14 Conditional Cash Transfers in the Second Decade: Current Debates and New Frontiers

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At the start of this book we asked whether the high hopes set out for conditional cash transfer (CCT) programs were merited—are they a "magic bullet" for reducing poverty? They are not, but they can make significant contributions toward the reduction of poverty. In this book we have provided evidence of their strong positive impacts on a wide range of education, health, and nutrition indicators, including school enrollment, attendance, and grade progression; clinic visits for preventative healthcare and growth monitoring; diet quality; and child stunting. However, some indicators, such as antenatal care, show much less improvement, and there are others that CCT program designs need to focus on more, such as the period surrounding childbirth. The fact that the CCT programs reviewed in this book have not demonstrated impacts on school achievement is significant given the implications for long-term goals of using education to improve future income-earning capabilities. Although these programs will certainly have some of the intended long-term effects in the areas in which CCT programs perform well, in the next decade both program and evaluation designs need to focus on how to build on the successes thus far, and on the lessons learned, to improve their impacts.[1]

Other significant questions remain. These relate to knowledge gaps in understanding the pathways through which CCT programs actually affect these indicators, the extent to which conditionality plays a role, the relative importance of the cash incentives versus improving services, and the relative importance of cash versus changes in knowledge and attitudes. And although these programs may push up school enrollment or healthcare use, significant gaps remain even in these indicators. This indicates that other factors are at play that current program designs do not sufficiently address and that are not well enough understood. Although some studies have shed light on these questions, more focus is needed, using quantitative and qualitative methods; the latter have been partic-

The authors thank Lucy Bassett, Elisabeth Becker, and Maureen Sarver for research assistance.

1. Innovations in quantitative research designs, greater use of qualitative research methods, process evaluations, and institutional studies can help to achieve this objective.

ularly informative on these types of issues but have been underutilized in program evaluations (Adato 2008). Finally, CCT programs do not address constraints of a structural economic, social, or political origin. For some families and in some regions, these programs will not break the intergenerational transmission of poverty, regardless of whether children are educated and healthy. One of the looming questions in countries that have invested heavily in CCT programs is whether there will be enough jobs to employ people who are now employable due to the investments in nutrition, health, and education that their parents made for them. The remainder of this concluding chapter raises some key policy and institutional issues confronting CCT programs by asking a series of questions and considering the new frontiers for CCT programs in their second decade.

Are the Impacts Sustainable?

Increasingly the question is raised whether the impacts of CCT programs will still be found in the later years of these programs or after people stop receiving transfers. How long does behavior change last; that is, does it occur in the short term as a direct response to a cash incentive, and will indicators revert back to their initial levels when cash is no longer part of the picture? Or is there a change in people's knowledge and attitudes toward human capital that endures even after the cash is gone? Are there multiplier effects through investments made with the cash?[2]

With regard to the first question, the best evidence thus far comes from Mexico, because the Mexican CCT program Programa de Educación, Salud, y Alimentación (PROGRESA, now Oportunidades) is the oldest national program, and it has continued to commission quantitative evaluations and qualitative studies. In this volume Behrman and Parker review many studies on the impact of PROGRESA/Oportunidades on schooling attainment. In terms of long-run effects, a particularly noteworthy finding comes from data collected in 2003, which traced participants in the earlier 1997–2000 evaluation surveys. Boys aged 9–12 pre-program (i.e., observed in 1997) achieved about 0.9–1.0 grade of additional schooling (when observed again in 2003), and girls aged 9–12 pre-program attained about 0.7–0.8 additional grade compared with similar children not receiving the program. These estimates imply an increase in overall schooling attainment of about 12–15 percent for boys and 9–10 percent for girls after 5.5 years of program benefits (Behrman, Parker, and Todd 2010).

2. Another issue relates to general equilibrium and spillover effects. In Mexico, Coady and Harris (2004) used a computable general equilibrium model to show that in a general equilibrium context the introduction of PROGRESA led to welfare gains because it entailed a switch from poorly targeted universal food subsidies to targeted transfers. With respect to spillovers, Angelucci and deGiorgi (2006) have found few impacts, which are mostly positive, such as the facilitation of local informal credit markets.

Behrman, Parker, and Todd (2009) also explored the medium-term impact of the program package, including the nutritional components, for infants and young children on subsequent school performance. They found that those aged 1–2 years in 1997 (7 years in 2003), and thus exposed to the *papilla* supplement, entered school at an earlier age. This finding is consistent with evidence from other Latin American countries showing that early-life nutrition interventions convey life-long cognitive benefits (Maluccio et al. 2009). Many evaluations of Oportunidades have been conducted since 2001 and have continued to find substantial program impacts on education, health, and nutrition over time. Households that had entered the program in different years were compared at a given period of time, and those that had entered the program earlier were found to have experienced significantly greater impacts on a number of education, health, and nutrition outcomes. These results can be found in a series of studies, including Parker (2003, 2005), Gutiérrez et al. (2005), Hernández and Hernández (2005a, 2005b), Neufeld et al. (2005), and Cruz, de la Torre, and Velázquez (2006).

With regard to behavior change, the Red de Protección Social (RPS) in Nicaragua provides the best available evidence. In its evaluation of school continuation rates, measured as grade advancement for two consecutive years, the program's effect was 7.3 percentage points on average. An unexpected impact was a large effect on students making the transition to the fifth and sixth grades; fifth-grade and higher enrollment was not a program requirement. This could have been a result of confusion over the requirement or an income effect, but it could reflect a change in attitudes toward education (Maluccio and Flores 2005). Qualitative research found that the program had an influence on attitudes toward education (Adato et al. 2004). Additional insight on the sustainability question was also provided by a follow-up survey two years after households were rotated out of the program, which found an enrollment drop of 12.5 percentage points. However, enrollment in this group no longer in the program remained 8 percentage points higher than at baseline, suggesting that the program impacts were sustained in this group (Maluccio and Flores 2005). After the transfers ended, health service use remained very high 8–10 months later (IFPRI 2004). Regalia and Castro (2007) attribute this effect to the continuance of the supply-side interventions. The concern with sustainability underscores the importance of an often underemphasized feature of CCT programs, the health and nutrition training that women receive. Although it is normally a program condition and thus not seen as unimportant, this training is often not given the attention merited with respect to quality of design and implementation, evaluation, and its role in impact pathways. Training for beneficiaries as well as mothers' meetings at which aspects of the programs are discussed are potentially important mechanisms that the program uses to sustain its impact after the cash is gone.

On the third question—whether cash is used for productive investments that sustain impacts in this way—there is little evidence. Gertler, Martinez, and Rubio-Codina (2006) found that the Oportunidades transfers increased invest-

ment in microenterprise and agricultural activities at an average rate of 12 cents for each peso received (88 cents were spent on consumption goods and services). The investments improved the households' income-generating ability, with a rate of return of 17.5 percent. In Nicaragua, Maluccio (2007) explored a similar question and found less evidence of investment. The last RPS demand-side transfers were delivered in late 2003, and survey work in 2004 provided a way to look for productive investments. Maluccio found limited evidence that the program had led to an increase in ownership of consumer durables or agricultural investment goods or in entrepreneurial activities.

How Important Is Supply of Services?

Among the many institutional issues facing CCT programs, that with probably the most direct effect on human capital outcomes and the functioning of the essential CCT concept relates to service delivery, often referred to as the "supply side." CCT programs are largely designed around the assumption that there is a "demand" constraint, that is, that families need incentives to participate in services. However, the services need to be available, offered at reasonable distances, and of sufficient quality for the programs to work as intended. Inadequate quantity and quality of health and education infrastructure, staff, and supplies—and how to improve them in order for the program to work better—have challenged most governments that have undertaken CCT programs.[3] On the one hand, these programs can serve as an impetus to improve the supply of services; a country wanting to undertake a CCT program cannot impose conditionalities where services do not exist. More complicated are instances in which infrastructure and services exist but are far from people's homes or their quality is low. A CCT program may proceed, but the quality of service is such that it cannot deliver results as intended. Possible scenarios are that people do not attend because of distances or poor quality, and thus lose their transfers, or that they attend but program outcome objectives are not achieved because learning does not take place or health services are not received as intended. A third possibility is that improvements are found in some key indicators, but not as great as they would be in the presence of better supply.

Many countries with CCT programs have initiated or accelerated supply-side interventions that were either part of or preceded or accompanied the CCT program. Supply-side interventions in education have been undertaken in Bangladesh, Cambodia, El Salvador, Honduras, Jamaica, Mexico, and Nicaragua, either in association with the CCT program for beneficiaries or as broader-based reforms that also included beneficiary communities (Fiszbein and Schady

3. The supply constraints and the challenges of overcoming them will be particularly significant as CCTs are explored in Sub-Saharan Africa, with significant debates on conditionality emerging there (discussed later in this chapter).

2009). Research that attempts to disentangle demand- and supply-side effects is important because it speaks to the question of whether one approach alone or both yield the highest impact on human capital—as well as which side in a given program needs to be improved.

In Mexico, education reforms undertaken since the early 1990s have included supply-side interventions; some have been undertaken since Oportunidades, such as the Programa Escuelas de Calidad, which began in 2001. Interventions have included investments in physical infrastructure and school rehabilitation, the hiring of teachers, teacher incentives, supplies, training, and grants to parents' associations, among others (Levy and Rodriguez 2004; Coady and Parker 2005; Gertler, Patrinos, and Rubio-Codina 2006; World Bank 2006). Parker (2003) found that despite the increases in secondary enrollment resulting from participation in Oportunidades, student–teacher ratios were similar to those in non-Oportunidades schools, indicating that education officials responded well to the increased demand by contracting more teachers. However, in "*educación media superior*" (vocational secondary education), large increases in enrollment were not met with an increase in new teachers and significantly increased the number of students per teacher. A World Bank (2006) study concludes that, largely due to the success of Oportunidades and compensatory education programs in improving quality at the primary level, there is substantially increased demand for lower secondary education, and quality has not kept pace with enrollment.[4] As Behrman and Parker discussed in this volume, the program has not demonstrated an impact on achievement test performance, although they note that it was not possible to control for pre-intervention achievement scores. Lack of impact on achievement could reflect school quality factors.

With respect to health supply interventions, some of these preceded PROGRESA; the Program for Extension of Coverage (Programa de Ampliación de Cobertura, or PAC), begun in 1995, was a resumption of the devolution of healthcare provision to the states and involved providing conditional transfers to providers associated with the delivery of a package of basic services. PAC was later adapted as the health component of PROGRESA (González-Pier et al. 2006).

Some research has attempted to determine the difference that supply makes. In Mexico, Behrman, Parker, and Todd (2009) found that the impacts on grades of schooling attained by students who attended general or technical schools were twice as great as on those of students who received *telesecundaria* (schooling transmitted by video, with fewer and less specialized teachers). They

4. The Secretaría de Educación Pública's Compensatory Program is a supply-side intervention that provides additional resources to schools that have the lowest performance levels and are located in highly disadvantaged areas. In 2006 it was reported to be serving about 5 million students in initial, preschool, and primary education and about 300,000 students in *telesecundaria* education (Gertler, Patrinos, and Rubio-Codina 2006).

also found that students in classes with lower student–teacher ratios (under 20 students per teacher) had greater impacts than those with high ratios. As noted by Behrman and Parker in this volume, Behrman et al. (2006) found that greater impacts of PROGRESA/Oportunidades were generally achieved when students and parents had access to schools with more resources, better-educated teachers, and more extensive facilities. A reduction in student class size of 30 percent would increase the positive enrollment effect of the program by about 1 percentage point. Schools with a computer room had greater program impacts than schools without. The implication is that parents are more likely to enroll their children when schools are of better quality. The study also found that the larger the annual budget per student, the greater the impact of Oportunidades: for each increase of 300 pesos per year, there was about an additional 0.025 year of schooling. When there is only one *telesecundaria* in a community, the impacts are smaller than if there were more. A study by Gertler, Patrinos and Rubio-Codina (2006) found that, after controlling for the effects of the CCT, Mexico's supply-side compensatory education program did not have a statistically significant independent impact on schooling outcomes; however, individual components, specifically the support to school management (the Apoyo a la Gestión Escolar) and provision of supplies components reduced failure and grade repetition. The fact that the impacts increased the longer the school had benefited from the school supplies component suggests that it may take time for the supply-side interventions to take effect (World Bank 2006).

Analysis of data from RPS by Maluccio, Murphy, and Regalia (2006) found that supply-side conditions substantially influenced program performance with respect to education outcomes. The program was more effective in areas with autonomous schools, those with more flexibility to respond to changing demand conditions. The program was also more effective in areas with poor initial supply as measured by grade availability and distance to schools, because these areas had the lowest starting points and thus the greatest room for improvement. In areas with poor initial supply, the program was more effective in improving supply in terms of grade availability, sessions per day, and number of teachers. The study also concluded that RPS increased the supply of services, especially in the most underserved parts of intervention areas. It was not sufficient to prevent a marginal increase in the student–teacher ratio in the most overcrowded schools. The researchers also concluded that initial supply conditions are not insurmountable for CCT implementation if constraints are identified at the planning stage and responsive mechanisms are instituted during program implementation. They point to the importance of considering these integrated demand and supply issues in program design and impact evaluation. The evaluation of the Honduran Programa de Asignación Familiar reported on in this book was designed to compare demand only, supply only, and demand plus supply interventions but could not do so because of the low implementation of the supply-side intervention.

The Nicaraguan government recognized that without a major intervention for supply of healthcare interventions, households could not comply with the conditions. Because the government could not expand its healthcare capacity quickly enough, it contracted and trained private providers to provide services, including nongovernmental organizations (NGOs) and for-profit agencies. The greatest impact occurred during RPS's expansion to the remote and less accessible Atlantic Coast, where the municipality of Wiwili went from 9 rural health centers in 2004, when the program entered, to 325 locations in which services were provided. Providers in all program areas were paid based on their performance against target achievements (Regalia and Castro 2007). As noted earlier, after the cash transfers ended in 2004, the supply and pay-for-performance system was continued, and Regalia and Castro (2007) attribute the continued high rate of health service participation, despite the absence of cash, to these supply-side interventions. It is worth noting, however, that the supply-side improvements were not an uncomplicated negotiation with the Ministry of Health (discussed more under institutional issues).

Honduras planned a more elaborate supply-side intervention. As noted in Chapter 13 of this volume, this was to include local-level quality improvement teams (QITs) trained and tasked with developing work plans for minor repairs, purchase of equipment and supplies, and money for lay assistants. The package also included a community-based nutrition program for children under age 2, involving training of lay nutrition promoters. Unfortunately, the QIT intervention could not be implemented as intended because of legal complications with transferring resources to community-based teams. This is in itself an important finding, because it demonstrates one of the complications to be anticipated in finding mechanisms to improve service supply (Morris et al. 2004).

Although not a focus of this book, the government of El Salvador's CCT program is a recent example of an ambitious supply agenda accompanying its CCT program (Comunidades Solidaria Rurales, formerly Red Solidaria)—not just for education and health service delivery but also for the provision of basic infrastructure—on the theory that this also contributes to households' ability to benefit from the CCT programs and to the quality of the clinics and schools. This intervention was to include the provision of basic sanitation infrastructure, potable water, and electricity in schools and health centers, as well as improvements in roads and transportation, though implementation has been slow. Supply-side improvements in the education sector include the Redes Escolares Efectivas (REE) in the poorest municipalities, established with the aim of guaranteeing access to education services at all levels from preschool to sixth grade, and literacy programs for adults and young people. Schools falling within the REE are guaranteed a trimestral transfer of $54 per child, as well as an extra contribution toward the costs of participation in network projects. Health sector inputs include the extension of vaccination, child growth and development monitoring, maternal care, and family planning programs. Health

services are delivered by either the government or government-contracted NGOs. Services may be offered at health clinics or, where these do not exist, through mobile health teams (Government of El Salvador 2008).

Addressing supply and quality of services involves resources but also good program designs. One aspect is having the right incentives in place to facilitate cooperation and commitment. One possibility is to provide financial incentives to delivery agents for improving quality, as in the case of RPS's *bono a la oferta,* the small cash grant given to beneficiary families to give to their children's teachers and schools. This was to be used for classroom supplies or small upgrades and was intended to improve quality through direct expenditures and teacher motivation. As mentioned in Chapter 13 of this volume, Fox (2008) suggests that the wrong incentives are currently in place for encouraging beneficiaries to demand quality services, because providers monitor and sign off on beneficiaries' compliance with conditions (though we have not seen evidence that this is a problem in practice). Other design issues involve providing the right incentives for interagency cooperation. For example, interinstitutional tensions over service delivery were experienced in Nicaragua, where the Ministry of Health (MOH) initially opposed the model of outsourcing health services and only reluctantly agreed to it. Tensions related to the MOH's increased workload related to planning and distribution of inputs, increased referrals for curative services, lower pay for MOH personnel than for their private provider counterparts, and budgets for the private providers that did not go through the MOH. Although these tensions were never entirely resolved, interinstitutional communication and working relationships improved through an increasing integration of systems that increased the incentives for cooperation. As of 2007, however, the low buy-in resurfaced as the MOH cut back budgetary allocations in former RPS localities (Regalia and Castro 2007).

What Are the Other Key Institutional and Design Challenges?

Most CCT evaluations have focused on identifying the impacts of the programs on the indicators specified as program goals. Far less attention has been given to operations evaluations and analysis of institutional issues, and even less well understood is how institutional issues (apart from supply) affect program outcomes.

A core set of institutional issues with a high degree of relevance to program outcomes revolves around institutional arrangements: where to locate a program, who should run it, levels of centralization versus decentralization, autonomy versus integration. A program can be located within a line ministry with responsibility for social development, an office under the president or prime minister's office, a special government agency, or a social investment fund (Vermehren and Okunmadewa 2006). Some programs have straddled these lo-

cations. These choices have implications for ownership and commitment; political support, conflict, and influence; efficiency; and capacity for delivery. The earlier-cited instance of Nicaragua's interministerial tensions over outsourcing health services provides one example. Other such interinstitutional and political issues were analyzed in Chapters 3–5. A rare and insightful account of the policy process surrounding the introduction and design of PROGRESA is given by Levy (2006), who details consensus building within the cabinet, budgetary considerations, and interagency coordination, among other issues. At the local level, choices revolve around roles for the local government, NGOs, and communities and how these are integrated with government roles at higher levels. These choices have implications for accountability (some of these issues were taken up in Chapter 13). Few studies have focused on these institutional issues, and Fox (2008) notes that these evaluations need to disaggregate geographically and look for the causes of the problems to be of use. Greater systematic use of qualitative research can achieve this.[5]

A topic that has received considerable attention is targeting. Although not a focus of this book, targeting methods and outcomes do feature in the discussion of community issues in Chapter 13 and are reviewed in detail elsewhere (Coady, Grosh, and Hoddinott 2004; Fiszbein and Schady 2009). Nevertheless, a few additional points should be raised here, because getting the targeting right directly affects the magnitude of programs' economic as well as social impacts. The ability of CCT programs to structure incentives in order to target girls, secondary school–age children, or children at the key transition from primary to secondary school is powerful, but is sometimes insufficiently considered. Primary school enrollment has been targeted by El Salvador, Mexico, and Turkey, where starting levels were already high and thus impacts were small, raising questions as to whether resources could be better used if targeted at older children. There are yet-unexploited opportunities to design programs to target specific groups, gaps, and indicators by sex, age, and ethnicity.

Furthermore, the choices around geographic and household targeting remain contested. These systems are important tools for affecting poverty, using resources efficiently, and generating political support. But household targeting is also subject to error, sometimes involves questionable or borderline efficiencies, and generates tensions within communities. A study of PROGRESA's system of household targeting found that it performed better than alternative

5. Some institutional issues at the local level in Mexico are examined by Adato, Coady, and Ruel (2000) and more extensively in El Salvador by Adato et al. (2009), though not at the national level. Most government-commissioned evaluations are concerned with documenting impacts on beneficiaries and not on investigating their own institutional processes. However, Levy (2009, 24) notes that in Mexico the incentive problems in agency coordination were underestimated and that bureaucratic issues have limited program effectiveness: "Future programs need to incorporate this issue as an essential element of program design. This is an area where more research is necessary and would be extremely valuable."

methods tested in reducing the poverty gap and the severity of poverty, even accounting for costs. However, the reduction in the higher-order measures of poverty, beyond that achieved by geographic targeting, were small, leading the researchers to conclude that whether these marginal improvements are worthwhile depends on their noneconomic (social and political) costs (Skoufias, Davis, and de la Vega 1999, 20). These costs are considered in Chapter 13 of this volume. Cautions about household targeting are also raised by Fox (2008), who noted that private surveyors hired by PROGRESA had reduced incentives to travel to harder-to-reach households. This is consistent with the findings of Adato (2000) and Adato, Coady, and Ruel (2000), who found a number of problems with the census involving enumerators who did not return when no one was home the first time or did not go to remote areas, as well as incorrect answers from respondents because of lack of knowledge, language barriers, distrust of or fatigue with government surveys, or shame over revealing their poverty. On the other hand, once people understand the targeting system, there is a risk that they will underreport their resources. Oportunidades responded to census problems by resurveying communities, resulting in the addition of 1.7 million new families, mainly between 2002 and 2004 (Hevia de la Jara 2007).

Concerns over potential errors or inefficiencies of household targeting may lead to a decision to target geographically (as in the Nicaraguan program's second phase and in El Salvador), but they do not have to. In countries, regions, or localities with large populations and substantial variations in poverty and wealth, the efficiencies inherent in household targeting are likely to prevail. Several safeguards can avoid many of the problems reported: first, using better-trained and properly incentivized enumerators; second, giving better information to beneficiaries as to the basis of the targeting and providing some form of community review or local cross-check as originally envisioned; third, developing a systematic, reliable appeals process that issues responses; and fourth, implementing a rational reassessment and new mechanisms for incorporation after a certain period.

A gauntlet of other institutional issues confronts current and would-be CCT program designers and managers, from horizontal and vertical institutional arrangements to budgeting processes to methods for cash distribution to systems for monitoring conditionalities to whether, when, and how families exit the program, and many more. These are beyond the scope of this book; for an introduction to them, see Adato, Coady, and Ruel (2000); Samson, van Niekerk, and MacQuene (2006); Fiszbein and Schady (2009); and Garrett, Bassett, and Marini (2009).

How Important Is Conditionality?

Conditionality is fairly well accepted in Latin America; as countries have followed the lead of Mexico and Brazil, there has been little debate over whether

the grants offered should be conditional or not. This is not the case in Africa, particularly in those countries in East and southern Africa that are currently expanding cash transfers as part of their efforts to increase social protection for the poor and respond to the AIDS crisis. Objections are largely based on, but not limited to, concerns over inadequate services. More generally, legitimate questions are raised as to what difference conditionality makes and under what circumstances.

There are several issues to consider in debating, and designing, conditionality. The first is the appropriateness of the program design—what are the objectives that the conditionality is targeting? Conditionalities are designed to target particular human capital indicators; these need to be clearly defined and the incentives structured logically to affect them. If securing short-term consumption is what is principally or urgently needed, as in communities hard hit by HIV and AIDS, a conditional program is not necessary and could be counterproductive, denying benefits to people who most need them. If an indicator is already high (e.g., school enrollment), it is unlikely that conditioning benefits will have a meaningfully large effect on that outcome. Finally, it is important that conditions respond to the *reasons* for the gaps. Are they due to a cash constraint? A supply constraint? Or have they resulted from a lack of knowledge about, or an undervaluing of, preventive healthcare or girls' education?[6] The answers are likely to lead to different design features or to necessary complementary programs.

The next question is this: is the conditionality necessary to meet the objective, or would cash alone achieve the same impacts? An unconditional transfer can provide cash to compensate for lost child labor income and to pay for food purchases, school fees, and transportation.[7] Training can influence attitudes and practices with respect to education, health, and nutrition. When the issue is seen in this light, it is not obvious that conditioning transfers is necessary. But as de Brauw and Hoddinott (2008), Behrman and Skoufias (Chapter 6 of this volume), and others note, conditionality may be appropriate where

6. In Turkey, Adato et al. (2007) found that although cost was a major constraint on children's schooling and thus a cash transfer responded to this problem, in some regions other concerns were as important to schooling decisions or more so: inadequate supply of nearby schools, inadequate transportation, unsafe schools, lack of perceived value of education (value to work for boys, value to marriage for girls), and other gender issues revolving around sexuality and threats to family reputation and honor.

7. Studies of unconditional cash transfer programs in Sub-Saharan Africa have shown positive impacts on human capital, including South Africa's large-scale programs for children and the elderly (Duflo 2000; Case 2001; Case, Hosegood, and Lund 2005; Agüero, Carter, and Woolard 2007) and small but expanding unconditional cash transfer programs in Malawi (Miller et al. 2010) and Zambia (Tembo and Freeland 2008). Thus far, the number of large-scale, rigorous impact assessments is limited but growing, because governments in southern and East Africa see cash transfers as an important and viable means of social protection for their poorest citizens, particularly because HIV and AIDS decimates livelihoods and threatens the human capital of children (Adato and Bassett 2009).

there are "externalities" associated with certain types of human capital investments. For example, when making decisions about their children's care—say decisions about girls' schooling or about vaccinating their children—parents often do not take into account the benefits that society derives from educated girls or eradication of a disease, and, as a result, they may underinvest in these areas relative to optimal levels from a societal perspective. Conditionality thus influences parents' decisions in society's favor by altering their cost-benefit equation.

Therein also lies the source of some of the objection to conditionality—the concern that the state takes away people's freedom to choose whether or not to participate in services and does not trust them to make good judgments (Samson 2006; Schubert and Slater 2006). Although CCT programs do have an air of paternalism, a household is not a homogenous unit with a unified expression of autonomy. Sociocultural norms often restrict people's freedom to make these decisions; for example, girls are often not free to go to school even when they want to, children are not free to choose whether to get vaccinated against lifelong debilitating diseases, and women are not always free to go to clinics or workshops to learn about family planning methods. As in other cases of policies that enforce women's rights or protect them from violence, conditionality can be seen as a state-incentivized challenge to social norms, increasing some people's choices from this perspective. At the same time, there are also rational reasons that parents make decisions that are perceived by others as suboptimal, for instance, in cases in which additional years of education do not provide returns because employment opportunities are absent or schools are far away and transportation is inadequate or perceived as unsafe. There are also reasons that poverty, culture, and historical processes of social exclusion and discrimination may prevent people from participating in services regardless of the benefits. In these cases, it can be the very people most in need of cash transfers who are excluded by conditions.

Regardless of one's perspective on this question, the costs and administrative demands of monitoring conditions are enough of a reason to better understand whether conditions make a difference to outcomes. There is a need for evaluations that test conditional and unconditional programs (some are currently under way in Africa). Some evidence has begun to emerge, from simulations and "accidental experiments." In Brazil, simulations of the impacts on school enrollment of Bolsa Escola and an unconditional transfer found that the main enrollment impact was due to the conditionality (Bourguignon, Ferreira, and Leite 2003). Using a model for analyzing Mexico's PROGRESA, Todd and Wolpin (2006) find a mean increase due to an unconditional transfer, but only about 20 percent as large as the attendance-based transfer. Also using data from Mexico, De Janvry et al. (2006) report that one dollar of CCT income is about eight times more effective in inducing enrollment than is a dollar of unconditional transfer income at the mean income of the poor.

Two studies in Latin America took advantage of accidental experiments to test conditionality where widespread implementation errors enabled the construction of "unconditioned" control groups based on whether transfers were actually conditioned or on people's misunderstanding as to whether they were or were not. In Mexico, de Brauw and Hoddinott (2008) found that for all age groups who had completed grades 3–8, the enrollment rate for the "unconditioned" group was 5.4 percentage points lower than for the "conditioned" group. The greatest impact was for children who had completed grade 6, the crucial year of transition to secondary school, when many drop out: for them, children in the unconditioned group were 18–20 percentage points less likely to enroll in school, whether or not the parents knew of the conditionality. For other grade levels, the differences were smaller and not always statistically significant or the unconditioned groups were slightly more likely to enroll. Schady and Araujo (2006) found that the effect of Ecuador's Bono de Desarrollo Humano program on enrollment for conditioned households was 7.3–13.0 percentage points, while the effect on enrollment for unconditioned households was 1.4–2.1 percentage points. On the other hand, the only evidence thus far available from Africa questions the value of conditionality. An experimental pilot program giving cash transfers to girls in Malawi found substantial positive impacts on school attendance, but the effects did not vary substantially across conditional and unconditional treatment arms. This suggests that, at least in this context, the impact is more of an "income effect" than a "price effect" (Baird, McIntosh, and Özler 2010).

There are political economy considerations as well. Where poverty is seen as related to a lack of effort or responsibility, or the public perceives a risk of generating dependency on government "handouts," reciprocal obligations make programs more palatable to policymakers and taxpayers and can increase budget size and sustainability (see Handa and Davis 2006). Where politicians may be evaluated by performance indicators such as changes in school enrollment or use of health clinics, CCT programs provide a clear way of measuring these impacts.

The last and perhaps most significant consideration in conditioning relates to the availability and quality of services, discussed earlier in this chapter. This has been the main objection to trying conditions in the context of Sub-Saharan Africa, where services are very poor. Schubert and Mwiinga (2005, citing findings by Care International) reported that in Chipata, Zambia, there was an excess demand for schooling of about 20 percent beyond capacity. If cash transfers in Africa are conditioned, the program could end up in areas where there are services—not in the poorest areas. On the other hand, as seen earlier in this chapter, CCT programs can provide an impetus to improve supply through government departments or NGOs, an impetus that is needed. Program designs can be adapted to supply constraints by making transfers unconditional where services are inadequate, an idea proposed in Uganda (Government of Uganda

2007). Another major consideration is that of the capacity to administer the conditionality. In the African context, Schubert and Slater (2006) point to limited administrative skills, low salaries, lack of guidance and supervision, and little experience with results-oriented management. The current lack of capacity, however, does not mean that it is impossible to build the capacity through government entities or NGOs (which deliver many of the health services already).

CCT Programs in Their Second Decade: New Frontiers

When we reflect on lessons learned and the knowledge gaps that remain, a number of issues emerge as critical as CCT programs move into their second decade. Some of these are persistent problems from the programs' outset, but others are new challenges. They touch on program design and evaluation design. Those that would improve on the original programs include influencing indicators that have thus far been elusive, such as learning, illness, and micronutrient status; improving supply to keep up with demand and learning how to design programs in areas with inadequate and undependable quantity and quality of services; and improving the quality of health, nutrition, and other adult education. Others represent largely new objectives that CCT programs can start to tackle: addressing early childhood development, reducing the risk of sexually transmitted infections, encouraging savings and investment, developing new institutional arrangements to promote participation and accountability, integrating CCT programs with complementary programs that address constraints to human capital investment that are less influenced by a cash incentive, and integrating CCT programs with other programs for asset building into which families can "graduate" from the CCT program.

Other areas for future focus pertain to improving evaluations and the state of knowledge: increasing the understanding of impact pathways by disaggregating the roles of conditionality, demand, supply, cash, food consumption, health and nutrition education, program discourse, and other factors in producing or limiting impact; determining outcome sustainability in the medium and long term and ultimately whether cash transfers do break the cycle of poverty; improving the integration of qualitative and quantitative research, using each method to inform the questions and analysis of the other; and providing more institutional evaluation, with attention given to supply-side effects, institutional and political roles and relationships inside and outside of government, and policy processes.

New geographic frontiers also await CCT programs in the next decade, from rural Africa to the urban United States, and CCT programs will have to adapt to new political, economic, ideological, social, and cultural contexts. Africa, as noted earlier, has not yet embraced CCT programs and will pose particular challenges that bear some similarities to, but are also different from, those of the Latin America experience. Africa's largest cash transfer programs,

in South Africa, are unconditional and generally considered to work.[8] South Africa's rights-based approach to social protection has also made conditionality controversial, particularly if it might interfere with the current programs, though in late 2009 the government announced plans to condition the main grant for children.[9] Other unconditional programs rolling out in Kenya, Malawi, and Zambia are thus far relatively small, though expanding. Until service delivery and program administration improve, unconditional transfers are likely to remain the norm; currently only Kenya is testing a conditionality, and this involves minimal sanctions. Fiszbein and Schady (2009) report that conditional programs are planned or are being piloted in Burkina Faso, Morocco, Sierra Leone, and Tanzania, though these vary with respect to how closely they resemble a "traditional" CCT program.

Another frontier involves new program designs and with them new evaluation designs. A growing area of interest is the use of conditionality to reduce the risk of HIV and sexually transmitted infections (STIs). Responding to recent evidence on the negative association between higher levels of education and HIV risk (Hargreaves et al. 2008; Pettifor et al. 2008), studies are under way in Malawi and South Africa that provide cash transfers for adolescent girls and their families, conditioned on the girls' school attendance. These studies examine the impact of these interventions on schooling, as well as on sexual activity, pregnancy, other risk-related factors, and HIV incidence. Early evidence available from the Malawi study shows significant positive impacts of the intervention on risk factors (Baird et al. 2009), as well as on schooling, although no impact is attributed to the conditionality (Baird, McIntosh, and Özler 2010). Another set of studies tests the use of monetary incentives to influence behavior more directly linked to risk reduction, such as participation in HIV and STI education and counseling, adherence to medication, retrieving test results, and staying free of curable STIs. Such interventions evoke a number of practical and ethical questions, but they are modeled on "contingency management" therapeutic approaches that have had some successes in clinical trials and demonstrate some of the new directions that conditionality may take in Sub-Saharan Africa (Medlin and de Walque 2008; Thornton 2008; Özler and de Walque 2009).

Other CCT plans under way include expanding the roles of community organizations in service delivery; comparing conditional with unconditional programs; testing "soft" (less enforced or severe) conditionalities; testing transfers to men versus women; disentangling the effects of the health and nutrition education; testing for impacts on "final outcomes" such as cognitive development,

8. The first large-scale impact assessment was just getting under way at the time of this writing. Results of smaller studies showing some positive impacts are cited in footnote 7.

9. In January 2010, the government published new regulations requiring children receiving the Child Support Grant to have proof of school attendance, though many implementation questions remained, and it appeared unlikely that grants would be withheld for noncompliance.

school achievement, and nutritional indicators; and evaluating second-round, long-run, and spillover impacts and what happens to children after they leave the program (Fiszbein and Schady 2009). Another approach under way or under consideration in several Latin American countries is the connection of existing or new CCT programs with popular savings initiatives with the aim of including the poor in the banking system, assisting them with asset building and risk reduction, and providing access to education related to their enterprises and activities (Edge Finance 2007).

These innovations reflect an important lesson of the first decade: that as CCT programs migrate to new countries and regions, they should not be introduced as a blueprint. Rather, they represent a concept: how incentives can be used to achieve objectives related to processes of poverty reduction and development, combining resource transfers, service provision, and education. This concept has proven itself to be remarkably adept at promoting investments in human capital. There are many things CCT programs, and even the concept, cannot achieve; they are not a magic bullet to reduce poverty. They will need to be undertaken flexibly, in conjunction with other programs and strategies—and sometimes they should not be undertaken at all. Even in achieving their more modest human capital objectives, they need to progress with respect to magnitudes and types of impacts. These lessons appear to have been learned in the first decade through evaluations, extensive sharing of experience between countries, and a considerable amount of enthusiasm among donors and governments for pushing CCT programs through their next decade. The plans ahead portend an interesting future.

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