Not All Programs Deliver the Same Value

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Based on the experimental evidence, **UCT and TUP/economic inclusion programs are more effective than either Conditional Cash Transfers (CCTs) or Community-Driven Development (CDD) programs at persistently reducing household poverty.**

CCTs are widespread and part of many social protection systems worldwide. They target poor households, conditional on household investments in education or health (for example, sending children to school), with the idea of breaking the poverty cycle through human capital investments. CCTs have important impacts on reducing current poverty, increasing school attendance and health services utilization, and reducing child labor. In the form of Payments for Environmental Services, CCTs are also used to address climate change—impacting both reforestation and food security.

The evidence on CCTs, however, suggests they do not secure persistent impacts on household poverty and presents mixed evidence on other outcomes such as child nutrition and learning and female labor force participation. At least two factors may be at play: the conditionality and the long-term nature of the transfers. First, by the very nature of the condition, households cannot optimize the use of cash transfers. Second, without a graduation deadline, households may invest a relatively small share of CCTs, and as a result fail to generate the persistent increases in consumption observed in temporary UCT or TUP programs (see the previous case study).

In contrast, CDD projects encourage and facilitate the participation of communities in allocating resources for local public goods, often infrastructure project construction or other productivity-enhancing investments. These programs are pervasive in World Bank and other institutions' portfolios. As of June 2020, there were 327 active World Bank–supported CDD projects in 90 countries, for a total lending of US$33 billion, 65 percent of which was IDA (World Bank 2021). An additional US$33.8 billion was provided by borrowers and other donors (World Bank 2021).

However, a deep literature review evaluating the impact of CDD programs finds no or negligible impact on consumption or poverty reduction across randomized controlled trials conducted in more than a dozen contexts (Arcand and Bassole 2008; Beath, Christia, and Enikolopov 2015; Deininger and Liu 2009; Casey, Glennerster, and Miguel 2011; Fearon, Humphreys, and Weinstein 2009; Labonne 2011; and Voss 2008). Even when short-term gains from CDD are recorded, the gains are not sustained over time (Chen, Mu, and Ravallion 2009; Mvukiyehe and van der Windt 2020). A more in-depth review of this literature suggests that the closer CDDs approximate the features of economic inclusion programs, the more their impacts increase.

Overall, CDD alternatives to temporary support do not secure the same large and sustained gains in consumption and poverty reduction as UCTs and TUPs. Yet CDDs capture the lion's share of social protection and sustainable development financing around the globe. Shifting the World Bank's US$33 billion active portfolio in CDD (World Bank 2021) toward the comparably small US$5.5 billion portfolio in economic inclusion programs, or redesigning CDD programs to approximate the features of economic inclusion programs, could increase vulnerable populations' consumption by large margins (around US$11 billion according to DIME estimates).

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ADDITIONAL INFORMATION

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