

Conditional Cash Transfers: Learning from Impact Evaluations

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Conditional Cash Transfers

Reducing Present and Future Poverty

Motivation

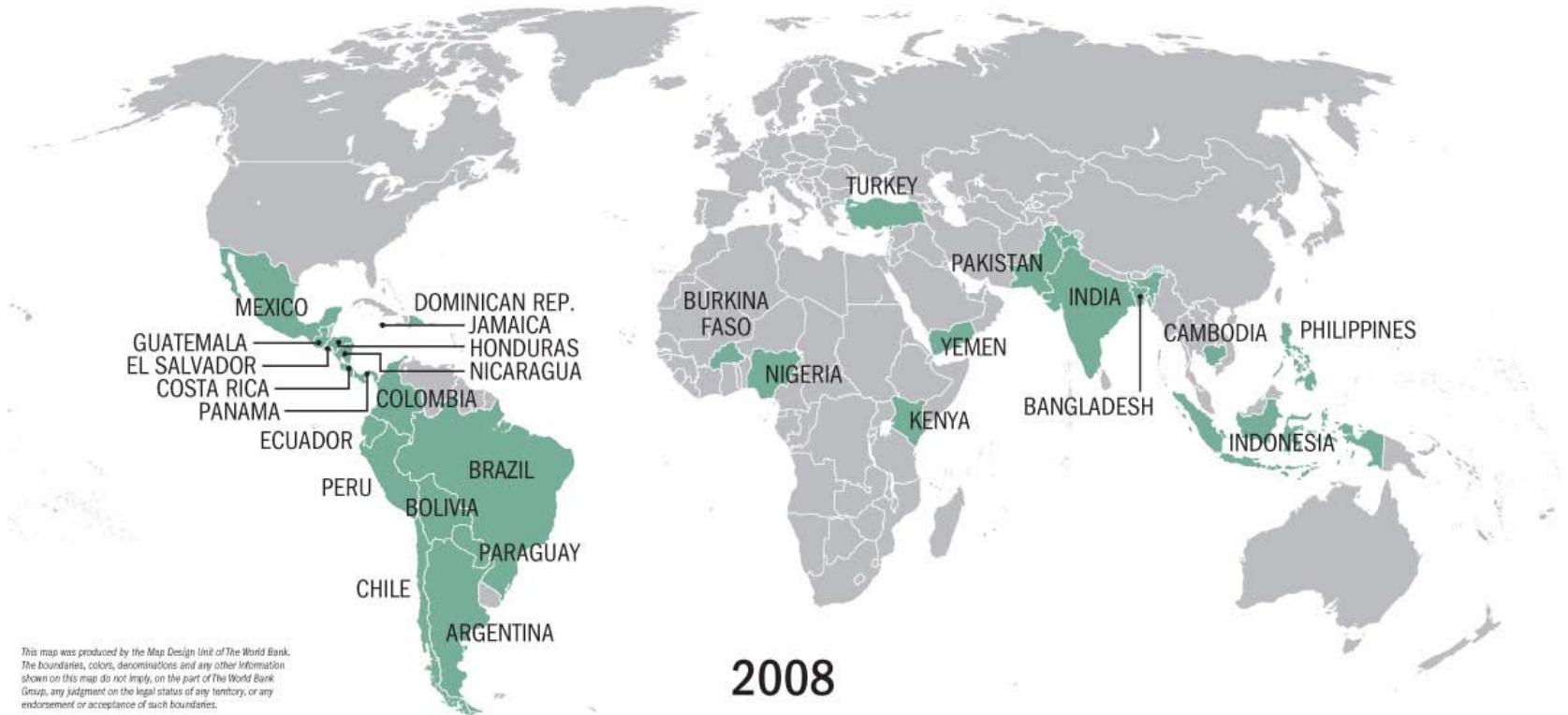
- Many countries around the world now have conditional cash transfer (CCT) programs in place
 - In some countries, including **Brazil, Colombia, Ecuador** and **Mexico**, they cover millions of households, give transfers that account for as much as 20% of consumption of the median recipient household, and are assigned ~0.5% of GDP
 - In other countries, such as **Chile**, they are more narrowly targeted at the “socially excluded”, and are meant to fill in the cracks between other social assistance programs
 - In yet other countries, such as **Bangladesh**, they are primarily designed to increase school enrollment among girls

Motivation

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Motivation



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Motivation

- Programs vary, but all share some basic characteristics:
 1. They transfer cash
 2. They ask that households comply with a series of conditions—generally, school enrollment and attendance, often also attendance at health centers for young children
 3. They are targeted to the poor
- “Twin objective” promise of programs:
 1. Reduce current consumption poverty
 2. Promote accumulation of human capital

Impact Evaluation and CCT programs: A new paradigm for public policies?

- Starting with PROGRESA, CCT programs have been groundbreaking in terms of the importance they have paid to impact evaluation with credible counterfactuals
- Credible impact evaluations exist for a dozen countries –in some cases for more than one program (e.g. Colombia)
- Impact evaluations have been instrumental in influencing programs at the country level (e.g. CCTs have survived political transitions) and influencing CCTs across countries
- Policy Research Report (PRR) summarizes lessons from impact evaluations of CCT programs

Policy Research Report (PRR)

1. Under what circumstances do CCTs make sense?
2. What is the evidence that they have had impacts on consumption poverty and on human capital outcomes?
 - Report draws heavily on a large number of **credible impact evaluations**—more available for this class of program than for probably any other intervention in the developing world
3. Policy implications
 - How to structure CCTs
 - What complementary actions are needed
 - CCTs in the context of social protection policies

Conceptual framework

- **Message 1:** Making transfers that are *conditioned* on household behavior can make sense under some circumstances:
 1. Economic justifications
 - Persistently misguided beliefs
 - “Incomplete altruism”
 - Externalities
 2. Political economy justifications
 - Greater support for a program that appears to ask beneficiaries to do “something to help themselves”

CCT impacts on consumption poverty

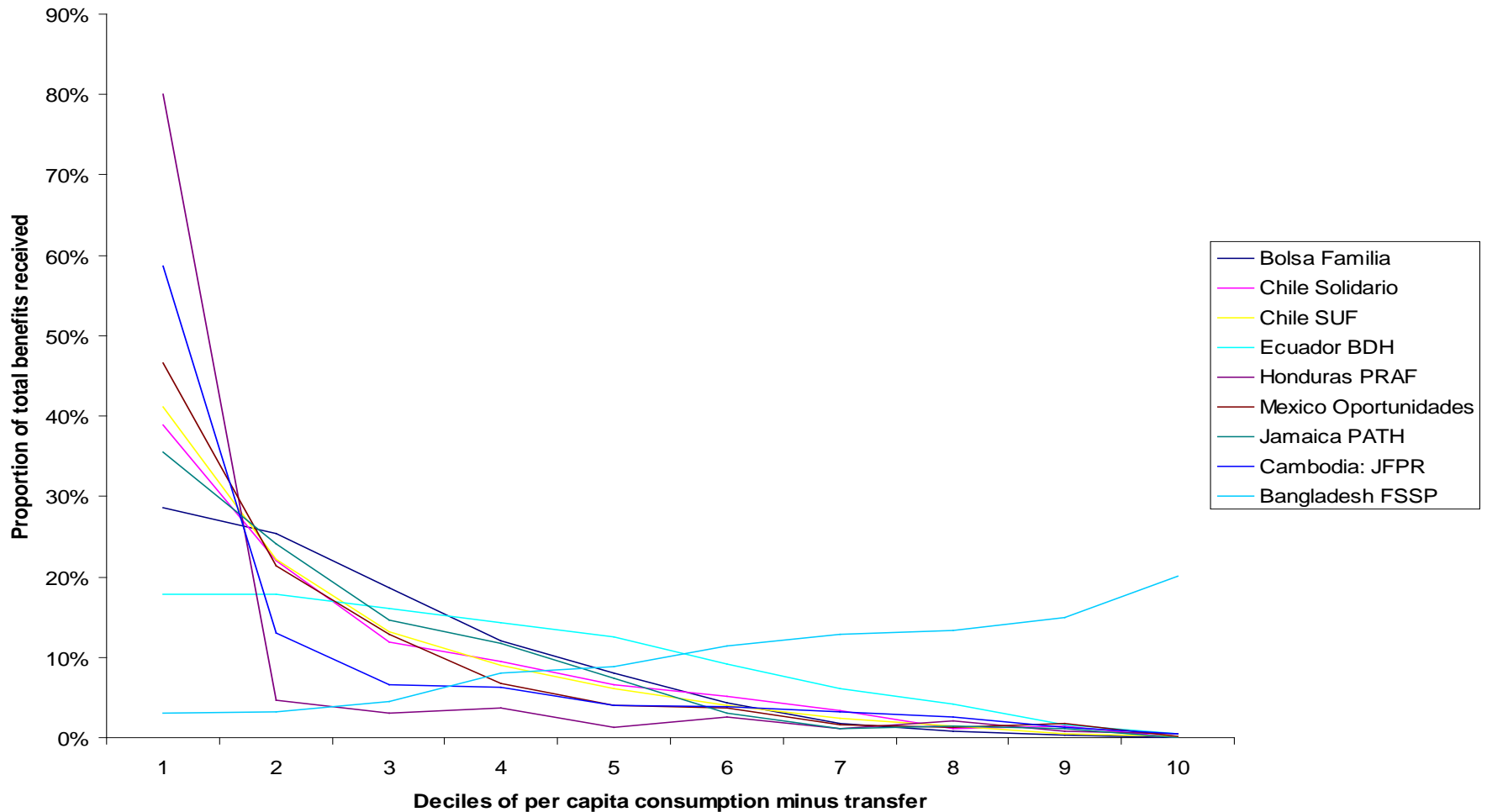
- **Message 2:** CCTs have generally led to substantial reductions in consumption poverty—in particular, when transfers are large
 - In **Nicaragua**, the Red de Protección Social, a pilot program, reduced the poverty gap among beneficiaries by 18 percent
 - In **Mexico**, PROGRESA (now Oportunidades), a program with national coverage, reduced the poverty gap in rural areas by 19 percent

CCT impacts on consumption poverty

Why have CCTs reduced consumption poverty?

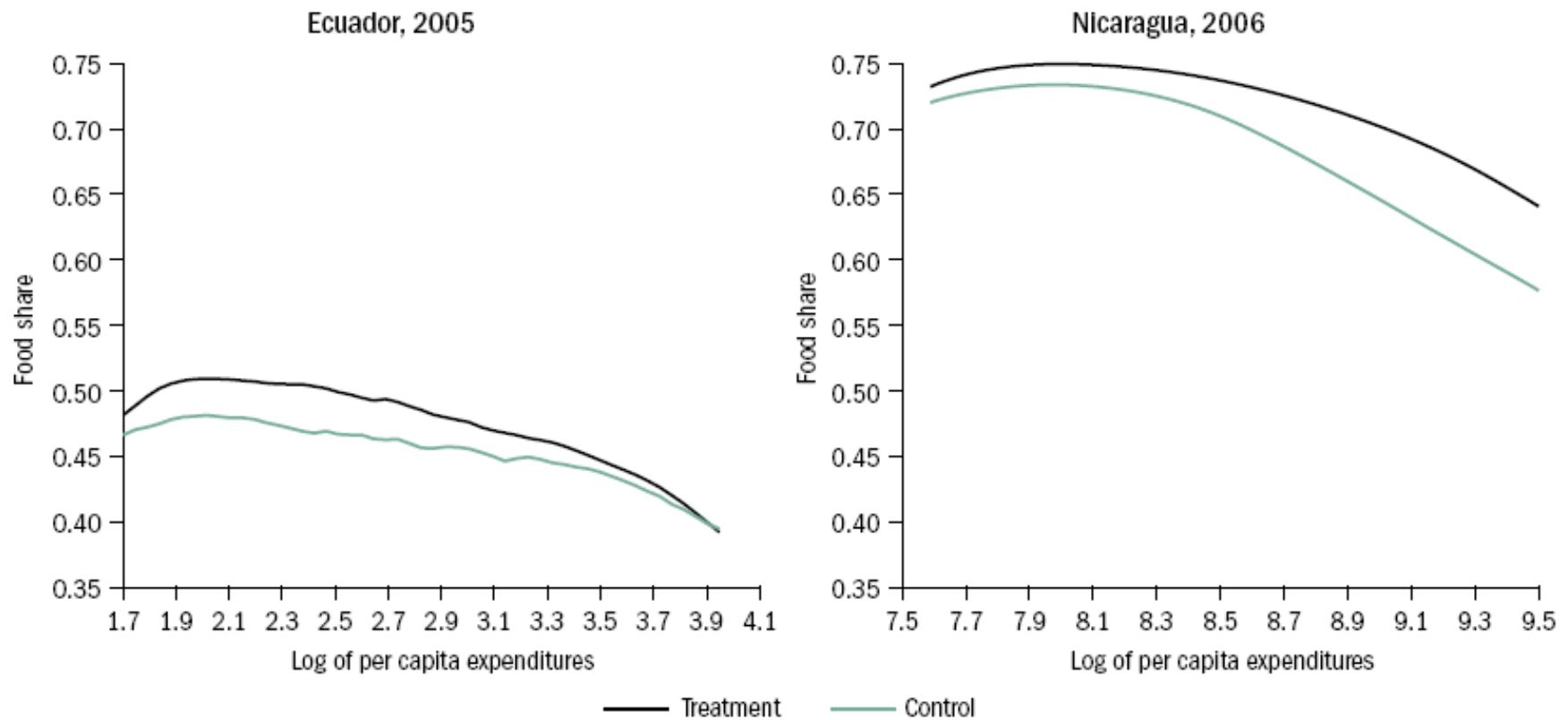
- They are well-targeted
- They have made transfers of (in some cases) substantial magnitude
- They have not reduced adult labor market participation
- They have not generally crowded out other transfers, and have not had substantial (local) general equilibrium effects
- Transfers (which are generally made to women) have also changed the composition of consumption
 - More expenditures on food, and on higher-quality sources of calories

CCT benefits are decidedly progressive...



CCT impacts on food consumption

Figure 4.2 Impact of CCTs on Food Shares in Ecuador and Nicaragua



Sources: For Ecuador, Schady and Rosero (2008); for Nicaragua, Macours, Schady, and Vakis (2008).

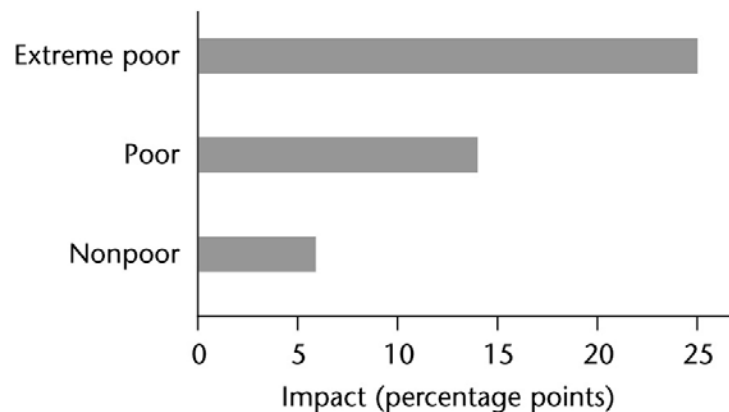
CCT impacts on health and education outcomes

- **Message 3:** CCTs have resulted in substantial increases in the utilization of education and health services – especially among poor households
- Examples — **education:**
 - In **Mexico**, Oportunidades decreased dropout between 6th and 7th grade by 9% points
 - In **Pakistan**, the Punjab Education RSP increased the school enrollment of 10-14 year-old girls by 11% points
 - In **Cambodia**, two pilot programs reduced the dropout between 6th and 7th grade by 20-30% points
- Examples — **health:**
 - In **Colombia**, Familias en Acción increased the proportion of children who had growth monitoring by 20-30% points
 - In **Honduras**, PRAF increased the proportion of children who had at least one preventive health visit by 20% points

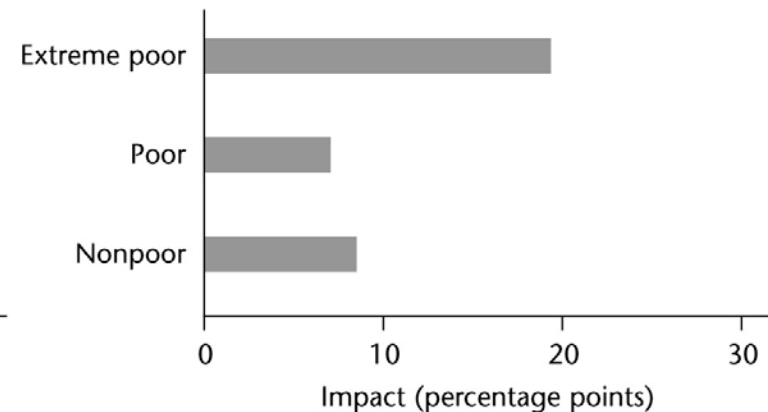
CCT impacts on health and education outcomes

- Because impacts are concentrated among the poorest households, CCTs have helped reduced “inequality of opportunities”
- Example: **Nicaragua**

School enrollment (children ages 7–13)



Children weighed in past 6 months (ages 0–3)



CCT impacts on education and health outcomes

- **Message 4:** Despite increase in service utilization, CCTs have had only mixed success in terms of improving final outcomes in education and health:

Health

- Some programs, but by no means all, have improved child nutrition (as measured by height-for-age, hemoglobin status)

Education

- Increases in school enrollment and years of completed schooling have not come hand-in-hand with improved learning outcomes

Program design issues: What we know or will know from impact evaluations...

- Are conditions redundant?
- Does it matter who receives the payment?
- How much to pay?
- How to determine the 'right' conditions?

Are conditions redundant?

- The evidence we have is ‘indirect’:
 - Mexico, some households did not receive the forms necessary for monitoring of conditions. Children in households w/o forms 5.4% points less likely to enroll in school
 - Ecuador, ¼ of households believe transfers “conditional” on school enrollment, other ¾ believe they are unconditional. Program effects only significant for “conditioned” households
 - Cambodia, transfers conditional on school enrollment for children in lower middle school, but not for their siblings. Program increases enrollment in middle school by 20% points, but has no effect on siblings.
- Ongoing impact evaluations in Burkina Faso, Malawi, Morocco and Yemen are testing impact of both conditional and unconditional transfers.

Does it matter who receives the payment?

- Typically payments are made to the mother
- Changes in consumption patterns (more and better food in Ecuador, Nicaragua, Mexico) are hard to explain....
- Other evidence on mothers' preferences....
- Ongoing impact evaluations in Burkina Faso, Morocco and Yemen test payments to mothers vs. fathers
- Ongoing impact evaluation in Malawi tests payments to girls vs. parents

How much should a CCT program pay?

- Potential trade-offs between redistributive and human capital goals
 - Larger transfers lead to bigger impacts on consumption poverty
 - Diminishing marginal returns to transfer size in terms of achieving human capital goals?
 - Typically calculated using simulation models (e.g. Brazil, Mexico)
- Impact evaluations have been used to estimate effects of varying transfer size
 - In Cambodia each dollar of the initial \$45 “purchased” ~0.38% points of increased attendance. Each dollar of the additional \$15 “purchased” only ~0.12% points more attendance
 - In Bogota, experiment allowed to estimate effects of variation in timing of payment

Selecting the appropriate conditions

- Considerable room for experimentation and evaluation—in particular, because best option is likely to be highly context-specific
- Experiment with conditioning on final outcomes in addition to service use (added payment as performance bonus)
 - Bogota: Extra payment for high-school graduation and university admission
 - New York/Washington DC: Extra payment for good grades
 - Kenya: Merit scholarship to girls

Policy implications

- CCTs have had important institutional legacies
 - CCTs have led the way in the design of well-run administrative structures for beneficiary selection, payments, transparency
 - CCTs have been groundbreaking in terms of the importance they have paid to impact evaluation with credible counterfactuals