

Conditional Cash Transfers: Learning from Impact Evaluations

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Conditional Cash Transfers

Reducing Present and Future Poverty

Motivation

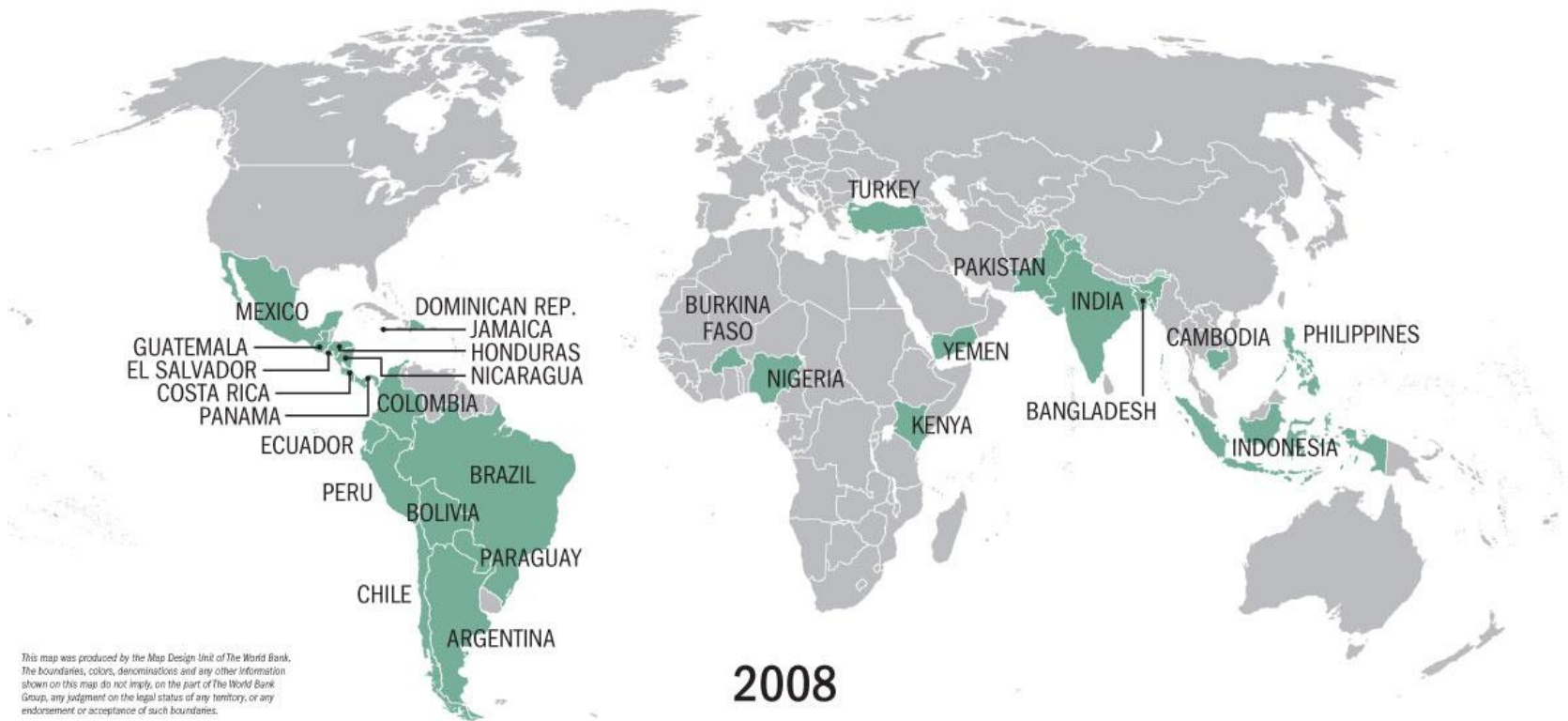
- Many countries around the world now have conditional cash transfer (CCT) programs in place
 - In some countries, including **Brazil, Colombia, Ecuador** and **Mexico**, they cover millions of households, give transfers that account for as much as 20% of consumption of the median recipient household, 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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2008

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

CCT impacts on consumption poverty

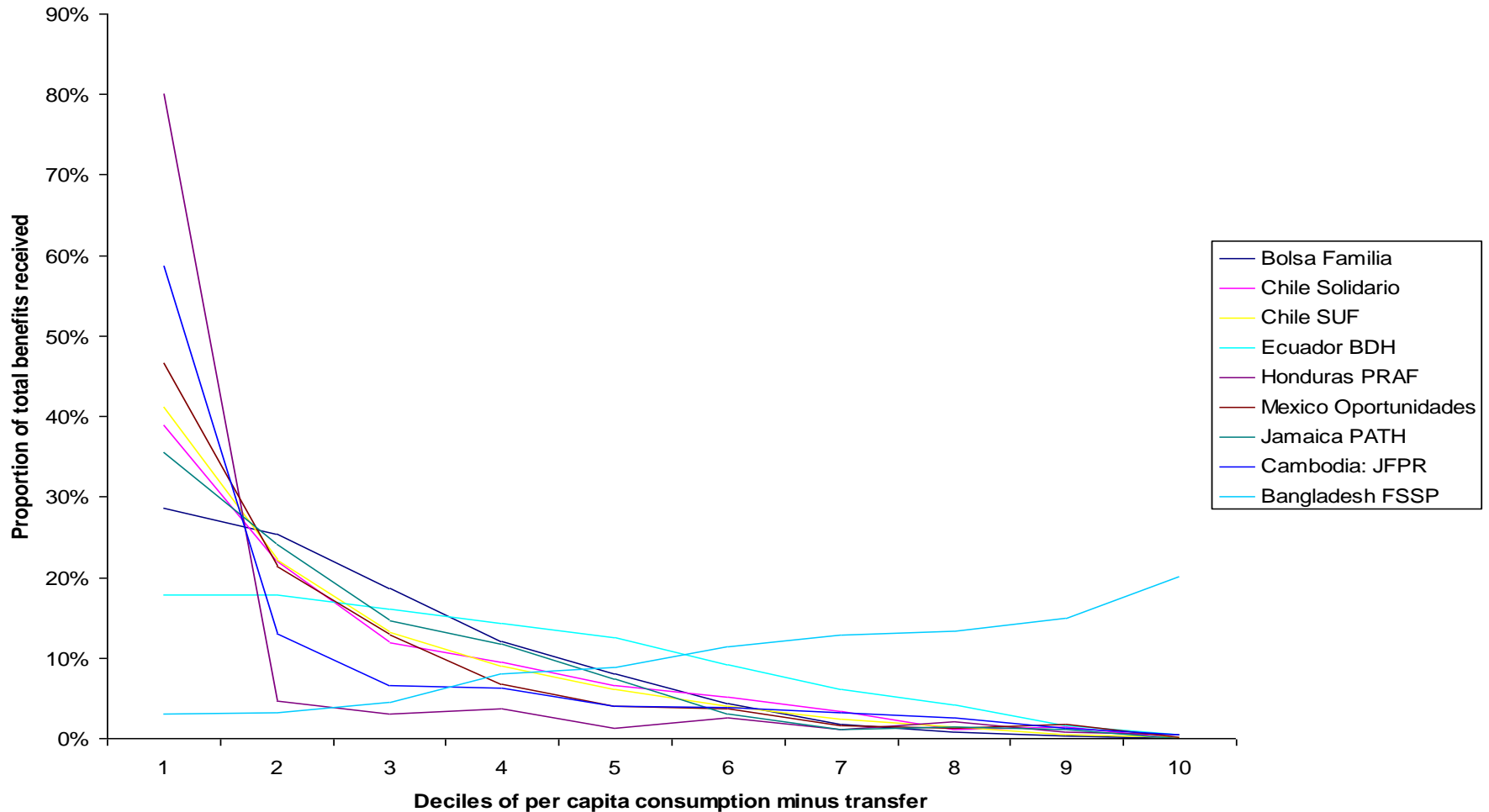
- **Message 1:** CCTs have generally led to substantial reductions in consumption poverty—in particular, when transfers are large
 - In **Nicaragua**, the Red de Protección Social, a pilot program, reduced the poverty gap among beneficiaries by 18 percent
 - In **Mexico**, PROGRESA (now Oportunidades), 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?

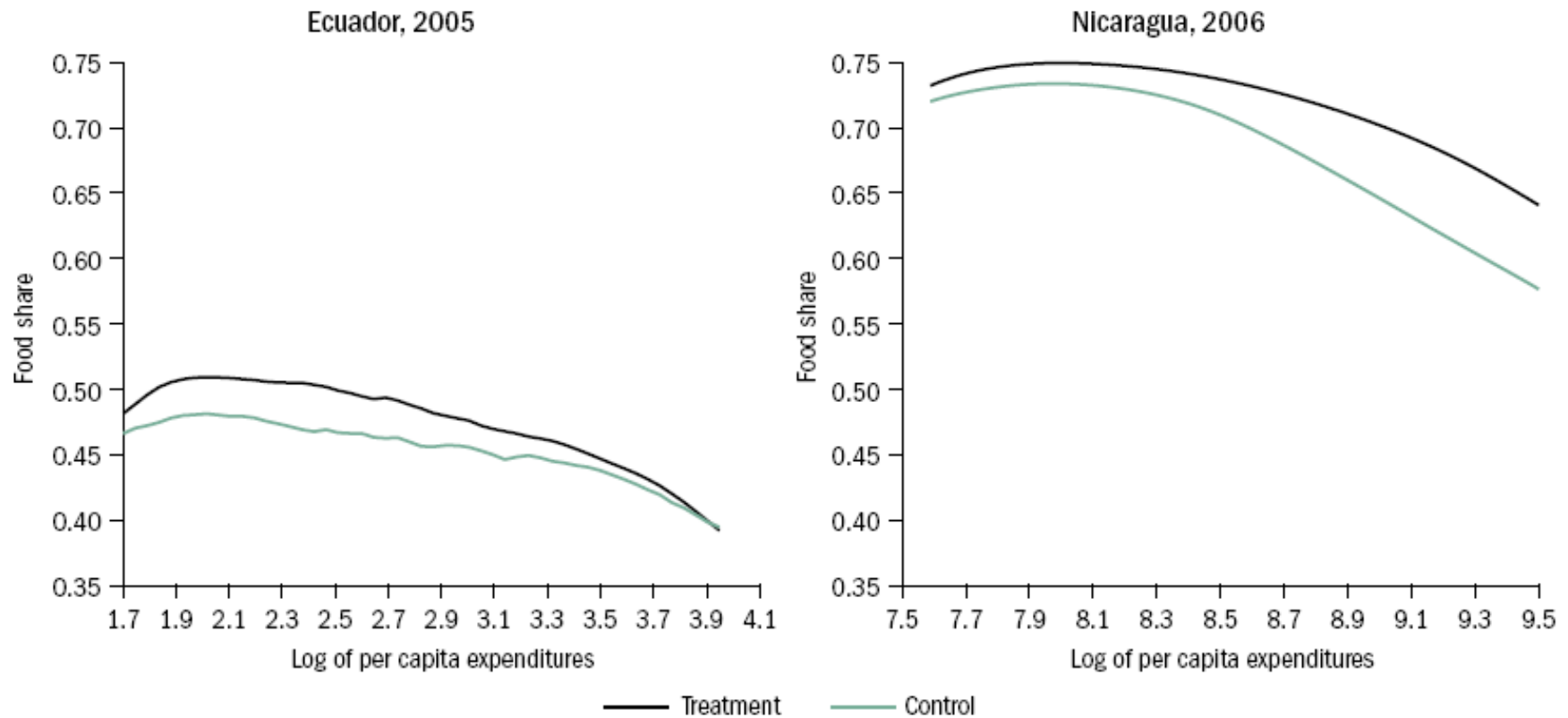
- They are well-targeted
- They have made transfers of (in some cases) substantial magnitude
- They have not reduced adult labor market participation
- They have not generally crowded out other transfers, and have not had substantial (local) general equilibrium effects
- Transfers (which are generally 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).

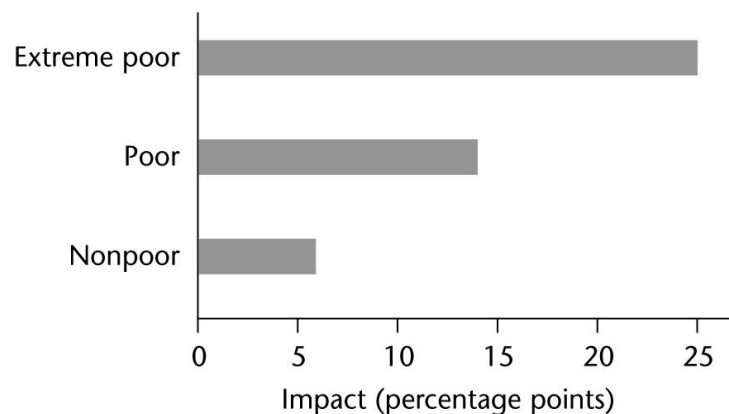
CCT impacts on health and education outcomes

- **Message 2:** 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

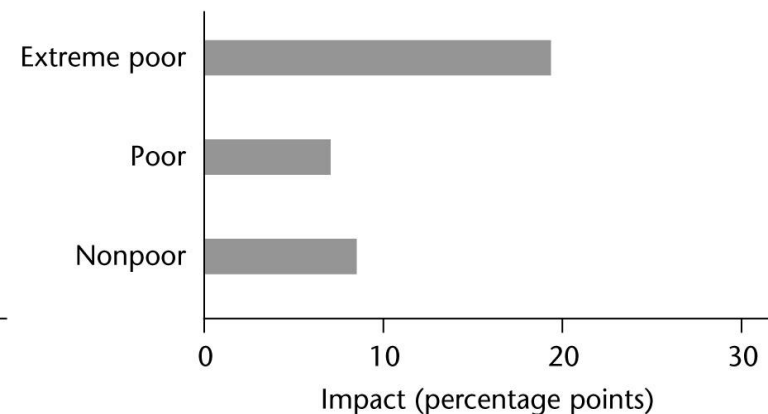
CCT impacts on health and education outcomes

- 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 3:** 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, $\frac{1}{4}$ of households believe transfers “conditional” on school enrollment, other $\frac{3}{4}$ 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, and Morocco 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

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