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“I think these programmes are as close as you can come to a magic bullet in development. They are creating an incentive for families to invest in their own children’s futures. Every decade or so, we see something that can really make a difference, and this is one of those things,” Nancy Birdsall, President of the Center for Global Development.

Conditional Cash Transfer (CCTs) programmes provide cash to poor households who meet certain health and education conditions such as regular school attendance and health check-ups for children at the clinic. This model of intervention is spreading rapidly throughout the developing world. Over 17 countries including Bangladesh, Brazil, Colombia, Costa Rica, El Salvador, Honduras, Indonesia, Jamaica, Malawi, Mozambique, Nicaragua, Pakistan, Palestine, Panama, and Paraguay, as well as New York City have a Mexican model cash transfer programme.

Lessons Learned:

- Financial incentives can increase utilization of health services by the poor.
- Providing more information - in particular to women - about the healthcare services they should expect along with skills support, enabled them to negotiate better care from health providers.
- Health talks have a larger effect on contraceptive use among the poorest beneficiary households, probably due to their lack of prior access to this information.
- School achievements of adolescents who would have attended school even without the cash transfer was negatively affected by the programme, possibly due to adverse effects on the quality of education caused by peer effects or the crowding of classrooms.
- CCTs can improve education supply - measured by grade availability, number of sessions per day and number of teachers - in areas with poor initial supply conditions, which indicates that poor supply need not be a constraint on the effectiveness on these programmes.

CCTs are designed to reduce poverty. In addition to the short-term poverty alleviation due to the increase in income, the intervention provides incentives for households to invest in human capital, and thereby break the cycle of poverty in the long run. These programmes have pioneered the use of impact evaluation to investigate why the programmes work or not and help improve their design (Gaarder, 2010).

Rigorous impact evaluations have successfully convinced political leaders starting in Latin America, but also in Africa, Asia and the Middle East, to invest in CCT programmes and investigate how they can be made more effective. In a number of countries, those impact studies have also persuaded the political leadership that when outcomes are uncertain and budgets limited, random assignment to treatment and control between eligible poor households is a more transparent and fairer selection procedure than political hand-picking. The creation of a rigorous *counterfactual* - what would have happened to the same group without the programme - lent credibility to the evaluation findings. In the countries where random assignment was not an option, quasi-experimental methods have been employed to establish the *counterfactual*.

In 2009, a World Bank panel of experts recently reviewed the existing evidence of the real impacts of CCT programmes and found some mixed results. While the programmes helped reduce extreme poverty rates, increase in school attendance did not necessarily result in better learning outcomes, and improved utilisation of public health services did not translate necessarily into health outcomes.

More recently, the evaluation of New York City's Opportunity Family Rewards – a conditional cash transfer program that was inspired by Mexico's *Oportunidades* programme – also revealed mixed findings. Though it provided families a 16 percent chance of moving out of poverty, improved high school performance for some students, and increased preventive dental care, it did not affect elementary and middle school performance as planned and the administration of NYC is not planning to extend the programme.

Despite the popularity of CCTs, many critical questions of effectiveness remain unanswered.

Box 1. An Influential Evaluation: Oportunidades

Mexico's Conditional Cash Transfer (CCT) program Oportunidades is a social protection program aimed at alleviating poverty in the short -term, while promoting human capital accumulation and thereby breaking the inter-generational poverty-cycle. CCT programs provide cash to poor households upon household compliance with a set of health and education-related conditions.

Expected immediate results include increased food consumption, school attendance and preventive health care utilization among the poor. Longer-term expected impacts are increases in the accumulation of human capital and associated returns in the labor market.

The program started to operate in rural areas in 1997 under the name of Progresa. By 2001 it had been extended to semi-urban areas, and by 2002 it reached urban areas. Five million families currently benefit from this program; approximately 25% of the population and all the poor.

From the outset, an evaluation component was included to quantify the program's impact through rigorous methodologies (focused on attribution rather than contribution), using both qualitative and quantitative approaches. The work was assigned to internationally and nationally renowned academics and research institutions.

Perhaps the largest impact of the evaluation thus far, with very positive and credible results emerging, is its important role in ensuring that the program was not eliminated with the change of government, contrary to what had become the norm for previous changes in administration. The name of Progresa was however changed to Oportunidades to mark the change.

Another important impact, to which the Oportunidades evaluation experience has contributed, has been the adoption of a Mexican Law which now requires all social programs to have yearly external evaluations of their programs.

An external "impact" of the program has been that a number of other countries in the region have adopted similar programs to Oportunidades, including Colombia, Nicaragua, Honduras, El Salvador, Panama, Costa Rica, Paraguay and Jamaica.

Finally, a number of modifications to the design of the program have been made as a result of the evaluations, including (i) an extension of the education grants it provides, beyond junior high to the high school level, as the evaluation revealed larger program impact on schooling attendance of children of secondary school age; (ii) improvements of the methodology used in the health talks, from a passive lecture-style to an interactive and more hands-on learning approach; (iii) adjustment of the health talk content to address the urban challenges related to chronic diseases, risky behavior and unhealthy lifestyles; and (iv) adjustment of the food supplement composition to include a type of iron that would more easily be absorbed.

Source: Briceño B. and Gaarder M. (2009)

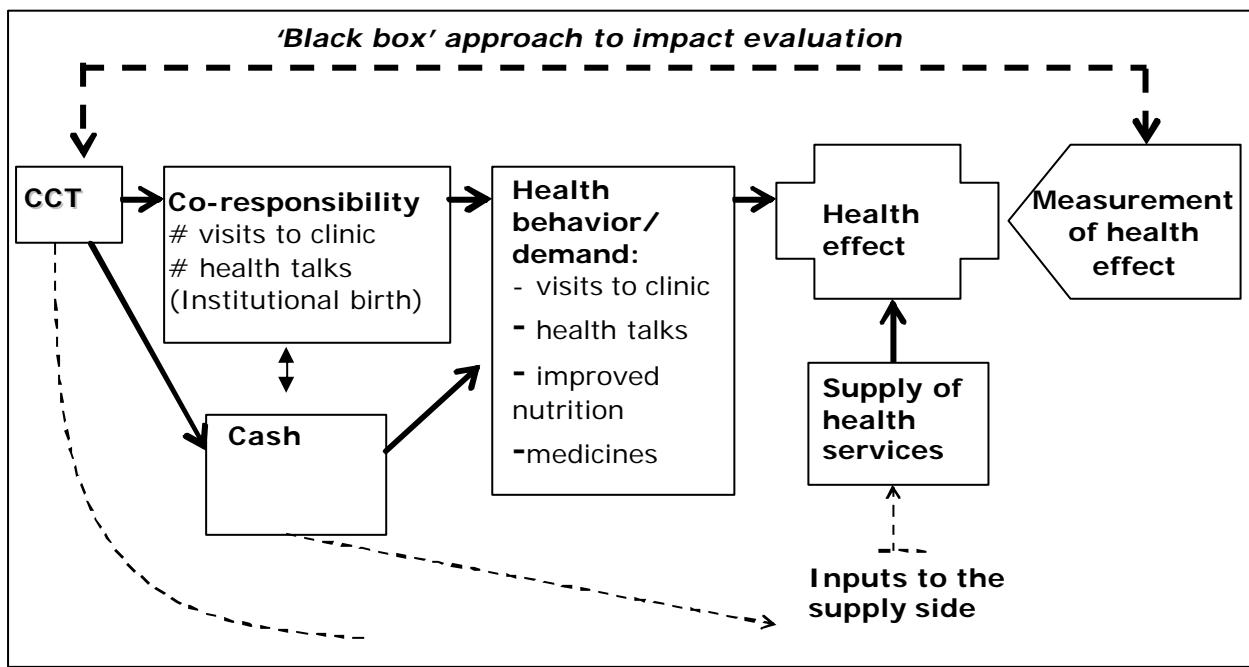
Do conditional cash transfer interventions improve people's health and nutrition?

.There is strong evidence that financial incentives work to increase utilization of key health services by the poor. However, this increase in access to health services does not necessarily translate into improvements in the level of vaccination, nutritional status, morbidity and mortality. This puts into question the cost-effectiveness of encouraging utilization when services are of poor quality. However, recent findings from Mexico indicate that the beneficiaries are demanding better quality of services, forcing service providers to improve their performance (Barber and Gertler, 2010).

Other studies from Mexico indicate that although the health benefits from increased use of healthcare services are mixed, there may be additional benefits resulting from the monetary transfers, including improved lifestyle choices and mental health. Health talks can also increase the use of contraceptive methods by providing information previously not available to the poorest households (Lamadrid-Figueroa et al. 2010).

The second challenge is identifying the marginal benefit of conditional over unconditional transfers. If monitoring conditionality is costly, and complying with the co-responsibilities is time-consuming for the household, it is important to determine whether conditions are necessary to ensure the desired health-seeking behaviour. In some cases, it is probable that poverty was the entire problem and only increased income was needed, but this should be carefully considered in the design stage.

Theory-based approach to CCTs and mapping the implicit assumptions



Source: Gaarder et al., 2010

What are the impacts on children's learning?

Research has shown that CCT programmes have a positive impact on school enrolment, but little is known about the impact of such programmes on school achievements.

"Today, thanks to Oportunidades, the Mexican government can make direct cash transfers to nearly all of the population living in extreme poverty"- Santiago Levy, Mexican economist, chief architect of the renowned Mexican program and Deputy Minister of Finance.

For instance, Brazil, Mexico and Honduras have shown that school attendance increases as a result of a CCT programme (Skoufias and McClafferty, 2001, Cardoso and Souza 2004, and Glewwe and Olinto 2004). If the school is of sufficient quality, there should additionally be a positive effect of attendance on student performance.

Evidence on CCT's effect on learning achievement is however less conclusive. In Mexico, the programme resulted in lower repetition rates and higher grade-progression rates for children between the ages of six to 11, though the findings were reversed for young people from age 12 to 14 (Behrman *et al.* 2005b). Similarly in Brazil, there was a 0.8 percent increase in retention rates for the children who benefited from the intervention as opposed to the ones who did not (Janvry *et al.* 2006).

In Colombia, *Familias en Acción* was found to have a positive impact on the performance of rural children aged seven to 12 who would have attended school even without the cash transfer. However, school achievements of adolescents who would have attended school even without the cash transfer was negatively affected by the programme, possibly due to adverse effects on the quality of education caused by peer effects or the crowding of classrooms (Garcia and Hill, 2010).

In Nicaragua, *Red de Protección Social* reduced dropout and repetition rates over a four year period. The programme also had a positive impact on grade progression particularly in areas with better equipped schools. Interestingly, the CCT programme effectively improved education supply in areas with poor initial supply conditions, which indicates that poor supply need not be a constraint on the effectiveness on these programmes (Maluccio *et al.* 2010).

Useful references and resources

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- Colombia Familias en Acción Programme <http://www.accionsocial.gov.co/>
- Brazil Bolsa familia Programme <http://www.mds.gov.br/bolsafamilia/>

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