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Conditional cash transfer schemes

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Session Objectives

- To provide an overview of what CCTs are, benefits and challenges
- To consider their relevance to the Laos context

Session Overview

- **Presentation**

- What is a conditional cash transfer and the rationale?
- Two classifications of CCTs
- Impacts of CCTs
- CCT challenges
- Questions to consider

- **Plenary discussion**



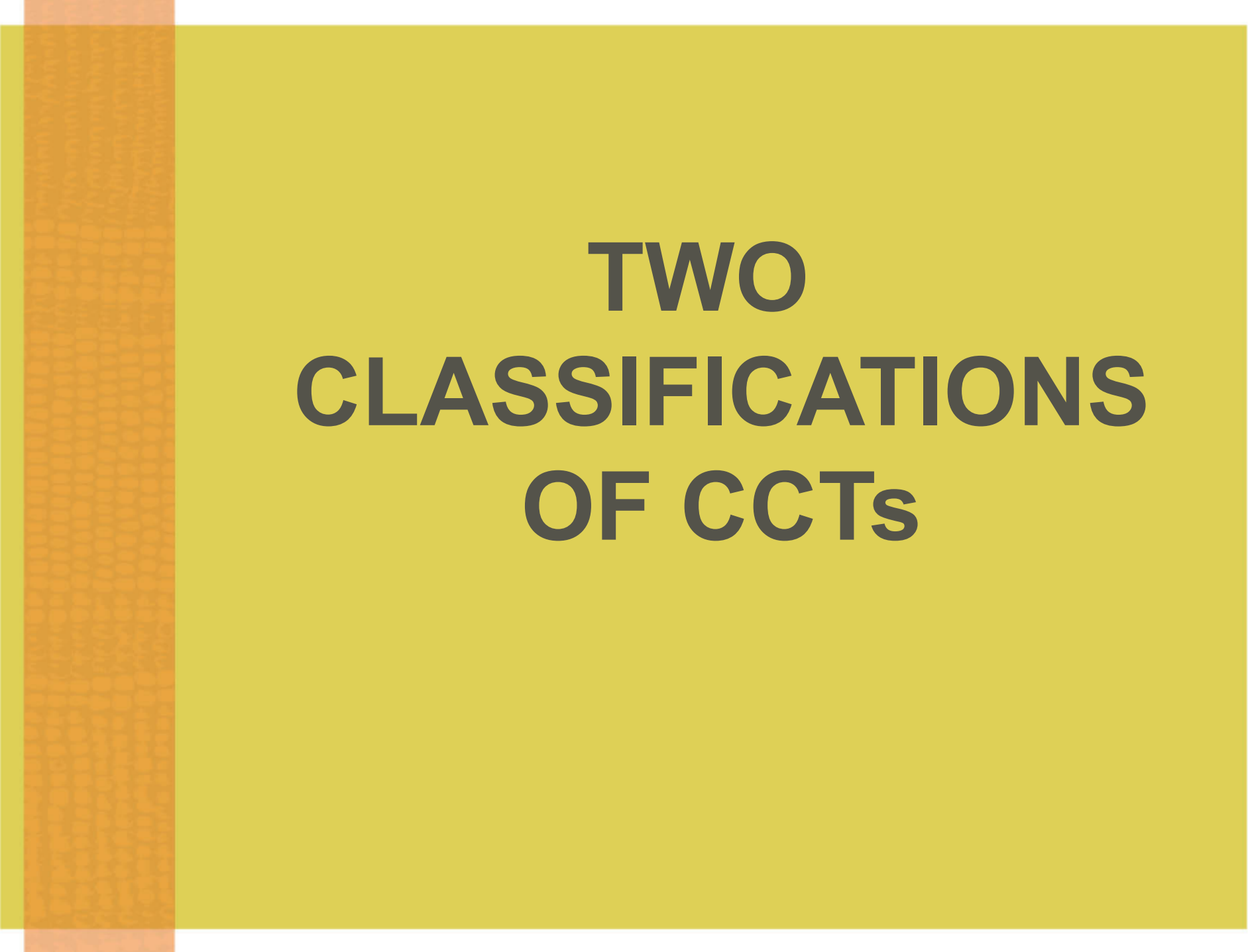
WHAT IS A CONDITIONAL CASH TRANSFER AND WHY?

What is a CCT?

- Cash transfer programs usually for households rather than individuals
- Targeted usually at poor families – therefore a form of poor relief – but not always
- Cash usually given to female caregiver
- Receipt of the cash is conditional on fulfilling certain behaviours in education and health
 - **Education:** usually school attendance on 80-85% of school days
 - **Health:** periodic check ups, growth monitoring and vaccinations for children less than 5; perinatal care for mothers and attendance by mothers at health information talks

Rationale for CCTs

- Families do not invest sufficiently in their children because they do not understand benefits of education and health; or they do not care about their children sufficiently
 - But, is this correct?
- Conditions put in place to build support for unpopular poverty targeted programs
 - Middle class more willing to finance programs through taxes if believe that poor are working for their cash



TWO CLASSIFICATIONS OF CCTs

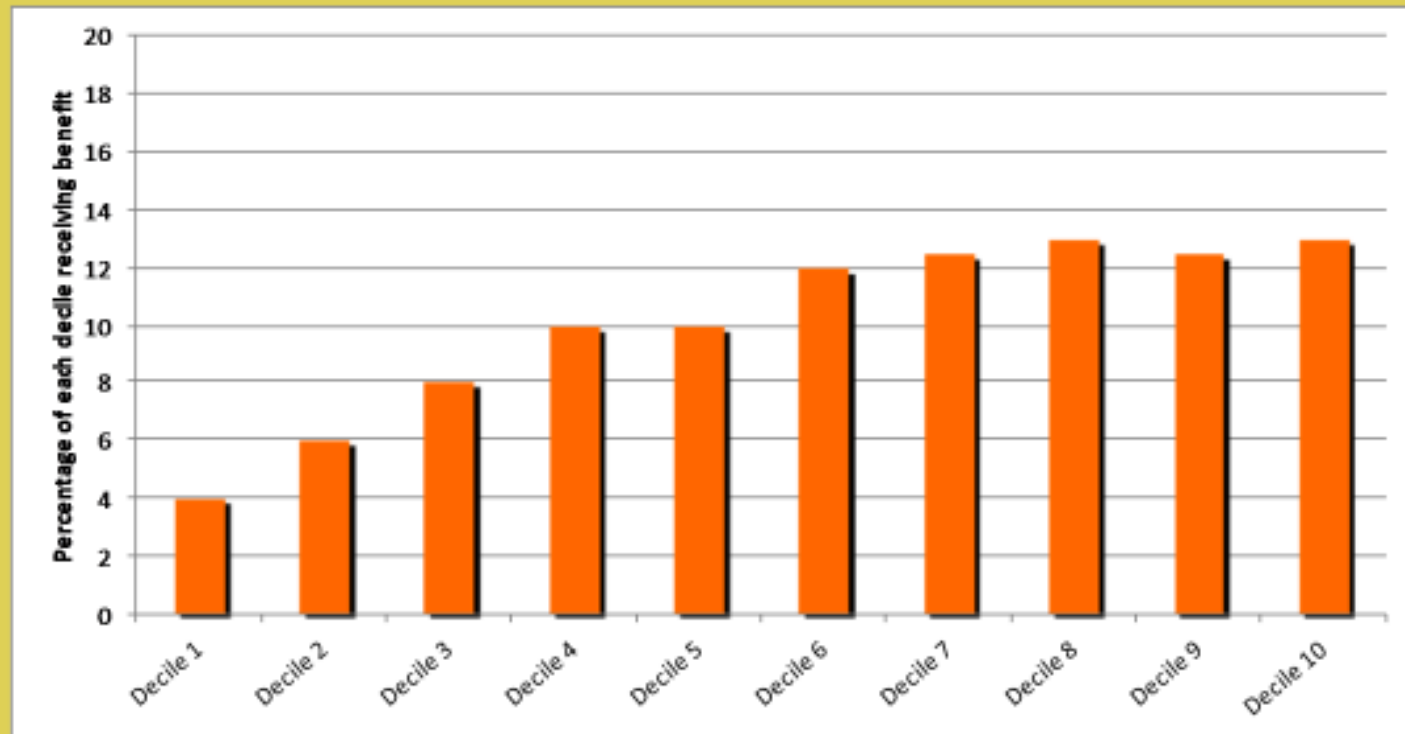
Classification #1: Poor Relief or Human Development

- **Poor relief:**
 - Main objective is to tackle poverty directly in families by providing a cash benefit;
 - Try to add something additional to the cash transfer by using conditions to change behaviour among beneficiaries
- **Human development programs:**
 - Main focus is to encourage school attendance or use of health services rather than directly tackling family poverty
 - Therefore, much smaller cash benefits

Example of poor relief program: Brazil's *Bolsa Familia* scheme

- Is part of Brazil's "Zero Hunger" program
- **Two types of benefit:**
 - All *very poor* families – with or without children – receive US\$36 per month, and not linked to condition
 - All *very poor* and *poor* families receive a variable benefit depending on number and age of children
- **Total income:**
 - *Very poor* families: US\$36 to US\$108 per month
 - *Poor families*: US\$12 to US\$72 per month

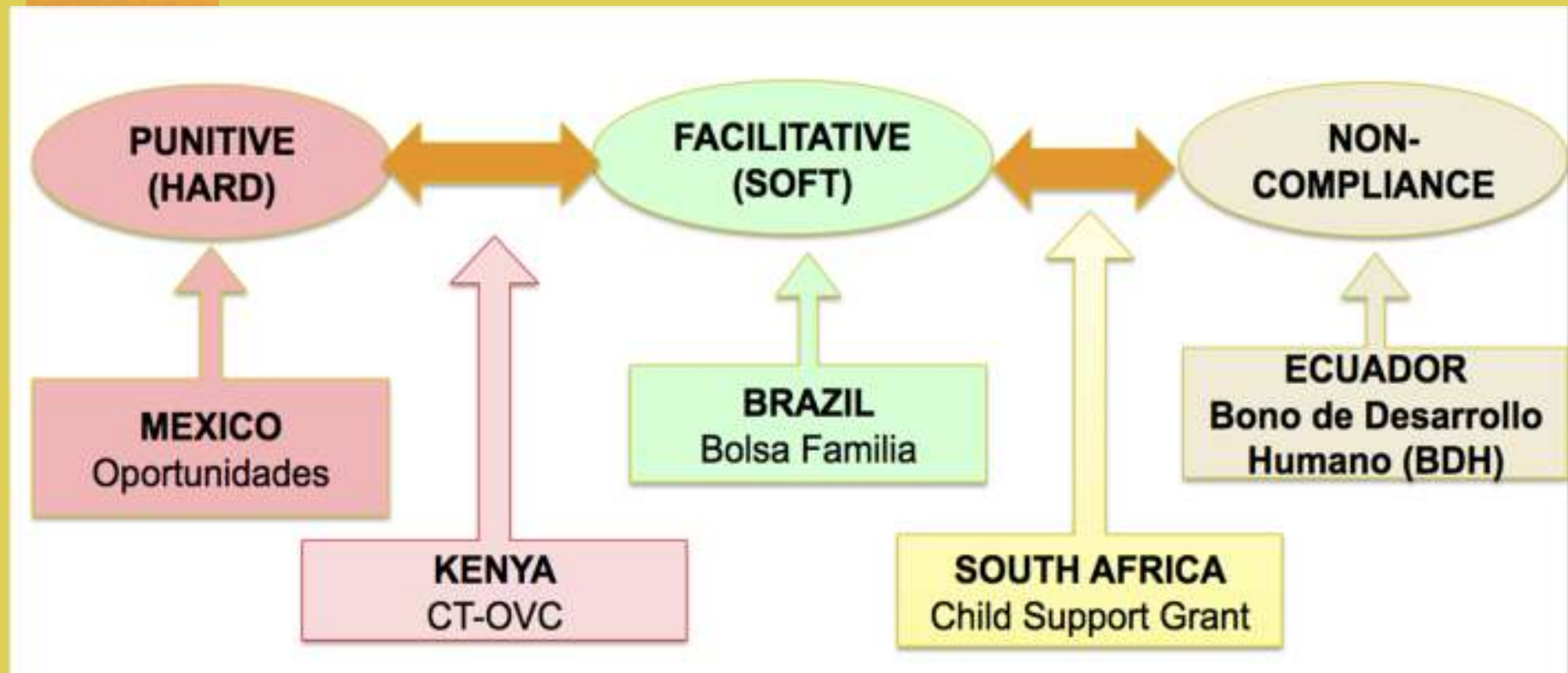
Example of Human Development Scheme: Bangladesh Female Secondary School Stipend (to 2009)



Provided around US\$0.50 per month, often directly to girl

Focus on tackling gender discrimination not poverty

Classification #2: Punitive, Facilitative or Non-Compliance



Punitive and Facilitative CCTs

- **Punitive (hard):** eg. Mexico's *Oportunidades*
 - Belief that poverty is the fault of poor people
 - Fiszbein and Schady (2009): parents hold “persistently misguided beliefs” on value of health and education
 - Beneficiaries punished by immediate withdrawal of cash
- **Facilitative (soft):** eg. Brazil's *Bolsa Familia*
 - Belief that poverty is the result of unjust structures
 - Monitoring conditions used to find most vulnerable families and provide them with increased resources
 - Very difficult to remove families from program: people given 5 warnings & if comply, full benefits are returned

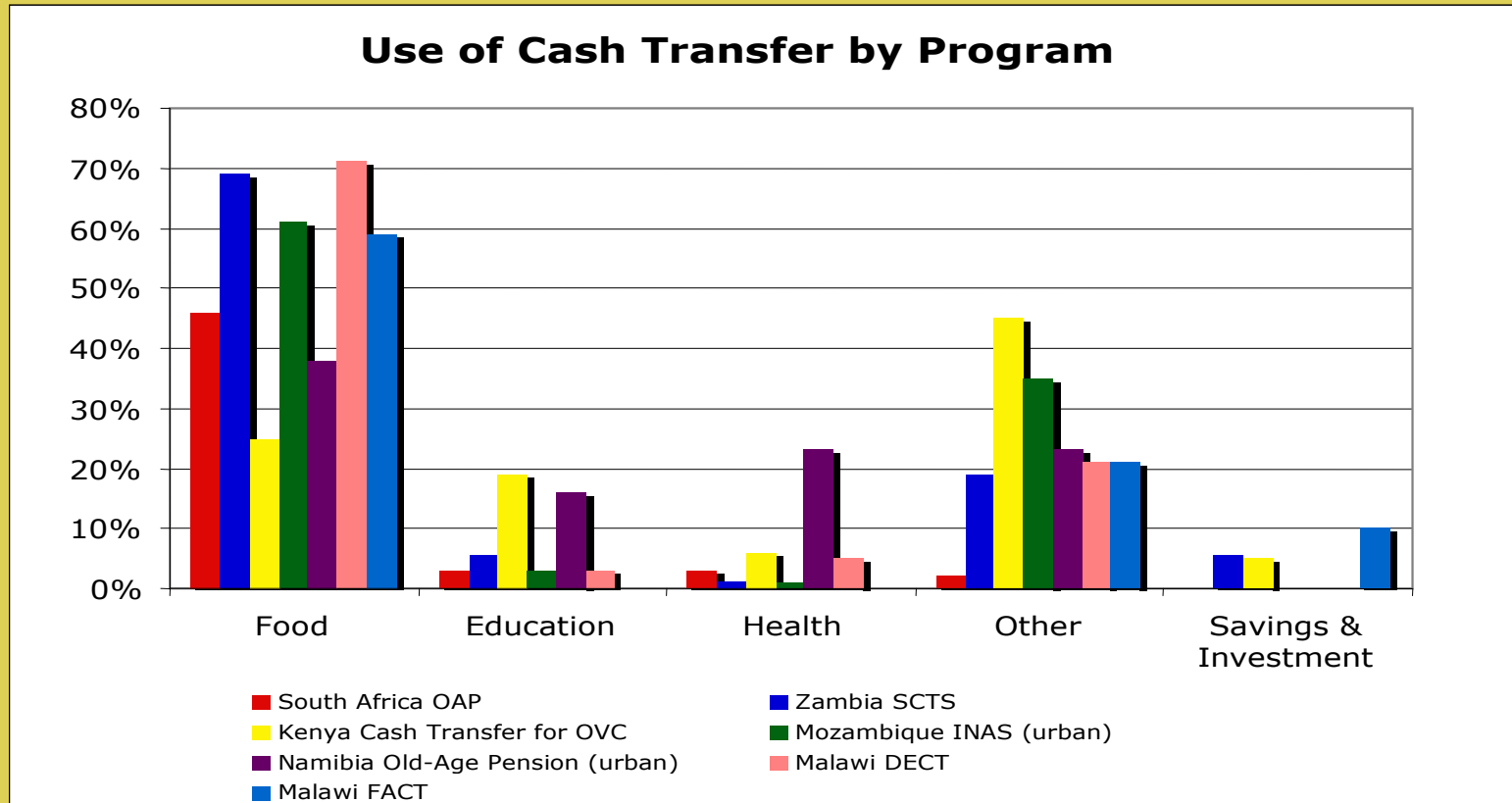


WHAT ARE THE IMPACTS OF CCTs?

Condition or Cash: Which is responsible for the impact of CCTs?

- CCTs have significant impacts on education & health
- But, so do unconditional transfers:
 - South Africa pension led to 8% increase in enrolment among poorest 20%
 - In Brazil, Rural Pension led to 20% decrease in the enrolment gap among girls aged 12-14
- Is there any evidence that the use of conditions results in an additional impact?
 - Educational impacts
 - Health and nutrition

Use of Transfers



Source: IFPRI, 2008

Education: Ecuador

Bono de Desarrollo Humano

- Created two groups for study as some beneficiaries believed program was conditional & others did not
- Divided beneficiaries into “poor” and “non-poor”
- Found that:
 - Among poor, similar increase in school enrolment between two groups therefore conditionality had no impact; cash was the driver
 - Among non-poor, increase in school enrolment greatest among those who believed benefit was conditional

Education: Mexico

Oportunidades

- Some households didn't receive monitoring forms & were unaware of conditions – good for study purposes
- Results:
 - No impact on primary school (high attendance already)
 - Impact only found in transition to secondary school
- Challenges:
 - Small sample: 261 households unaware of conditions....60 households examined in transition to secondary school;
 - Explanation may be result of differences in characteristics of households that received and did not receive forms;

Education: Other Examples

- **Kenya CT-OVC programme:**
 - Implementation difficulties so results not clear-cut but evaluation demonstrates no additional impact of condition in either health or education.
- **Morocco - CCT for Rural Education:**
 - No impact of condition
- **Burkina Faso**
 - Condition had impact on children enrolling in school
 - Unconditional grant had greater impact on children already in school



CCT CHALLENGES

Human Rights Concerns

- Is withdrawing social transfer benefit because of non-compliance compatible with *right to social security*?
- In reality, most vulnerable families are the most likely not to comply (eg. grandparents caring for children)
- Often reasons are not because of lack of desire to send children to school
 - Families in need of additional household income
 - Sexual abuse & bullying in school is a common reason
 - Illness (more likely with older carers)
 - Domestic violence – should child/woman be punished?
 - Floods or lack of transport

Perverse Incentives from Conditions

- ***Nicaragua:*** condition imposed that children need to maintain weight or grow for parents to receive cash
 - Families over-fed children before health visits
 - Condition was removed after evaluation
- ***Brazil Bolsa Alimentacao:*** Children on program lost weight
 - Parents may have thought that children need to be underweight to remain on program
- **What is effect of changing message that 100% school attendance is compulsory and replacing with 80-85%?**
 - Unknown because impact on attendance is not evaluated

Psychological Impacts on Children: Example of Zomba Cash Transfer in Malawi

- **Girls subjected to conditions significantly more likely to suffer from psychological distress**
 - Likelihood of girl on CCT suffering psychological distress increased by 3 percentage points for each additional dollar received
- **There are high levels of sexual abuse and bullying at schools in Malawi; and, potentially, girls on the conditional program were more likely to attend school when ill as conditions were very punitive**

Administrative Complexity of CCTs

- **Many countries do not enforce compliance due to challenges of monitoring conditions**
 - Chile, Ecuador, Honduras, Dominican Republic, Paraguay, Ghana
- **Requires a highly complex MIS, with significant flows of information, especially if appeals included**
 - **Mexico:** takes four months to remove payment, without appeals
- **Kenya: significant challenges in monitoring conditions**
 - Transfer information by paper and vehicle and forms often late
 - Takes many months to withdraw payment, and done inconsistently
 - Many people not informed of reason for loss of payment: no checks and balances and no appeals
 - Conditionality forms piling up in office of data-entry clerks

Burdens on Health & Education Staff

- **Pressures put on education and health staff**
 - Often already over-worked
 - Kenya: medical staff refused to participate
- **Teachers and health workers become enforcement agents for another program**
 - Nicaragua: teachers sometimes falsified records so that child's absence is not recorded; they do not want to punish the child or don't want a problem with the parents
 - Similar challenge found in Argentina, Bangladesh, Brazil, Colombia and Mexico



QUESTIONS TO CONSIDER

Are CCTs an appropriate policy response for your country?

- What are main reasons why parents don't send their children to school / take them for health checks? Attitude? Financial constraints? Analyze the reasons for low uptake of services
- Are basic services in place and accessible for beneficiaries? Are the services providing a minimally acceptable quality of service?
- Does your country have the administrative capacity and budget to monitor compliance & apply sanctions?
- Where is the demand for introducing a CCT coming from? National stakeholders? International donors?
- Are policy makers aware of evidence of the pros & cons of CCTs & how CT recipients spend their transfers without conditions?
- Is a CCT necessary to gain support of critical stakeholders?

Conclusions

- Rationale for CCTs:
 - i) parents don't appreciate value of education or health services – but is this correct?
 - ii) political economy
- Different types of CCT; poverty reduction / human development; punitive / facilitative / non-compliance
- Limited & mixed evidence on additional impact of conditionality – programs complex & context specific.
- Challenges: human rights, perverse incentives, psychological impacts, administrative capacity, stresses on front-line service staff



Thank you

**Questions or
Comments?**