

CONDITIONAL CASH TRANSFERS

A World Bank Policy Research Report

CONDITIONAL CASH TRANSFERS

REDUCING PRESENT AND FUTURE POVERTY

Ariel Fiszbein and Norbert Schady

with

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Contents

Foreword	xi
Acknowledgments	xv
Acronyms	xvii
Overview	1
The CCT Wave	3
The Arguments for CCTs	8
The Impacts of CCT Programs	11
Policy and Design Options	22
Complementary Interventions	24
CCTs in the Context of Social Protection Policies	26
Conclusion	27
1. Introduction	29
The CCT Wave	31
Theme and Variations	34
Outline of the Report and Issues Covered	40
2. The Economic Rationale for Conditional Cash Transfers	45
Cash Transfers: Arguments in Support and Against	46
The Microfoundations of Paternalism	51
A Political Economy Argument	59
Social Efficiency Arguments	64
Conclusion	65
3. Design and Implementation Features of CCT Programs	67
Targeting in Practice	67
Benefit Systems	80

Conditions: Their Definition, Compliance Monitoring, and Enforcement	86
Monitoring and Evaluation	91
Intersectoral and Interinstitutional Challenges	97
Conclusion	100
4. The Impact of CCTs on Consumption Poverty and Employment	103
Impact of CCTs on Household Consumption and Poverty	104
Analyzing Offsetting Behavioral Responses to CCTs	114
Long-Term Impacts of CCTs on Consumption	123
Conclusion	124
5. The Impact of CCT Programs on the Accumulation of Human Capital	127
CCT Program Effects on the Use of Education and Health Services	128
Impact of CCTs on “Final” Outcomes in Education and Health	141
Cash, Behavioral Changes, and Outcomes	155
Conclusion	160
6. CCTs: Policy and Design Options	165
When Is a CCT Program the Right Policy Instrument?	166
Designing an Efficient CCT Program	172
Adapting the Supply of Social Services	186
CCT Programs As Components of Social Protection Systems	195
Conclusion	200
Appendix A: Summary Tables	205
Appendix B: Review of CCT Impact Evaluations	297
Notes	315
References	329
Index	351
Boxes	
2.1 Efficient Redistribution in the Presence of Market Failure	49
2.2 Investing Early in the Life Cycle	55
2.3 Fairness, Merit, and the “Deserving Poor”	61
3.1 Proxy Means Testing Where Administrative Capacity Is Low: Cambodia’s Scholarship Programs	71

3.2	Who Benefits from CCT Programs?	72
3.3	Analyzing Errors of Exclusion of CCT Programs, Brazil and Ecuador	76
3.4	Colombia's Familias en Acción Sample-Based Site Monitoring, Selected Indicators	93
3.5	Evaluation Remains Important in CCTs	96
3.6	The International CCT Community of Practice	97
4.1	Is Time Spent in School a Perfect Substitute for Time Working?	117
4.2	Work Disincentive Effects of Social Assistance Programs in Developed Countries	118
4.3	Do Transfers Reduce the Supply of Adult Labor? Evidence from the South African Pension Scheme	120
5.1	Monetary Incentives to Students: Evidence from the United States	144
5.2	Impact of Oportunidades Transfers on Child Height in the Short Run	149
5.3	Do CCTs Help Protect Human Capital Investments during Economic Shocks?	161
5.4	Increasing School Enrollment without Improving Learning Outcomes	164
6.1	CCTs As an Instrument to Fight Social Exclusion	176
6.2	Does It Matter Who Receives the Cash?	183
6.3	Using Behavioral Models to Simulate the Effects of CCT Design Changes	184
6.4	Cost–Benefit Analysis of a CCT: The Case of Familias en Acción	188
6.5	Private Sector Delivery and CCT Programs	193
6.6	CCT Programs and the Financial Crisis	196

Figures

1	CCTs in the World, 1997 and 2008	4
2	Decision Tree Approach to Identifying CCT Programs as the Right Policy Instrument	12
3	Impact of CCTs on the Distribution of Consumption, Nicaragua and Honduras, 2002	15
4	Heterogeneity of Impacts by Socioeconomic Status, Nicaragua, 2000	21
5	Cognitive Development by Wealth Decile in Ecuador, 2003–04	25
1.1	CCTs in the World, 1997 and 2008	32
2.1	Choice of Investment in Children with Missing Credit Markets	52
3B.1	Coverage Using per Capita Expenditure Deciles Gross and Net of the CCT Transfer, 2004	72
3.1	Coverage of CCT Programs, by Decile, Various Years	74

3.2	Benefit Incidence of CCT Programs, Various Years	85
4.1	Impact of CCTs on the Distribution of Consumption, Nicaragua and Honduras, 2002	109
4.2	Impact of CCTs on Food Shares in Ecuador and Nicaragua	112
5.1	Impact of Transfers of Different Magnitude on School Attendance in Cambodia, 2005–06	133
5.2	Oportunidades Impacts on School Enrollment, by Grade, 1998	135
5.3	Heterogeneity of Impacts by Socioeconomic Status, Nicaragua, 2000	136
5.4	Impact of Transfers Made by the Atención a Crisis Program on Stimulation in Early Childhood, 2005–06	159
6.1	Decision Tree Approach to Identifying CCT Programs as the Right Policy Instrument	167
6.2	Types of Households with Children	170
6.3	Grade Survival Profile, Ages 10–19, Poorest Quintile, Cambodia and Mexico	175
6B.1	Education Attainment, Bulgaria, 2007	176
6.4	Cognitive Development by Wealth Decile in Ecuador, 2003–04	180

Tables

1	Matrix of Program Size and Extent of Conditions	5
2	Impact of CCTs on per Capita Consumption, Various Years	13
3	Impact of CCTs on Poverty Measures, Various Years	14
4	Impact of CCTs on School Enrollment and Attendance, Various Years	17
5	Impact of CCTs on Health Center Visits by Children, Various Years	19
1.1	Matrix of Program Size and Extent of Conditions	33
1.2	Implementation of “Similar” Programs: Contrast between Mexico and Brazil	37
3.1	Targeting Methods Used in CCT Programs, by Region	68
3B.1	Coverage of Poor Households, Brazil and Ecuador	76
3.2	Generosity of CCT Programs, Various Years	84
3.3	Country and Program Variations in Monitoring and Penalties for Noncompliance with Conditions	88
4.1	Impact of CCTs on per Capita Consumption, Various Years	105
4.2	Impact of CCTs on Poverty Measures, Various Years	108
4.3	Impact of CCT Programs on Poverty Indexes at the National Level, Various Years	110
4.4	Impact of CCTs on Food Shares	113
4.5	Impact of Oportunidades on the Probability of Children Working	115

5.1	Impact of CCTs on School Enrollment and Attendance, Various Years	128
5.2	Impact of CCTs on Health Center Visits by Children, Various Years	137
5.3	Impact of CCTs on Vaccination and Immunization Rates, Various Years	140
5.4	Impact of CCTs on Child Growth Indicators	146
5.5	Effect of CCTs on Child Cognitive Development, Ecuador (2004–05) and Nicaragua (2005–06)	154
6.1	Examples of Supply-Side Interventions Complementary to a CCT	189
A.1	Targeting Methods Used in CCT Programs	206
A.2	Targeting Structure in CCT Programs	208
A.3	Payment Schedules	211
A.4	CCT Programs-at-a-Glance	214

Foreword

THE POTENTIAL IMPACT OF THE GLOBAL FINANCIAL CRISIS OF 2008 on living standards in the developing world has given renewed emphasis to the importance of social safety net programs. The right policies can be a smart investment in an uncertain world. This report reviews the evidence on conditional cash transfers (CCTs)—safety net programs that have become popular in developing countries over the last decade. It concludes that CCTs generally have been successful in reducing poverty and encouraging parents to invest in the health and education of their children.

The CCT programs studied in the report span a range of low- and middle-income countries; large and small programs; and those that work at local, regional, and national levels. Although there are important differences between countries and regions in how CCTs are used, they all share one defining characteristic: they transfer cash while asking beneficiaries to make prespecified investments in child education and health.

The largest CCTs, such as Brazil's Bolsa Família and Mexico's Oportunidades, cover millions of households. In Chile and Turkey, CCTs are focused more narrowly on extremely poor and socially excluded people, whereas CCTs in Bangladesh and Cambodia have been used to reduce gender disparities in education. Most recently, CCT pilot programs are being implemented in Sub-Saharan Africa to help alleviate the plight of millions of orphans in the wake of the continent's devastating HIV/AIDS epidemic. CCTs are proven versatile programs, which largely explains why they have become so popular worldwide.

This report considers the impact that CCTs have had on current poverty, education, health, and nutrition outcomes. It draws heavily on a large number of carefully constructed impact evaluations of CCT programs. As the authors note, it would not have been possible to write this report without the efforts made by the administrators of CCT programs themselves, a number of academics, and staff at international organizations, including the World Bank, to encourage and sustain these evaluations, and to make the results widely available. This clearly is a legacy worth sustaining.

By and large, CCTs have increased consumption levels among the poor. As a result, they have resulted in sometimes substantial reductions in poverty among beneficiaries—especially when the transfer has been generous, well targeted, and structured in a way that does not discourage recipients from taking other actions to escape poverty. Because CCTs provide a steady stream of income, they have helped buffer poor households from the worst effects of unemployment, catastrophic illness, and other sudden income shocks. And making cash transfers to women, as virtually all CCTs do, may have increased the bargaining power of women (itself an important goal in many contexts).

In country after country, school enrollment has increased among CCT beneficiaries—especially among the poorest children, whose enrollment rates at the outset were the lowest. CCT beneficiaries also are more likely to have visited health providers for preventive checkups, to have had their children weighed and measured, and to have completed a schedule of immunizations. These are important accomplishments. Nevertheless, the report shows that the evidence of CCT impacts on *final* outcomes in health and education—achievement and cognitive development rather than school enrollment, child height for age rather than growth monitoring—is more mixed. An important challenge for the future is better understanding what complementary actions are necessary to ensure that CCTs have greater impact on these final outcomes. This report argues that these complementary actions broadly fall into two categories: policies that improve the quality of the supply of health and education services, and policies that help promote healthier and more stimulating environments for children in their homes.

Even the best-designed CCT program cannot meet all the needs of a social protection system. It is, after all, only one branch of a larger tree that includes workfare, employment, and social pension programs. The

report therefore considers where CCTs should fit within a country's social protection strategy.

As the world navigates a period of deepening crisis, it has become vital to design and implement social protection systems that help vulnerable households weather shocks, while maximizing the efforts of developing countries to invest in children. CCTs are not the only programs appropriate for this purpose, but as the report argues, they surely can be a compelling part of the solution.

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Acronyms

AFDC	Aid to Families with Dependent Children
AIN-C	Atención Integral de la Niñez en la Comunidad
ATM	automated teller machine
BDH	Bono de Desarrollo Humano
BEDP	Basic Education Development Project
BANHCAFE	Banco Hondureño del Café
BANSEFI	Banco del Ahorro Nacional y Servicios Financieros
CCT	conditional cash transfer
CESSP	Cambodia Education Sector Support Project
CSP	Child Support Program
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
EMA	Education Maintenance Allowance
FFE	Food for Education
FISDL	Fondo de Inversión Social para el Desarrollo Local
FSSAP	Female Secondary School Assistance Program
GDP	gross domestic product
GNP	gross national product
HIV/AIDS	human immunodeficiency virus/acquired immunodeficiency syndrome
JFPR	Japan Fund for Poverty Reduction
JPS	Jaring Pengamanan Sosial
LATE	local average treatment effect
MEGS	Maharashtra Employment Guarantee Scheme
NGO	nongovernmental organization
OAP	Old-Age Pension
OVC	Orphans and Vulnerable Children

PATH	Program of Advancement through Health and Education
PCE	per capita expenditure
PCI	per capita income
PESP	Primary Education Stipend Program
PESRP	Punjab Education Sector Reform Program
PETI	Programa de Erradicação do Trabalho Infantil
PKH	Program Keluarga Harapan
PRAF	Programa de Asignación Familiar
RDD	regression discontinuity
ROSC	Reaching Out-of-School Children
RPS	Red de Protección Social
SCAE	Subsidio Condicionado a la Asistencia Escolar–Bogotá
SEDGAP	Secondary Education Development and Girls Access Program
SES	socioeconomic status
SRMP	Social Risk Mitigation Project
SUF	Subsidio Unitario Familiar
TAE/ILAE	Tarjeta de Asistencia Escolar/Incentivo a la Asistencia Escolar
TANF	Temporary Assistance for Needy Families
TVIP	Test de Vocabulario en Imágenes Peabody
UCT	unconditional cash transfer
WDI	<i>World Development Indicators</i>

All dollar amounts are in U.S. dollars, unless otherwise indicated.