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Conditionality in Public Policy Targeted to the Poor: Promoting Resilience?*

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This paper explores the role of conditionality in policies targeting the poor. By requiring beneficiaries to send their children to school and to undertake regular health visits, proponents argue, conditionalities improve human capital outcomes, promoting resilience. This widespread perception has led to the adoption of conditional cash transfers in many countries. Yet policy debate on conditionality does not always reflect a full appreciation of how behavioural, administrative and political economy variables influence outcomes. This paper identifies the multiple channels through which conditionality determines human capital outcomes and reviews the evidence on linkages between conditionality and processes of resilience.

1. Introduction

Numerous commentators have pointed to recent trends in the use of conditionality in social policy targeted on the poor (Standing, 2003; Dwyer, 2004). Targeted policies are conditional when beneficiaries, in addition to satisfying a means-test, are required to regularly undertake some pre-specified action. An argument used in support of this policy feature is that it promotes resilience among the poor by improving human capital outcomes. By requiring beneficiaries to send their children to school and to undertake regular health care visits for example, proponents argue that conditionality leads to improved education and health outcomes that help the poor cope with adversity and tackle poverty both in the short and long run.

This paper explores such claims, based on the analysis of a conditional targeted policy instrument that has experienced a rapid expansion in recent years: conditional cash transfers (CCTs). During the 1990s, CCTs were introduced in countries across the world, particularly in the Latin America region, as key components of their anti-poverty

*It is the editorial policy of this journal to avoid language that might be perceived as stigmatising or discriminatory. It is the intention of the editors to avoid presenting groups of people using terminology that may be taken to imply an inaccurate homogeneity of people's diverse circumstances, characteristics, attributes, attitudes or behaviour. In particular, the editors wish to promote understandings of social issues and policy responses that avoid labelling that could result in the 'othering' of vulnerable or disadvantaged people. In this case the author, editors and guest editors have given careful consideration to the use of the term 'the poor', which is considered problematic by some experts in the field. It has been agreed that in this article use of alternative expressions would not necessarily be more accurate or less stigmatising. Throughout the paper reference is made to 'the poor' as the group of people that satisfy the means test for conditional cash transfers and on whom these transfers are targeted.

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and redistributive strategies.[1] CCTs pay an income transfer to poor households, provided school-aged children attend school and young children and pregnant or nursing women undertake regular health care visits.

The paper is divided into four sections. Firstly, it identifies the main arguments in favour and against conditionality and links them to three types of considerations: behaviour, administration and political economy. This classification disentangles the common claims about conditionality and identifies the multiple channels through which conditionality influences human capital outcomes. Secondly, the paper reviews conditionality design and implementation for CCTs in different Latin American countries. While they share a basic common definition, the details of the design and implementation of conditionalities vary substantially. The paper then reviews the evidence available to date of conditionality impacts on human capital outcomes in CCTs. Drawing from the preceding sections, the conclusion reflects upon the ways in which conditionality might promote processes of resilience and outlines steps forward in the future analysis of conditionality and human capital outcome linkages.

2. A review of the arguments

Education and health outcomes: the potential contribution of conditionality

Studies of poverty dynamics have amply documented the cumulative effects of disadvantage and the processes of intergenerational transmission of poverty. The analysis of childhood transition to adulthood underlines how the experience of early disadvantage weakens individual adaptation and in what ways the detrimental effect is then carried on into the future (Schoon, 2006). The long-term effects of malnutrition are explored by Alderman et al. (2006), who show that improved pre-schooler nutritional status is associated with increased height as a young adult, a higher number of grades of schooling completed and an earlier age at which the child starts school. Others have stressed the cyclical nature of the processes of risk. Garmezy (1993), for example, traces the effects of family poverty on children via poor maternal health.

Such studies suggest that improvements in outcomes in education and health are crucial to enabling the poor to cope with adversity and to promote resilience. In terms of policy design, these findings reinforce the emphasis placed on early years interventions to improve education and health outcomes. These would target retardation in cognitive skills acquisition and improve the life chances of children and young people by addressing the risk factors undermining individual development (Schoon, 2006).

The introduction of a conditionality component that targets education and health in cash transfers is largely justified by most policymakers with precisely these objectives in mind: to improve human capital outcomes and promote processes of resilience. By design, CCTs in the Latin American countries reviewed here target households with young children or pregnant and nursing women with this objective. Perhaps the most widely cited definition of CCTs reflects this rationale: 'The cash transfer is aimed at providing short-term assistance to families often in extreme poverty … while the conditionalities aim to promote longer term human capital investments, especially among the young' (Rawlings, 2004).

Yet debates regarding whether 'to condition or not to condition' have pointed to mixed understandings about how conditionality operates and in what ways it may influence

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policy impact on human capital. Conditionality has been justified to modify poor people's behaviour, to encourage decisions that will lead to increased 'investments in human capital'. It has been criticised for potentially incurring high administrative costs, drawing resources that would be better spent directly on the poor. Others still, have argued that conditionality can help secure public support for a targeted intervention, leading to increased resources for the poor. The arguments in favour and against conditionality can be mapped to three types of considerations related to: behaviour, administration and political economy.

Behaviour

A widespread understanding of the purpose of conditionality is its potential impact on beneficiary behaviour. When (if ever) it is legitimate to condition eligibility for welfare benefits on the performance of prescribed activities will not be discussed in detail here.[2] Rather, this section provides an overview of the principal justifications advanced in favour of conditionality's potential impact on behaviour with respect to perceived beneficial effects on outcomes of individuals or particular social groups.

Conditionality has been justified to address the distortion of choices that arise when myopia and information asymmetry lead individuals to make decisions that do not take into account the benefits of mid to long-term human capital accumulation. Lack of knowledge concerning the benefits of health-care check-ups, pre-natal treatment and other types of preventative health care for example might bring individuals to underutilise health services.

Secondly, conditionalities may be used to address intra-household bargaining processes and preferences to strengthen the bargaining position of individuals who have weak or no bargaining power within the household. Das *et al.* (2004) illustrate this case in relation to child labour: where parents favour positive short-term outcomes such as increased income due to child labour over potential long-term returns from increased school attendance. In such cases, the justification of conditionality rests on its ability to address the differences between child and parent preferences.

Moreover, proponents of conditionality argue that it can promote individual behaviour that has a beneficial effect on the rest of society. When making decisions about their children's education, girls' schooling for example, parents may not take into account the benefits that society derives from educating girls, and, as a result, decide to underinvest in girls' schooling relative to levels that are beneficial from a societal perspective. Similarly, governments may be aware of the benefits of immunisation or screening for chronic diseases from a societal perspective, while individuals may be unaware or unconvinced of these benefits.

The above examples illustrate ways in which a change in beneficiary behaviour might be desirable and contribute to improved human capital outcomes. By requiring beneficiaries to send their children to school and undertake health visits, conditionalities in CCTs aim to influence behaviour in this direction. Yet two considerations arise when assessing the effects of conditionality on behaviour.

Firstly, as in any evaluative exercise, the central question is whether the inclusion of the conditionality in a targeted intervention induces additional changes in behaviour or human capital investment decisions to those that would have been achieved in the absence of the conditionality by the income transfer alone. The inclusion of conditionality

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in a CCT 'presumes . . . that stimulating demand through income effects is insufficient to induce major changes in human capital investment . . . Instead, a condition that transforms the income effect into a price effect needs to be attached to the cash transfer' (De Janvry and Sadoulet, 2006a).

Empirical evidence indicates that decisions on human capital investments do respond to pure income transfers, as revealed by numerous studies on unconditional cash transfers. Filho's (2001) study for example, shows that an expansion of Brazil's non-contributory, unconditional old-age pension programme led to an increase in educational attainment among girls and to a decrease in child labour among boys.[3] Duflo (2003) shows that the expansion of an old-age pension programme in South Africa led to an improvement in the health and nutrition of girls.[4] Aguero *et al.* (2006), studying the nutrition impacts of South Africa's unconditional Child Support Grant (CSG), find that large dosages of CSG treatment early in life significantly boost child height.[5]

A second consideration in relation to behaviour arises from the possibility for conditionality to generate unintended behavioural responses. While evidence of these remains largely anecdotal, conditionalities introduce incentives and potential for distortions in behaviour that could be taken into account when assessing conditionality performance. In their account of the implementation of the Red de Protección Social (RPS) in Nicaragua for example, Maluccio and Flores (2005) describe the initial design and subsequent redesign of the RPS conditionality component on the basis of unintended behavioural consequences triggered by the implementation of the original conditionality. One of the requirements for benefit receipt over time was for beneficiary children at school to be promoted to the next grade. By design, in the original RPS, failure of successful grade promotion was a cause for expulsion from the programme. When policymakers learned that some schools practiced automatic promotion, enforcement of the grade promotion condition was not implemented.

Administration

Conditionality administration implies financial and social costs. Caldes *et al.* (2006) analyse the administrative costs of different CCT components for three Latin American programmes: Progresa (Mexico), Programa de Asignación Familiar (PRAF, Honduras) and RPS (Nicaragua). They find that the costs devoted to targeting and conditioning form a substantial part of the ongoing operations of these programmes.[6] The authors argue that the cost effectiveness of conditioning transfers will depend on the share of transfers reaching the poor and on the improvements in human capital that can be attributed to conditionality. As this paper's final section on CCT impacts indicates, while there is some evidence that the 'payoff' in terms of targeting performance has been high across CCT programmes, little is known about the effects of conditionality on human capital outcomes and on whether the administrative costs sustained for conditionality implementation are offset by positive outcomes.

Conditionalities act as additional screening or targeting devices. Especially in countries where administrative capacity is weak, logistic difficulties associated with implementing means testing and other targeting mechanisms can be at least partly offset by the additional requirements exercised through the conditionality. Work requirements in Argentina's Jefes y Jefas workfare programme for example, helped to assure self-selection into the programme by those that are unemployed (Galasso and Ravallion,

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2003). In the same fashion, conditionalities requiring school-aged children to attend school and health clinics help ensure the cash transfer targeting of households with young children.

As with any targeting mechanism, a priority concern is that conditionalities can incur errors of exclusion and screen out some of the poor and most vulnerable. By overburdening the poor with behavioural requirements that they are not able to comply with, poor households might drop out of the programme. Poor households may find the conditions too difficult to meet, and if these households are among the poorest participants, imposing conditions may detract from the targeting of the CCT.

In a study on Mexico's Progresa, Alvarez *et al.* (2006) find that at an aggregate level, the cost of the program's conditionality does not seem to be overly burdensome for the extreme poor as they do not appear to systematically dropout of the programme. At the same time, they find two specific instances in which the conditionalities are contributing to the disproportionate abandonment of the programme by particular groups: the case of indigenous populations and the case of the extreme poor in communities where inequality is likely to be highest.

Furthermore, conditionality risks excluding poor households when CCTs are implemented only in areas where the infrastructure and administrative capacities are adequate for conditionality implementation. In Colombia for example, the Familias en Acción is implemented in poor municipalities that satisfy minimum infrastructure requirements. While this design option aims to ensure that beneficiaries are guaranteed circumstances in which they can formally comply with the conditionalities, it may have the effect of excluding the poor residing in excluded areas. Whether this is the case depends on alternative social policies covering areas and groups excluded from CCTs.

Finally, conditionality may aim to improve service provision. By stimulating the demand for services through modifying beneficiary behaviour, service provision and quality can be stepped up. Furthermore, conditionality implementation as part of the broader CCT initiative in many countries is accompanied by subsidies paid to service providers and the introduction of performance-based mechanisms that enhance the responsibilities of service providers.

Political economy

There is a common perception that conditionality helps legitimise a cash transfer politically. According to such claims, CCTs are more acceptable to policy-makers and to taxpayers than unconditional schemes. De Janvry and Sadoulet (2006b) for example, observe that conditions can be used 'to increase the political acceptability, and hence the budget size and sustainability, of the programme'. Conditionality would be desirable according to these authors, since 'Larger budget size and greater sustainability due to higher political acceptability will benefit participants through higher allowances, or potential beneficiaries through a larger selected pool.'[7]

Do conditionalities generate public support, making policies targeted to the poor more politically feasible? From a theoretical perspective, the political economy literature on targeting can serve as some reference, given that conditionalities function as an additional targeting device. According to this literature, more narrowly targeted policies risk losing support from the middle classes, leading to smaller budgets for the targeted programmes (Besley and Kanbur, 1990). Conversely, political support for a programme

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may increase with the degree of universalism and leakage to the non poor (Gelbach and Pritchett, 1997). If we regard conditionality to act as a form of additional targeting, it could be argued that conditionality risks jeopardizing support for a particular poverty targeted policy.

Studies on public attitudes on the other hand suggest that conditionality can have a legitimising effect. Most studies on public attitudes and policy examine how the former shape the political feasibility of broad policy choice. Graham (2002) shows how public attitudes – about redistribution, causes of poverty and opportunities for upward mobility – affect the political viability of social welfare policies in Latin America.[8] The analysis of the association between public attitudes and specific policy parameters in Latin America remains limited for the time being due to the limited available data. Studies linking social attitudes to design parameters however have been undertaken in industrialized countries, for which data are available. Taylor-Gooby's (2005) study using British Social Attitudes survey data shows that 'people believe the welfare state should not be simply a funnel to direct resources downwards, but should also be a system of reciprocity, which provides good opportunities and support for those who participate, but does not waste resources on those who fail to do so'. The link then, between welfare payments and some form of valued social participation or reciprocity appears to act as a source of legitimacy for welfare spending.[9]

Public attitudes vary from one country to another and by influencing the political feasibility of a welfare programme, shape the available budget. Taylor-Gooby's (2005) results suggest that in the UK for example, conditionality may indeed act as legitimising force. Discussions about conditionality and its effects would benefit from taking public attitudes and political feasibility concerns into account.

3. Conditionality design and implementation

Conditionalities in the Latin American CCTs are defined in the areas of education and health and share basic common definitions: school-aged children, usually 6–15 years of age, are required to attend school (for at least 85% of the school week). Young children, ages 0–6 years, and pregnant or lactating women are asked to undertake regular health visits. A closer look at conditionality reveals however that beyond these basic common definitions, conditionalities in CCTs vary substantially. Such variations have important implications for resilience outcomes.

Typically, variations in conditionality design reflect different underlying priority concerns ranging from influencing beneficiary behaviour and reinforcing beneficiary responsibility to promoting access to services and service provision. In addition to varying by design, conditionalities vary in practice depending on their implementation. Conditionality implementation does not follow automatically from official parameter design and requires at least three steps: the dissemination of information to the public and to policy administrators, the regular monitoring of compliance and the implementation of responses to non-compliance.

Conditionality design

In most Latin American countries, CCTs are entirely conditional. By design, only families with children and pregnant women are eligible to receive the cash transfer. Yet this

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is not always the case and in some countries cash transfers combine conditional and unconditional components. Brazil's Bolsa Família for example, includes an unconditional component paid to all the extreme poor, independently of household composition and demographic characteristics.

Conditionality is central to the functioning of CCTs when compliance is a requirement for benefit receipt from the outset. In Mexico's Oportunidades, conditionality compliance is monitored and verified before transfers are paid to the beneficiary. Similarly, in Chile, the Programa Puente's *bono de proteccion* payments are made once the family has been 'activated'. Alternatively, in some CCTs, the monitoring of compliance starts in a subsequent phase to beneficiary selection and benefit payment.

Response to non-compliance also varies. When non-compliance translates directly into beneficiary suspension from the programme, conditionality can have a clear punitive effect. To avoid a purely sanctionary purpose of conditionality, CCT responses to non-compliance are designed so that an initial episode of non-compliance triggers a set of reactions in phases, of which definite suspension from the programme is the final one. Once a family is participating in Mexico's Oportunidades for example, non-compliance is initially followed by a suspension of benefit payments; if non-compliance persists, the benefit is suspended indefinitely and eventually definitely suspended. In Colombia, beneficiary families are taken off the Familias en Acción if they fail to comply with conditionalities for three consecutive months or if they fail to comply in four non-consecutive months within 12 months.

In Brazil, where non-compliance to Bolsa Familia conditionalities is understood as a flag of additional vulnerability, policymakers designed a response system that in the first instance ensures a verification of the reasons for non-compliance. Beneficiaries that do not comply with conditionality are in the first instance entitled to additional support and individualised services. Only if non-compliance persists do they initially receive a notification from the Ministry of Social Development. At subsequent stages, benefit payments are suspended, blocked and, in a final step, beneficiaries are removed from the programme. Beneficiaries that exit the Bolsa Familia as a result of conditionality non-compliance may re-apply six months thereafter.

In addition to emphasising beneficiary responsibilities in conditionality compliance, CCTs can pursue directly the objective of enhancing service provider and government responsibilities by including supply side components in their cash transfer design. Honduras' and Nicaragua's CCTs both include cash transfers paid to service providers, health centres and schools, in the areas in which the conditionalities are set.[10] In Brazil, federal subsidies are paid to municipalities to support the additional administrative costs incurred by Bolsa Família implementation. Such subsidy amounts are determined by the achievement of a minimum score based on an administrative performance indicator, thus acting as an incentive for local administrations to improve programme administration and service provision (Bastagli, 2007).

Conditionality implementation

Debates about conditionalities and their effects typically refer to the definition of conditionality as regulated by legislation and official documents, paying limited attention to conditionality implementation. In practice, conditionality implementation relies on a

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complex procedure in several stages that include: (a) informing beneficiaries and public officials of their exact definition, (b) the regular monitoring of compliance and (c) the implementation of responses to non-compliance.

Conditionality effects depend on what actors perceive the conditionality to be. Numerous reports on CCT implementation describe circumstances in which CCT beneficiaries are not aware that a cash transfer is conditional and in which both beneficiaries and policy administrators are confused about the exact conditionality definitions.[11] Conditionality implementation then requires the dissemination among beneficiaries and policy administrators at all government levels, particularly those working directly with beneficiaries, of information on the definition of conditionalities and what compliance exactly entails.

Another phase of conditionality implementation, conditionality monitoring, requires the regular tracking of information on beneficiary compliance. This typically involves a variety of actors including beneficiaries, local service providers and public officials such as schoolteachers and health care workers, local CCT administrators and central-level administrators. The day-to-day compliance by beneficiaries is usually monitored at the local level and information is then passed to central levels of government, requiring several steps of information transmission and regular database management.[12]

Once compliance monitoring is underway, if an episode of non-compliance is registered, CCT design foresees the activation of a response mechanism. By design, these can vary considerably, as outlined above. Their implementation in practice is another story. In the experience of most Latin American countries, it is difficult to obtain information on the number of CCT beneficiaries that have been penalized for non-compliance. Where information exists, it confirms the irregularity with which monitoring and responses to conditionality compliance are implemented. In Nicaragua, during the first year of RPS operation, about 10 per cent of beneficiaries were penalized at least once and therefore did not receive a full transfer. The RPS allowed households to receive a partial transfer if they complied with the health requirement and not the education requirement or vice versa (Maluccio, 2005). In Brazil, where the Bolsa Família was launched in 2003, by 2007, out of a total beneficiary population of 11.2 million households, one million beneficiary households received a notification from the federal government for failure to comply to a conditionality and 11 households were dropped from the programme for non-compliance that same year (Bastagli, 2007).

In summary, the design and implementation of conditionality, even among a single category of conditional policies, CCTs, vary substantially. Any assessment of conditionality impacts will benefit from the consideration of possible trajectories through which it impacts the well-being of the poor directly by design or implementation. Conditionality for example risks further marginalising the poor, through unintended behavioural responses, possibly linked to misunderstandings of conditionality definition and implementation, and the potential for responses to non-compliance to disproportionately punish particular vulnerable groups.

4. Conditionality impact on human capital outcomes: the evidence

The expansion of CCTs in Latin America is largely attributed to the 'technically rigorous' impact evaluations to which they have been subjected (Rawlings, 2004).[13] A review of such evaluations indicates that CCT impacts are mixed. Positive impacts are registered

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in terms of targeting performance (Coady *et al*., 2004). CCTs account for an important share of poor people's income, and disincentive effects on labour supply appear small (Bastagli, 2007). There is strong evidence moreover that CCTs increase the utilisation of education and health services.[14] However, the evidence on impact on final outcomes in education and health is limited and mixed and relies entirely on the experience of one country, Mexico.[15]

While the overall evidence is supportive of CCT programmes, important knowledge gaps remain about the single policy design parameters, including the conditionality component. Given that conditionality is the key distinguishing feature of these policy tools, to what extent does it make a difference? Might similar impacts be achieved through unconditional transfers? What determines conditionality impact?

Both micro-simulation and *ex-post* evaluations have analysed conditionality effects. Until recently, explorations of conditionality–human capital linkages have relied primarily on simulations. More recently, *ex-post* evaluations have relied on differences in the way cash transfers are implemented, exploiting variations in conditionality administration and beneficiary perceptions.

Overall, the results from micro-simulation exercises emphasise the positive impacts of conditionality on human capital outcomes, suggesting that it not only contributes to processes of resilience, but is in fact a necessary parameter for targeted benefits to lead to improved outcomes in human capital.

Using Brazilian data, Bourguignon *et al*. (2003), for example, simulate the impact on children's occupational choice of variations in the design parameters of Brazil's Bolsa Escola CCT to poor households with school-aged children. Their simulations indicate that the bulk of Bolsa Escola's school enrolment effects are a result of the price change implicit in the condition, rather than the income effect associated with the cash transfer. Unconditional disbursements would have no significant impact on school enrolment, according to their simulations.[16]

Similarly, Todd and Wolpin (2007) predict that an increase in the subsidy paid to poor families in Mexicos's Progresa CCT would lead to a substantial increase in school enrolment (though only for the oldest age category 14–15), while an unconditional income transfer would not lead to any statistically significant impact on school enrolment.[17]

Although the results from micro-simulations provide some indication of how variations in parameter design shape outcomes, their reliance on narrow assumptions about policy implementation and behavioural responses limit their contribution to our understanding of how conditionality operates in practice. Recent efforts to assess CCT conditionality effects *ex-post*, relying on information on policy administration and observed outcomes, provide additional insight into conditionality-human capital outcome linkages and the circumstances in which they occur.

Schady and Araujo (2006)'s analysis of Ecuador's Bono de Desarollo Humano (BDH) exploits variations in households' perceptions of conditionality: some households believed there was a school enrolment requirement associated with the programme, while others did not, even though no requirements were ever monitored or enforced.[18] The study compares 'conditioned' households who stated that there was an enrolment requirement, to other 'unconditioned' households and finds that significant programme effects on enrolment are only recorded among households who believed that there was an enrolment requirement, indicating that the (unenforced) BDH schooling requirement has a potential causal effect on outcomes.[19]

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De Brauw and Hoddinott's (2007) study on Mexico's Progresa also exploits variations in conditionality implementation to analyse conditionality effects on school enrolment. They group households according to whether they received school enrolment and attendance monitoring forms and to their knowledge of the conditionality.[20] The evaluation shows that the absence of the forms reduced the likelihood of the children attending school, suggesting that there is a linkage between conditionality monitoring and school attendance. This effect is most pronounced at the point where children transit to lower secondary school, indicating that there are benefits associated with conditioning at entry into lower secondary school, while there is little benefit to conditioning transfers based on enrolment in primary school. CCT effects on enrolment moreover are higher among households that have received the school attendance monitoring forms and households aware of the conditionality. Finally, there is some evidence that imposing such conditions has a higher effect when the head of the household is not literate.

5. Conditionality: promoting resilience?

One of the central arguments in favour of conditionality in policy targeted on the poor rests on its potential for promoting resilience by improving human capital outcomes. Yet policy debate on the role of conditionality in targeted benefits does not always reflect a full appreciation of how behavioural, administrative and political economy variables influence human capital outcomes. The inclusion of behavioural requirements for poor beneficiaries may encourage behaviour that favours improved education and health outcomes, ensure that resources reach particular vulnerable groups by acting as an additional screening device and help secure resources for targeted policies by enhancing a policy's political feasibility. At the same time, conditionality may also create incentives for distortions in behaviour, display high administrative costs and possibly jeopardise political support for a poverty-reduction policy.

Furthermore, conditionality design and implementation matter. The review of conditionality design in CCTs indicates how variations reflect the emphasis placed on beneficiaries' responsibilities as opposed to those of service providers and the state. Where compliance to behavioural requirements is central to benefit receipt for example and non-compliance results in the automatic suspension of benefit payment, conditionality reflects a priority concern for beneficiary responsibility and sanctions departures from the desired behaviour. At the same time, conditionality design may vary to take into account service provider or government responsibilities. This is the case when response to non-compliance does not entail automatic beneficiary suspension from policy participation but rather the verification of reasons for non-compliance combined with efforts to step up service provision and quality. Conditionality implementation moreover may differ from official design as a result of the numerous stages of implementation and the administrative complexity it implies.

Given the multiple channels through which conditionality operates and the variations in design and implementation details identified by this paper, what evidence is there of conditionality and resilience linkages? Has conditionality in CCTs contributed to improved education and health outcomes?

The results of CCT impact evaluations indicate that, under some circumstances, conditionality is associated with improved intermediate human capital outcomes, pointing to a potential beneficial effect on resilience among the poor. For example,

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conditionality has been associated with improved service utilisation, principally school enrolment and attendance, among poor children. For some beneficiary groups and outcomes however, impact evaluations show that conditionality has limited or no effect.

The central finding then that emerges from the review of CCT conditionality evaluations is that whether conditionality promotes resilience depends largely on its design and implementation. Improvements in school enrolment and attendance associated with conditionality in Mexico's Progresa CCT for example are observable among children transiting to secondary school, but not for primary school children (De Brauw and Hoddinott, 2007). Conditionality effects depend on the target population and related behavioural requirements.

Whether conditionality is associated with outcomes depends furthermore, on people's perceptions or understanding of conditionality. In Ecuador, BDH beneficiaries' understanding that the cash transfer was conditional, even though in practice the conditionality was not enforced, influenced their behaviour and resulted in higher school enrolment rates among beneficiaries that believed the transfer was conditional (Schady and Araujo, 2006). The implications are important: conditionality monitoring and response to non-compliance may not be necessary for conditionality to have a behavioural effect.

Future studies on CCTs could contribute to our understanding of conditionality and its impact on human capital outcomes in two ways. Firstly, more attention could be paid to capturing net effects. Unless the unintended behavioural effects, administrative and social costs associated with conditionality administration and political economy considerations are taken into account, the benefits from including conditionality components in targeted transfers risk being misjudged.

Secondly, in the analysis of the behavioural effects of conditionality, efforts to disentangle the substitution or price effect from the income effects could be improved. Whether in the implementation of an experiment, where conditionality is randomly assigned, or the evaluation of a programme underway, the collection of additional information on conditionality (design, perceptions, monitoring and enforcement) is necessary for the production of any meaningful assessment of conditionality and its effects on human capital outcomes.

Notes

1 Today, 14 countries in Latin America implement CCTs: Argentina (Plan Familias), Brazil (Bolsa Família), Chile (Chile Solidario), Colombia (Familias en Acción), Costa Rica (Superémonos), Dominican Republic (Solidaridad), Ecuador (Bono de Desarrollo Humano), El Salvador (Red Solidaria), Honduras (PRAF), Jamaica (PATH), Mexico (Progresa/Oportunidades), Nicaragua (Red de Protección Social), Paraguay (pilot Tekopora) and Peru (Juntos).

2 A useful framework is provided by White (2002), who identifies the main arguments for (economic reciprocity and equal opportunity) and against (inequity objections and vulnerability objections) conditionality derived from social democratic values. Another interesting discussion on his topic is provided by Deacon (2004), who groups justifications for conditionality into three categories: paternalistic (rooted in the claim that the conditionality is set in the best interest of the claimants themselves), contractualistic (conditionalities as tools for the implementation of a broader contract between claimants and the government) and mutualistic (emphasis is on the commitments and responsibilities that people have to each other, rather than their obligations to the state).

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3 Carvalho Filho (2001) shows that unconditional old-age benefits have the effect of increasing school enrolment of children residing with old-age beneficiaries, particularly girls aged 12–14 years.

4 And had no discernible effect on boys, the effect is entirely due to pensions received by women.

5 These estimated height gains in turn suggest large adult earnings increases for treated children and a discounted rate of return on CSG payments of between 160 per cent and 230 per cent (Aguero *et al*., 2006).

6 Their estimates suggest that the combined, targeting and conditionality activities account for 60 per cent, 49 per cent and 31 per cent of total programme costs for Progresa, PRAF and RPS, respectively.

7 De Janvry and Sadoulet (2006b) qualify their observations by clarifying that: 'This is the case if donors and the public prefer to transfer cash to 'deserving poor with children', where being deserving is guaranteed good behaviour in sending children to school and making use of health facilities (for whatever reason, moral/ethical or because it is seen as an important social investment). Perception that the poor are deserving because they meet the conditionality may require that the condition would not have been met without the transfer, or that the constraint is being met and the poor are rewarded for good social behaviour.'

8 Using Latinobarometro data, Graham (2002) finds that Argentina, Chile and Uruguay, are among the strongest supporters of redistribution in the region and that all three countries have lower than average mean scores for believing that opportunities are equally shared: 'publics in these countries are more likely than the average Latin American respondent to support some sort of government role in redistribution and/or the provision of a safety net'. Although she underlines the role of public attitudes in shaping specific policy design options, the limited available data do not allow this analysis.

9 Taylor-Gooby (2005) also shows that such perceptions vary depending on beneficiary type. Substantial numbers for example, though not majorities, 'believe sick people or carers should not have benefits cut, regardless of whether they report to job centres, and very few people think they should suffer major benefit cuts. On the other hand, views with regards to single-parents, whom most people see as meriting supplements if they earn poverty wages, are more authoritarian.'

10 In Honduras, the PRAF II pays a health voucher to health centres on average US$6,000/facility/year and an education voucher on average of US$4,000/school/year (Maluccio and Flores, 2005).

11 CCT impact evaluations have exploited such variations in attempts to disentangle the CCT conditionality effects from the income effects. These are reviewed in the upcoming section.

12 In education for example, school attendance is commonly monitored by schoolteachers and collected at the school level, then aggregated at municipal and state levels and eventually transmitted to a central CCT or government unit.

13 'The provision of sound, empirically based evidence on effectiveness has facilitated the scaling up of CCT programs nationally, their adoption internationally, and their continuity from one political regime to another' (Rawlings, 2004).

14 In Nicaragua, the RPS produced an average net increase in school enrolment of 13 percentage points and an even larger effect of 20 percentage points on current attendance for the target population. The percentage of working children aged 7–13 declined by 5.6 percentage points (Maluccio and Flores, 2005).

15 More generally, there is positive evidence on outcomes such as years of schooling attained, and child mortality and morbidity. There is no evidence on other outcomes such as test scores and child nutritional status (World Bank, 2006).

16 Similarly, based on their simulations of cash transfer effects in African countries, Kakwani *et al.* (2005) argue that without school attendance conditionalities, cash transfers in Africa will not increase school attendance.

17 Todd and Wolpin (2007) use a structural model of household behaviour to predict the effect of Progresa on school enrolment.

18 The BDH did not make transfer receipt conditional on specific behaviour, although at the outset programme administrators stressed the importance of school enrolment when signing up households for

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transfers. Schady and Araujo (2006) recount how, for a brief period, BDH television spots that explicitly discussed how parents were responsible for the schooling and health status of their children were aired on national television. As a result, some households believed that there was an enrolment requirement, even though no requirement was ever monitored or enforced.

19 Schady and Araujo's (2006) paper also analyses BDH impact on child labour and finds that there are no clear differences between conditioned and unconditioned households in the probability that a child is working. However, among conditioned households, recipient households work fewer hours and are less likely to be full-time workers who work at least 40 hours.

20 De Brauw and Hoddinott (2007) compare households that received cash transfer payments even though they did not receive the conditionality form to households that received payment and the monitoring form. They also use information on household knowledge of the conditionality and compare households who did not receive the form but did not know they were required to send children to school, to households that received the form and knew they were required to send children to school. They show that the absence of the monitoring forms reduced the likelihood that children attended school.

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