Introduction to the Special Issue of the Journal of Development Effectiveness

CONDITIONAL CASH TRANSFER PROGRAMS: OPENING THE BLACK BOX

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CGD, Washington DC, May 5, 2010
CCT 101

• **Situation:** high levels of poverty; low levels of investment in human capital; next generation also trapped in poverty

• CCT programs two-fold **objective**
  – Short-term poverty alleviation
  – Break the cycle of poverty in the longer run by incentivizing households to invest in the accumulation of human capital

• **Design** features
  – Transfers/cash
  – Conditions/corresponsabilities in health and education
  – Nutritional supplements
  – Targeting and eligibility
  – Organization of supply
  – Verification of conditionalities
  – **Impact Evaluation**
## Transfer amounts

<table>
<thead>
<tr>
<th>Program</th>
<th>Monthly Monetary Benefit</th>
<th>Average Monthly Transfer</th>
<th>Average Transfer as a % Poverty Line</th>
<th>% Pre-Transfer Household Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil – Bolsa Familia</td>
<td>$18/HH; $5/child up to 3 children</td>
<td>$24</td>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>Colombia – Familias (FA)</td>
<td>$20/HH; $6/child primary age; $12/child secondary age</td>
<td>$50</td>
<td>Not reported</td>
<td>10%</td>
</tr>
<tr>
<td>Honduras – PRAF</td>
<td>$4/HH;$5/child</td>
<td>$17</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>Jamaica – PATH</td>
<td>$9/eligible HH member (child, elderly, disabled)</td>
<td>$45</td>
<td>16%</td>
<td>25%</td>
</tr>
<tr>
<td>Mexico – Progresa/Oportunidades</td>
<td>$13/HH,$8-17/child primary;$25-32/child secondary; one time grant $12-22/child for school supplies</td>
<td>$20</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Nicaragua – RPS</td>
<td>$18/HH; additional $9/HH with a school-aged child; $20/year/child for supplies</td>
<td>$25</td>
<td>18%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Handa and Davis (2006)
The spread of CCTs

- Mexican program Progresa/Oportunidades launched in 1997, in 2006 reaching all extreme poor (5 million)
- Spread to Nicaragua, Honduras, Jamaica, Colombia and Brazil by 2003
- Today in over 30 countries in all developing regions
- Main international agencies that have supported CCTs: WB, IADB, more recently DFID, UNICEF
- Adapted version (African model) are the Social Cash Transfers, which are unconditional (e.g. Child Support Grant in South Africa)
The CCT debates

• Supply versus demand side
• The 2 C’s (Cash & Conditions) dealing with the 2 constraints on optimal human capital investments (poverty and sub-optimal investments)
• Conditions versus corresponsabilities (political selling-point; paternalistic versus rights-based approach)
• Gender empowering versus reinforcing stereotypes
• Creating adverse incentives (staying poor, not working, getting more children....)?
• The opportunity cost (postponing the implementation of welfare state)?
• Graduation and linkage with other welfare programs?
Issue Rationale

• CCT programs have pioneered the use of rigorous impact evaluation methodologies in the social development sphere

• Convinced policy makers to (i) implement random assignment; (ii) ‘not kill’ the programs (OPORTUNIDADES-effect)

• However, until recently, the evaluations focused on the impacts of the package of interventions – the proverbial ‘black box’ approach

• Getting away from the ‘average effect’ approach
  - Impacts of what? (Which components of the programs, or combination thereof, are important in achieving outcomes?)
  - Impacts on whom? (heterogeneous effects)
  - Impacts when?
Financial incentives work to increase utilization of health services, but mixed results w.r.t. outcomes suggests that the supply side needs to be addressed more directly (Gaarder, Glassman, and Todd).

Positive effect on birth weight from improved quality of care due to more informed and demanding beneficiaries (Barber and Gertler).

Program found to be more effective in terms of schooling outcomes in areas with poor initial supply conditions due to the effect of the program in improving supply (Maluccio, Murphy and Regalia).
Heterogeneity... ...and effects revisited

• Lamadrid-Figueroa, Angeles et al.: Heterogeneous impact of OPORTUNIDADES on use of contraceptive methods by young adult women living in rural areas
  – Comparing ITT, RDD, smoothed means by poverty index
  – Large positive effect on the poorest; **negative effect on those near threshold for eligibility**

• Garcia and Hill: The Impact of Conditional Cash Transfers on Children’s School Achievement: Evidence from Colombia
  – Controlling for compositional changes of students by looking at always enrolers only
  – Positive effect on school achievement for children aged 7-12 in rural areas, but **negative effect on school achievements of ‘always enrolling’ adolescents**
Conclusions

• Supply constraint
  – soft or hard?
• Heterogeneous impacts
  – implications for correctness of previous evaluations?
  – Implications for ideal eligibility cut-off or heterogeneous interventions?