reciprocity and trust are furthered when links of civic engagement are concentrated. Civic engagement, as a key subcategory of the realm of social capital, contributes to the creation of social capital by means of interactions between people that pursue common goals for the greater good. Moreover, civic engagement provides for the creation of social capital by means of the facilitation of mediums for expression, representation and accountability (Malik & Waglé, 2002). Social capital and civic engagement guide development efforts in the right direction as informal interactions and connections will assist persons to get to know each other and to become closer, and to build networks together. Moreover, increased interaction can enhance people’s self-esteem, thereby



stimulating them to participate in their community for the greater good and to become connected to the members of the community and the community itself (Kilpatrick et al., 2003).

As was stated in the introduction, often vague statements are made proclaiming that conditional cash transfer programs contribute to the development of human and social capital. However, often these declarations are not supported by clear arguments of how conditional cash transfer programs do so in practice. The subsequent section will clarify this question by means of two case studies on the conditional cash transfer programs of *Chile Solidario* in Chile and *Juntos* in Peru. In a sense, a component of empowerment that fosters civic engagement and the creation of social capital is incorporated in the conditional cash transfer programs in Chile and Peru. Generally, both programs aim to empower women in specific, and their families in general, in society so to contribute to a reduction in levels of poverty and inequality in the short term.

Despite the value of social capital and civic engagement in development efforts, evidence on the link between empowerment and civic and political participation within conditional cash transfer programs is rather scarce. While conditional cash transfer programs and policies have been shown to be effective in certain poverty reduction objectives, less attention has been paid to the potential of such programs to transform the empowerment of the underprivileged, such as education and health care, into political and social integration. That is, the potential of the conditional cash transfer programs to transform improved capabilities and assets of the cash transfer beneficiaries (human capital) into a capability to participate in civic life and to influence politics (social capital). The present analysis provides an opening to explore new policy pathways to accomplish inequality reduction through the inclusion of aspects concerning civic and political participation, thus pursuing a social capital approach.

Finally, the effects of conditional cash transfer programs have been analyzed principally with regards to women. Impact evaluation studies regarding empowerment have established that such programs may have an encouraging impact on empowering women as to their household status (Adato, 2000). Less focus has been placed on the impact evaluation of empowerment of individuals, both man and women, as regards to their position in society rather than within the household. This paper's aim goes beyond the empowerment of women, looking at both men and women and their position within society as a whole. Nevertheless, the author of this paper does not deny the fact that women experience poverty in a different way than men.



Next, the programs *Chile Solidario* and *Juntos* will be viewed through a civic engagement lens, drawing lessons how conditional cash transfer programs could be even more effective in integrating the excluded or marginalized populations into society. Before each cash transfer program is outlined, brief contextual information will be provided on the socioeconomic circumstances of the country where the program is implemented.

Chile Solidario

Current Socio-economic Situation in Chile

Chile's economy has been growing markedly over the past decades. Since the beginning of the 1980s, it has grown on average around 5 percent per year (Contreras, 2007). Moreover, in 2010, Chile joined the Organization for Economic Cooperation and Development (OECD) as one of the first Latin American countries, which is an international organization consisting of developed countries that are committed to advance the economic and social welfare of citizens globally. Nevertheless, one arena in which Chile has not succeeded is the equitable distribution of economic growth. Chile's Gini coefficient has remained relatively stable over the past decades, which currently amounts to 0.53 (OECD, 2011). This is a relatively high number when taking into consideration the country's successful economic growth, and even by Latin American standards inequality levels are exceptionally high.

High levels of inequality impede economic growth and further reductions in poverty (Agostini & Brown, 2007). Although poverty has declined remarkably in Chile from 38,6 to 13,7 percent between 1990 and 2006 (OECD, 2009), poverty increased from 13,7 to 15,1 percent between 2006 and 2009 (CEPAL, 2010). In Chile the possibility that citizens slip back into circumstances of poverty remains high since a large part of the population receives low incomes and is vulnerable to variations in income levels. The Chilean social security system often is unable to give sufficient protection to these people because it secures only certain income-related risks (Contreras, 2007).

Moreover, high levels of inequality have significant effects on social outcomes. Socioeconomic circumstances continue to influence the opportunities that are available to young Chileans. Education has been shown to be unsuccessful in providing social mobility, particularly



because of the differences in quality of education between private and public schools (Contreras, 2007). Furthermore, Agostini et al. (2010) found that on average the indigenous people in Chile are far more excluded from society and economic growth than the non-indigenous population. The inequality between indigenous and non-indigenous people in Chile is among the highest in Latin America. Thus, whereas poverty has declined slightly over the past decades, high levels of inequality have remained constant. Therefore, it can be assumed that economic growth and poverty reduction alone are not sufficient for the wider Chilean population's welfare to improve.

For the above reasons, additional public policies aimed not only at poverty reduction, yet also at the inclusion of the wider population, are imperative. The government needs to act, and has to ensure that economic growth reaches all segments of the population so that inequality rates can decline. The conditional cash transfer program in Chile could focus on this problem of inequality through the promotion of civic engagement on the community level. Below *Chile Solidario* will be analyzed as to what extent it already does so, yet first the next section will briefly outline Chile's conditional cash transfer program *Chile Solidario*.

Chile's Conditional Cash Transfer Program: *Chile Solidario*

Shortly before Chile inaugurated its conditional cash transfer program *Chile Solidario* in 2002, it had already established a pilot project called *Programa Puente* (the Bridge program). The latter program provides psychosocial support to indigent families and intends to link these families with their rights in order to assist them to get out of poverty in the long term. *Chile Solidario* has built further on *Programa Puente*. In particular, *Chile Solidario* attempts to socially integrate impoverished households by providing them access to social services and encourages them to develop social skills in order to advance their participation in society. Indigent families are offered a contract with the government that provides them with a range of social services and financial resources. The contract incorporates seven features of family life: identification, health care, education, household dynamic, housing, employment and income. The beneficiaries need to comply with 53 conditions based on these seven features of family life, for which they will receive in return: psychosocial support; monthly cash transfers; social protection; and access to human development, employment, and social security (Palma & Urzúa, 2005).



The initial goal of *Chile Solidario* was to financially support and to incorporate within the social protection network of the state 225,000 families identified as socially excluded and as living in extreme poverty. The program has four components: (1) family support and conditional cash transfers; (2) monetary subsidies; (3) priority access to other social protection programs; and (4) labor benefits (Saracostti, 2008). Poverty is viewed as a multidimensional issue in which the lack of income is only one aspect of the definition of extreme poverty. From this follows that one distinctive feature of the cash transfer program in Chile concerns the inclusion of a psychosocial support component. Such psychosocial support is offered for the duration of two years. Social workers regularly visit the program's families and assist these in several areas such as domestic violence, access to public services, and employment. The recipients of this assistance are predominantly families living in circumstances of extreme poverty; vulnerable elderly who live alone; homeless people; and children with critical family situations (*Chile Solidario* official website, 2011).

Alongside the psychological assistance, cash transfers are paid to the female head of the family during the twenty-four months participation in the program. The sum these women receive decreases gradually, amounting to 10,500 Chilean pesos¹ in the first six months and decreasing to 4,126 Chilean pesos² in the final six months (Agostini & Brown, 2011). These cash transfers are conditional upon compliance with the contract the families signed with the government. The families participating in the program also have a right to additional subsidies, which makes up the second component of the program. These subsidies include subsidies to youth below the age of 18 for school assistance; pensions to adults over the age of 65; pensions to (mental) disabled people who head the family; and potable water and sewage subsidies (Saracostti, 2008).

During the period of psychosocial support and cash transfers, the beneficiaries also have an ensured right to preferential access to social services for which they are eligible. The preferential access lasts three additional years after the psychosocial support and cash transfers have ended (MIDEPLAN, 2004). A final component of *Chile Solidario* concerns labor benefits including social welfare for unemployed heads of families and employment programs helping the unemployed to find work (Saracostti, 2008).

Several impact assessments have been undertaken over the past years. Agostini and Brown (2010) assessed the impact of the program on overall inequality levels in Chile and concluded that

¹ 10,500 Chilean pesos equals approximately 15 euros (June 13, 2011).

² 4,126 Chilean pesos equals approximately 6 euros (June 13, 2011).



while the financial support and the psychosocial assistance have contributed to a significant reduction in poverty levels, inequality still remains remarkably high. Similarly, Soares et al. (2007) assessed the impact of the conditional cash transfer programs of Brazil, Chile and Mexico on inequality levels in these countries. This study concluded that inequality in Chile had declined with only 0.1 Gini point. Nevertheless, this apparent weak impact of *Chile Solidario* is particularly due to the fact that the scope of the program is rather small. In Brazil and Mexico the inequality levels declined by 2.7 Gini points, yet these countries spend a much higher percentage of GDP on their conditional cash transfer programs and their scope is much greater. The study furthermore concluded that the cash transfers had less impact than the social security incomes, which were more than 30 times greater than that of cash transfers.

The conclusions of the above studies show that inequality levels remain exceptionally high and hence more emphasis should be placed on inequality reduction. The subsequent section analyzes the extent to which *Chile Solidario* inherits a component of civic participation, a feature which is of utmost importance for inequality reduction.

Chile Solidario and Civic Participation

Chile Solidario pursues a rather different approach than conventional conditional cash transfer programs. Instead of giving priority to women and children, the program in Chile also takes account of the family as a whole. It ensures that the participating families are being linked with the social security network and hence can access the social services to which they are entitled. Conventional conditional cash transfer programs in Latin America normally do not include a component of psychosocial support and priority access to social services, which makes *Chile Solidario* unique.

Above it became clear that inequality obstructs the reduction of poverty and hence reducing inequality is essential. *Chile Solidario* addresses inequality by concentrating on the concept of “social exclusion”. The policy design acknowledges that social exclusion is a major aspect of poverty and that connecting marginalized families to social services is an important objective for reducing poverty and inequality. The exclusion of the indigent families is in great part the result of their lack of information and their detachment from the social security system. Access to social services and public resources helps to socially integrate the excluded and may play an important role in encouraging active citizenship (Palma & Urzúa, 2005). *Chile Solidario* thus pursues a rights-based approach by informing the participating families of their rights; and by empowering them, the



marginalized families become capable of securing their rights. These families may benefit from education, enter the formal labor market, receive appropriate health care, obtain identification documents and become full citizens, and may be able to save money. Consequently, the formerly excluded families become part of and have the opportunity to actively participate in their community.

The Chilean government stated that the extremely poor are participating in the program through signing a contract with the government and fulfilling the corresponding conditions. Yet, although the beneficiaries will have to fulfill the conditions in order to receive financial and psychosocial support, they have not been involved in the design and the implementation of the program. In the preparation seminar of *Chile Solidario*, only one representative of the poverty-related civil society organizations was involved. Moreover, this seminar did not take into account the major concerns of civic organizations with regards to poverty-reduction. Due to their exclusion in the development of the policy, such organizations were rather critical about the policy design. Civil society leaders, for instance, attacked the policy for failing to include the program's beneficiaries into the policy development and for excluding supplementary community development schemes (Teichman, 2009).

Although *Chile Solidario* indirectly stimulates citizen participation in society through the empowerment of the extremely poor, it is questionable whether the program emphasizes this capacity explicitly. The initial design of the program did not consider explicitly the dimension of civic or social participation. Theoretically, *Chile Solidario* includes the component of citizen participation to the extent that people are informed about their rights and consequently put their rights into practice. Yet the policy provides no incentives to create or participate in associations within the community, which could nevertheless be seen as an important prerequisite for civic participation. MIDEPLAN (2006) conducted a study on citizen participation of families within *Chile Solidario* and concluded that it is necessary to design a strategy that addresses and promotes the associativity of the program's beneficiaries as a way to cope collectively with issues they face. This study found that the few organizations that exist in which *Chile Solidario* families participate already existed before the implementation of the program and that these organizations have no link with promotion by the program.



Similarly, Palma and Urzúa (2005) observe that *Chile Solidario* does not incorporate the community as a whole in its practices. These authors suggested that the inclusion of the community level could be a “next step” for *Chile Solidario*. Currently, the policy emphasizes the family in isolation from the community, as it does not build links between the participating families and the community. Civic participation could be facilitated better if the intra-family relations would also be taken into account as well.

Likewise, Raczynski and Serrano (2005) claim that the design of *Chile Solidario* lacks an arena of associativity and argue that the program only takes account of the family relations, and hence lacks a capacity of social capital formation on the community level. Raczynski and Serrano define social capital as a set of associative social and cooperative relations based on trust and reciprocity that enable indigent people to broaden their opportunities, through deriving assets and individual and group benefits from it. Social capital generates, among others, political and civic benefits and assets, which make it possible to achieve higher levels of social power and influence. To achieve effective results of civic participation in terms of power and influence, one must focus on the community and societal level, where increased levels of civic participation can develop, rather than on the individual or family level.

Whereas *Chile Solidario* puts emphasis on linking the families with the social safety net and improving the opportunities and capabilities of the families, it does neither consider the development nor the strengthening of social relations based on cooperation among the families and between the families and the community environment. Hence, *Chile Solidario* does not open pathways to communal participation for the families (Raczynski and Serrano, 2005). Overcoming the high levels of exclusion and inequality in Chile will require social policies capable of the stimulation of social capital, together with the promotion of citizen participation.

Juntos

Current Socio-economic Situation in Peru

In the 1990s and the decades before, the economic situation in Peru was much different than it is today. Former Peru (i.e. Peru in the 70s, 80s and 90s) faced recurring crises, and experienced political instability and high levels of inequality and poverty. Modern Peru, conversely, experiences



increased economic growth. Between 2005 and 2009, Peru has seen an average economic growth per capita of 5,6 per cent and as a result Peru has been able to position itself among the top five leading Latin American economies. The high level of growth has been accompanied by a significant reduction in poverty (Banco Mundial, 2011). Between 2005 and 2010, poverty levels fell from 48,7 percent to 31,3 percent, whereas levels of extreme poverty declined from 17,4 percent to 9,8 percent (Sánchez Aguilar, 2011). Moreover, the unprecedented economic growth caused a slight reduction in inequality levels, principally during the high levels of growth in 2007 and 2008. This decline in inequality vastly contrasts with countries such as China and India where economic growth has been accompanied by an increase in inequality (Lopez-Calva & Lustig, 2010).

Despite the “good news”, Peru nonetheless faces a serious challenge with regard the reduction of poverty, inequality and social exclusion. Peru still falls behind other Latin American nations respecting levels of poverty and inequality, and the country occupies a low ranking in the provision of basic opportunities (UNDP, 2010). Large inequalities remain between rural and urban populations as levels of poverty have fallen mainly among urban populations. As such, in terms of geography, the incidence of poverty continues to be highly unequal (Banco Mundial, 2011). In some rural regions, where most indigenous people live, poverty levels amount to 60 per cent (UNDP, 2004). Particularly the indigenous population in Peru suffers since their poverty levels are between 13 and 30 percent higher than those of non-indigenous people (World Bank, 2005). In addition, the Human Opportunity Index, which measures the inequality in access to social services, lists Peru as number 13 out of 17 Latin American countries (Banco Mundial, 2011).

Thus, although in the past decade Peru has faced high levels of economic growth, this has not been a sufficient force to achieve a drastic reduction in poverty and inequality levels. Supplementary social public policies are indispensable in providing all factions and classes of the Peruvian population with equal opportunities, especially when considering that these high levels of economic growth may not be sustained continually. For economic growth will constantly remain sensitive to economic shocks. In order for Peru to sustain its recent accomplishments of poverty and inequality reduction, the World Bank in its report *Peru in the Threshold of a New Era* (2011) recommends that existing social public policies in Peru be reassessed and that successful policies be broadened with regards the facilitation of opportunities for the poor. This is especially interesting for the present paper, as it suggests that conditional cash transfer programs could be broadened to



include aspects of the promotion of civic participation. The following section will outline *Juntos*, the existing conditional cash transfer program implemented by the Peruvian government.

Peru's Conditional Cash Transfer Program: *Juntos*

The National Program of Support to the Poorest, also called *Juntos*, is the official conditional cash transfer program in Peru. Inaugurated in February 2005, the program's scope has since expanded from covering approximately 37,000 families in 110 districts (Perova & Vakis, 2009), to about 471,511 families in 646 districts by the end of 2010. As such, the program currently reaches approximately half a million families including 1,047,381 children (*Juntos* official website, 2011). The strategy plan of 2011-2015 envisages the inclusion of more families and hence the program is still expanding (Presidencia del Consejo de Ministros, 2011).

The main aim of the policy concerns the development of human capital and breaking intergenerational transmissions of poverty. *Juntos*, like other conditional cash transfer programs, stems from the assumption that indigent families do not and cannot invest sufficiently in human capital and hence are trapped in a circle of intergenerational poverty (Rivero-Fuentes & Vernon, 2008). Central to the program is the promotion of capacity building through the provision of access to basic services as education, health and nutrition for children and pregnant or breast-feeding women, and to provide families with identification documents. Taking account of these objectives, *Juntos* is intended particularly for impoverished households with children under the age of 14 (Jones et al., 2007).

Households that are eligible to participate in the program receive a fixed monthly cash transfer of hundred soles per month³ for a duration of four years, which is conditional upon their compliance with accessing basic public services for their children (Vargas Valente, 2010). The conditions depend on the age and gender of the recipients: children under the age of five are expected to attend routine health and nutrition checks; children between six and fourteen years that have not completed primary school are expected to attend school eighty-five percent of the school year; and pregnant and breast-feeding mothers must visit prenatal and postnatal controls (Perova & Vakis, 2010). The cash transfer is provided to women, particularly in order to empower women's status

³ Hundred soles equal approximately 25 euros (June 19, 2011).



within households. Women are also regarded as more likely to take account of their children's well being.

In October 2009, the *Juntos* conditional cash transfer program came to include *Proyecto Capital*, which is a savings-linked conditional cash transfer pilot. This additional component of *Juntos* is aimed to support and encourage conditional cash transfer beneficiaries to access and make use of formal financial systems. *Proyecto Capital* encourages participating households of *Juntos* to save a part of their cash transfer at the bank. One objective of the program concerns education and enhancing financial literacy among participants so to help them to manage their finances in a sustainable way. It serves as an exit strategy for participating families in *Juntos* as these families build up savings for when after four years the cash transfers end (Rosen, 2010).

Initially, *Juntos* did not incorporate a systematic impact evaluation in its scheme. As a result, little has been known about the impact of the program and its capability to attain its main goals of reducing poverty and building human capital. *Juntos* is intrinsically linked to the national government's policy goals and commitments: to reduce poverty from 48,7% in 2005 to 30% in 2011, and to reduce the rates of malnutrition from 22.9% in 2005 to 16% in 2011 (Presidencia del Consejo de Ministros, 2011). Perova and Vakis (2009) have conducted the first quantitative impact evaluation of *Juntos* in order to obtain an indication of whether the program has had the envisioned impact. This study, concerned with the impacts in the first two years of families participating in the program, found that *Juntos* had a modest effect on poverty reduction. The longer the households received cash transfers, the more the indicators of welfare improved and the general poverty rate diminished. Furthermore, the study concluded that the use of health services and nutritional controls by both children and women increased. Unfortunately, no or few research has been done on the impact of *Juntos* on inequality levels.

Juntos and Civic Participation

The overall majority of governments that implement conditional cash transfer programs have recognized that monetary financial support alone will not end the intergenerational cycle of poverty. Therefore, conventional conditional cash transfer programs are also concerned with education and health care for the families' children. The conclusion of the above analysis of the link between civic and political participation, and inequality, provided that the inclusion of a component of civic



participation could be of valuable concern in order for conditional cash transfer programs to become more effective in reducing inequality. Encouraging *Juntos* families to participate in civic and community life is an important objective for the program to accomplish. Civic participation can safeguard the program's results in the long term, so that the benefits will continue to have an effect in the future. Moreover, civic participation in communities may help the families to voice their needs and demands on the local level. Conditional cash transfer programs are particularly valuable in enabling the families to employ their capabilities to participate in socioeconomic and political life. This section will analyze to what extent *Juntos* already includes a component of civic participation so to identify the areas where it could be improved.

Juntos has provided an opening to civic participation in the administration of the program. Its design is constructed in a way so that to a large extent the management proceeds from civil society. In every district, the lists of potential beneficiaries are evaluated in community assemblies so that errors will be corrected with respect to mistakes of excluding households who have a right to participation in the program or including households who should not be part of the program. Ultimately, the inclusion of civil society in the selection process enhances the legitimacy of the program (Cohen & Franco, 2006). Yet the role of civil society in general tends to be limited (Vargas Valente, 2010).

The *Juntos* program focuses on mainly women and their position within the household as monthly cash transfers are provided to the female head of the household. To a certain extent, *Juntos* encourages women to participate civically within their community. Regular meetings or trainings are organized aiming to inform women about their right to participation in the public realm. The program attempts to endorse women's participation and leadership within the community they live, for instance through the election of women as community facilitators (Holmes & Jones, 2010). Community facilitators are elected from the beneficiary population and are mainly women. These facilitators connect the beneficiaries with the program, and monitor the families' fulfillment of the requirements of the program. Hence, women participate in the program's implementation and thus the program, in a sense, facilitates collaboration between the beneficiaries and the state (Jones et al., 2007).

Vargas Valente (2010) found, through conducting interviews, that participants in the program are increasingly participating in community activities such as assemblies and building or improving roads. Beneficiaries state that their community is far more structured and organized than



the period before they participated in the program. However, it is important to note that the views of non-beneficiaries were not taken into account, which makes the study less representative. Holmes and Jones (2010) found that local networks have strengthened, and participation in local community activities has increased.

Nevertheless, the participating women have been largely incapable to express and voice their needs and demands at local level. Arroyo (2010) conducted a qualitative study on the impact of *Juntos* on behavior changes of families that participate in the program in the district of Chuschi. On the one hand, the interviewed beneficiaries believed that their participation in *Juntos* has provided them the opportunity to participate in their community through the organizations of beneficiaries formed in each community by the program. They stated that this organization has served to further the relations and bonds of solidarity between the beneficiaries. However, horizontal relations with other organizations and institutions in the district are not as the women are generally convened to take part in activities such as training. They do not have enough power to set agenda items and thus have been unable to express their interests. Although the participating women in the program have been empowered, this has occurred more at the household level than at the community level (Arroyo, 2010).

Furthermore, a study on several conditional cash transfer programs including *Juntos*, by Rivero-Fuentes and Vernon (2008), criticized that all conditional cash transfer programs, including *Juntos*, disregarded males since the cash transfer programs are concerned mainly with women and children.

Although Perova and Vakis (2009) arrived at the conclusion that the conditionalities of *Juntos*, with which families are expected to comply, have been effective with respect to health care, they found no significant impact on attendance rates of the families' children at primary school. Moreover, the deficient quality of education, health care and other public services poses a major problem to the development of human capital among marginalized populations. It results that *Juntos* faces a crucial necessity to improve and strengthen public services since cash transfers alone are not sufficient to break through inter-generational poverty. The above nevertheless shows that there are several openings to foster and extend civic participation through the conditional cash transfer program *Juntos*. Several bases of civic participation have been established, which could be extended in the future.



Discussion

The above analysis demonstrated that both *Juntos* and *Chile Solidario* encompass certain aspects of civic participation, yet in a different manner and one more than the other. In Peru the program gives women a role in the implementation in the program as certain women that are participating in the program are elected as community facilitators. Moreover, regular trainings and meetings are organized with the aim to inform women about their right to participation in the public sphere. Studies that were conducted on the impact of the *Juntos* program on the community level concluded that the program's beneficiaries are increasingly participating in community activities, and that local networks have strengthened.

Chile Solidario has an explicit focus on families that are in circumstances of extreme poverty and that are socially excluded. The program provides these families access to the social security network of the state and thereby empowering them to actively participate in their community. Moreover, the conditional cash transfer program in Chile also focuses on the family as a whole, rather than only with women and children, which gives it a broader scope. Furthermore, both *Juntos* and *Chile Solidario* offer beneficiaries identification documents so as to give them full citizenship, which in turn provides them the possibility to participate in community life.

Nevertheless, both conditional cash transfer programs do not focus explicitly on aspects of civic participation and the creation of social capital. Nonetheless the significant influence social capital and civic engagement have on the creation of a proper functioning society, the conditional cash transfer programs in Chile and Peru do not address these features in their design directly. The main priority of *Chile Solidario* and *Juntos* is the accumulation of human capital, which indirectly and in the long run facilitates the formation of social capital. By empowering the indigent women and families and giving them the opportunity to develop human capital, they will become capable to participate in society. Before their participation in the program, the indigent were not able to participate in social and political life of their community because they did not have the time and resources to do so. Informing the participating families about their rights and supporting them financially, has empowered these families to participate in political and social community life.

However, as the analysis of the conditional cash transfer programs in Chile and Peru demonstrated, the creation of human capital does not always lead the beneficiaries to engage in civic or community organizations or when they do so, they are unable to voice their needs and



interests. Second, the initial design of both *Juntos* and *Chile Solidario* did not consider the dimension of civic or social participation, as it offers no incentives for the participation in associations within the community. Only vertical relations within the family are addressed, whereas the horizontal relations among the families included in the program, and links between the families and organizations and institutions in the district, are not considered and thus are absent. Both programs consider the family in isolation of the community and thus civic participation only plays a secondary role. It is important to note that inequality cannot be overcome through individual action or empowerment of the individual. Despite the fact that a reduction in inequality starts by the empowerment of the individual, as human capital is a condition for the creation of social capital, this cannot be achieved without including the wider community or district.

The general suggestion for conditional cash transfer programs, then, is to build in its design the capacity to foster civic participation at the community level, and hence to stimulate the transformation of human capital on the individual level into social capital on the community level. Comunal participation may lead to the creation of organizations for the indigent and hence can increase their capacities to act collectively and to express their needs. A focus on social capital may, moreover, help to mitigate the existing divisions between beneficiaries and non-beneficiaries. Several studies found that the targeting of beneficiaries in poor communities generates divisions between families who are selected to participate in the program and families who are not, since in these communities the difference between extreme poverty and poverty is rather faint. Therefore, benefitting the entire community, rather than single families, becomes crucial. For the costs in terms of lost social capital are higher per family than per community as social capital is expressed in many facets of community life (Arroyo, 2010).

All in all, current conditional cash transfer programs have assigned to civic participation a secondary role only. Nevertheless, there are many openings and opportunities to promote democratic citizen participation on the community level. Some non-exhaustive suggestions include, municipal committees; father or parent committees in schools; communal assemblies serving as a voice for the community with respect to the needs of its population; training for men and women in specific matters such as training in agricultural practices; and school councils. Non-beneficiaries could be given the opportunity to participate in such civic activities, as well.



Conclusion

This paper provided a rationale for the inclusion of a component of civic engagement or participation within the design of conditional cash transfer programs. Latin American countries such as Chile and Peru experience high levels of poverty and inequality. Large segments of their populations are excluded from the political dialogue and thus unable to express their needs and demands. Conversely, political power is held by a minority elite. Given the fact that, generally, politicians originate from higher income groups, policies related to the needs of the marginalized population are thus difficult to become legislated. Hence, a form of participatory democracy, in which the majority of the population is able to participate civically or politically, is highly desirable as it can provide the excluded with the possibility to affect policy debates and outcomes.

The discussion on the link between civic and political participation on the one hand, and inequality on the other, concluded that measures or social policies aimed at the inclusion of the indigent or marginalized within civil society are imperative for the reduction of inequality. In societies where political participation by the overall society is low, it follows that there are few ways to influence legislation. Political inequality then translates into, for instance, income inequality. Empowering the excluded factions, so as to give them the opportunity to actively participate in social and civic or political life, provides them with the possibility to balance the power of the government and hence with more political leverage with respect to legislation. Furthermore, high levels of inequality negatively affect the extent to which the broader population is able to participate in social and political life. Then, more democracy in terms of civic participation could foster the consolidation process of democratization in these countries and reduce the high levels of inequality.

By looking at the concepts of human capital and social capital in the context of two case studies – one on the conditional cash transfer program in Chile and another on such a program in Peru – it became clear that in both cases the direct promotion of social capital formation was largely absent. The main focus of both programs is on breaking the development of human capital through education, health care, and, in the case of Chile, connecting indigent families with the social security system. Relations among the families and relations between the families and the wider community are not facilitated, and hence no attention is given to a broader aim of community development. Although the development of human capital may indirectly enhance civic participation or engagement at the community level, a direct focus on social capital could further strengthen active



citizen participation. The creation of social capital is critical to a community as it may facilitate channels through which the citizens can act for the greater good of their community, voice their needs, and balance the authority of the government.

Taking account of future developments of conditional cash transfer programs, this paper recommends that the design of such programs in Chile and Peru take account of strategies that enhance civic participation or engagement. As levels of inequality are still exceptionally high in both countries and only slight reductions have occurred, it is thus important to consider new dimensions that may enhance civic participation.

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