

Helpdesk Research Report: Impact of Cash Transfers
14.09.07

Query: What is the evidence on the impact of conditional and non-conditional cash transfers (i) generally and (ii) in particular on educational indicators? Information on low-income contexts or other African experience would be particularly valuable.

Enquirer: DFID Nigeria

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1. Overview

In recent years, a number of cash transfer programmes have been implemented in various countries, most notably in Latin America. Conditional cash transfer (CCT) programmes like *PROGRESA* in Mexico and *Bolsa Escola* in Brazil, which transfer cash to poor households on condition that they send their children to school or clinic have demonstrated significant impact in improving household consumption, and increasing school enrolment and uptake of basic health services. This evidence has encouraged low-income countries to pilot social transfer programmes but as most of the literature notes, important questions remain about the effectiveness of these programmes in different conditions and in countries with weak administrative capacity and limited financial resources. There are also additional concerns about implementing conditionality in African countries where 'supply-side' issues, such as the quality of education and health services, may need to be improved first.

Many of the programmes implemented in Africa to date have been unconditional and have aimed primarily at reducing food insecurity, often in emergency contexts. There is empirical evidence however that these schemes have also had a positive impact on enrolment and attendance. While several unconditional non-emergency cash transfer programmes have been initiated in Africa recently, they are still too new to have provided results. So, in addition to programme evaluations and information on educational outcomes, this query includes materials which use the Latin American experience to draw policy implications for interventions in low-income countries, as well as feasibility studies on the use of cash transfers in African countries.

2. Key documents

General

- Samson, M., 2007, 'The Impact of Social Transfers on Growth, Development, Poverty and Inequality in Developing Countries', Economic Policy Research Institute, Cape Town

This paper argues that effective social transfers reduce poverty and inequality, and these social effects generate important growth and development impacts in developing countries. The study finds that social transfers:

- Provide for nutrition, health and access to education and can also prevent the transmission of poverty to children.
- Allow households to weather shocks without compromising their future livelihoods, for instance, by selling livestock.
- Are often distributed largely to women, promoting empowerment and more balanced gender relations.
- Can improve household living standards and lead to better education and health outcomes, particularly for women and children.
- Can support critical economic objectives. Many of the world's fastest growing economies of recent years built social protection into their policies at early stages because of its potential to increase productivity and contribute to stabilising domestic demand.

The section entitled 'Social protection, livelihoods and employment: a review of some evidence' (pp.11-14) discusses experiences in developing countries with a focus on the impact of South Africa's social grants. It notes that social pensions introduced in Mauritius and Botswana have reduced poverty and inequality rates and provided a foundation for stability, growth and development. Preliminary evidence suggests that the new pension in Lesotho is playing an important role in supporting older people taking care of grandchildren orphaned by AIDS.

- Gassmann, F. and Behrendt, C., 2006, 'Cash Benefits in Low-Income Countries: Simulating the Effects on Poverty Reduction for Senegal and Tanzania', International Labour Office, Geneva
<http://www.gsdr.org/docs/open/SP21.pdf>

This paper presents a set of models of basic social cash transfer programmes that could be implemented in Senegal and Tanzania in order to illustrate their potential impact on poverty reduction in low-income countries. It finds that in Senegal:

- The combination of pensions and child transfers for school-age children would decrease food poverty rates and reduce the poverty gap by more than half.
- In Tanzania, a universal old-age pension would cut poverty rates by 9% points, and 24% points for households with elderly family members. It would have greater impact for older men and women at 36%.
- Also in Tanzania, child benefits for school-age children would have a more balanced impact and would cut poverty rates by approximately 30% points. The combination of pensions and child benefits would reduce poverty rates by 35% points and 46% points for households with children and elderly family members.

Conditional Transfers

- Gertler, P, Barungi, B., and Woolard, I., 2005, 'The Impact of Conditional Cash Transfers on Human Development Outcomes: A Review of Evidence from PROGRESA in Mexico and Some Implications for Policy Debates in South and Southern Africa', Southern African Regional Poverty Network, South Africa
http://www.sarpn.org.za/documents/d0001109/P1224-SARPN-Gertler_Jan2005.pdf

This paper reflects on assessments of Mexico's PROGRESA Conditional Cash Transfer scheme and draws comparisons with South Africa's Child Support Grant (CSG). Its key points include:

- From the inception of PROGRESA, a strong commitment to rigorous evaluation was critical in ensuring that the next generation of policy makers did not abandon the programme.

- Early assessments of South Africa's Child Support Grant suggest that it may have a significant impact on very young children, but enrolment rates are still low.
 - Providing schools and health care facilities in low-income countries in Africa may be a higher priority than cash transfers as supply side issues are still pertinent to the debate on social protection in Africa.
- Maluccio, J. A. and Flores, R., 2004, 'Impact Evaluation of a Conditional Cash Transfer Program: The Nicaraguan *Red de Protección Social*', Food Consumption and Nutrition Division Discussion Paper 184, International Food Policy Research Institute
<http://www.ifpri.org/divs/fcnd/dp/papers/fcndp184.pdf>

This paper presents the main findings of an evaluation of the *Red de Protección Social* (RPS), a conditional cash transfer program in Nicaragua. The study found that the programme:

- Supplemented per capita annual total household expenditures on average, by 18% points, with most of the increase spent on food.
 - Produced a massive average net increase on enrollment of 17.7% points and an even larger effect of 23% points on current attendance for the target population.
 - Resulted in a decline in the percentage of working children of 7-13 years by 4.9 points.
 - Led to an average net increase of 11% points in the participation of children under age 3 in a child health care programme.
 - Led to a 5% point decline in the number of children whose growth was stunted.
- Rawlings, L. B., 2004, 'A New Approach to Social Assistance: Latin America's Experience with Conditional Transfer Programs', World Bank, Washington D.C.
<http://info.worldbank.org/etools/docs/library/49187/0416.pdf>

This report finds that there is clear evidence of the success of conditional cash transfer programs in Brazil, Colombia, Mexico and Nicaragua in increasing enrollment rates and household consumption, and improving health care. However, the author claims that many questions remain unanswered about conditional cash transfer programs, including the replicability of their success under different conditions, their role within a broader social protection system, and their long-term effectiveness in preventing the inter-generational transmission of poverty.

Unconditional Transfers

- Devereux, S. et al, 2005, 'Making Cash Count: Lessons from Cash Transfer Schemes in East and Southern Africa for Supporting the Most Vulnerable Children and Households', Save the Children/ HelpAge International/ Institute of Development Studies, UK
<http://www.helpage.org/Resources/Researchreports/Makingcashcount>

This study recognises that cash transfers are a relatively new policy instrument in Africa and therefore several knowledge gaps exist. It uses a qualitative methodology to review unconditional cash transfers in 15 countries of east and southern Africa, and examines and compares four programmes in more depth (in Ethiopia, Lesotho, Mozambique and Zambia), and draws lessons for policy. Chapter 4 'Lessons Learned: The Use and Outcomes of Unconditional Cash Transfers' (pp. 26-35) looks at the general impact of cash transfers on children, as well as the effect on household poverty, food security, dietary diversity, income generation, access to services, as well as social consequences.

- Michelo, S. 2006, 'Evaluation Report; Kalomo Social Cash Transfer Scheme', Ministry of Community Development and Social Services (MCDSS) and German Technical Cooperation (GTZ), Lusaka
http://www.socialcashtransfers-zambia.org/mediapool/28/282961/data/SCTS_final_evaluation_report_II.pdf

This report is an evaluation of the Kalomo social cash transfer scheme which was set up in response to the HIV/AIDS pandemic in Zambia. This is an important report as it is one of the first of its kind to verify whether cash transfer schemes are feasible in a low income country with weak administrative structures and constrained financial resources. The evaluation finds that as a result of the scheme:

- Enrolment rates rose by 3% points. However, absenteeism reduced for shorter periods and increased for longer periods.
 - Household members living on one meal a day declined from 19.3% to 13.3% points and more importantly, the percentage of households indicating that they were still hungry after each meal decreased from 56.3% to 34.8% points.
 - The number of households consuming vitamins (vegetables and fruits) and proteins (fish and meat) increased at evaluation.
 - The number of beneficiary households relying on cash-income from external sources such as relatives and neighbours decreased at evaluation, pointing towards increased self-reliance.
 - Households have gained more self-confidence over time: they feel they are considered less poor by the community; have a more hopeful outlook; and more households have plans for the future.
- Devereux, S., et al., 2006, 'Ethiopia's Productive Safety Net Programme (PSNP): Trends in PSNP Transfers Within Targeted Households', Institute of Development Studies, UK/ Indak International, Ethiopia
http://www.ids.ac.uk/UserFiles/File/poverty_team/PSNPEthiopia.pdf

This paper provides a brief overview of the rationale and design of the Productive Safety Net Programme (PSNP), which was began in 2005 in order to address food insecurity in Ethiopia. It is built around two main components: a 'Public Works' cash-for-work programme and an unconditional cash or food transfers programme for vulnerable households. The key impacts (detailed on pages 36-39) include:

- Three-quarters of beneficiary households reported that they consumed more food or better quality food in 2005 and almost all of these households attributed this to the PSNP.
 - Three in five beneficiaries avoided having to sell assets to buy food in 2005.
 - More than one-third of households enrolled more of their children in school, and half of all beneficiaries kept their children in school for longer, rather than withdrawing them when cash or food was short.
 - Approximately one-quarter of beneficiaries acquired new assets for their households or new skills in 2005/6 and most attributed this to the programme.
- Barrientos, A, 2005, 'Non-Contributory Pensions and Poverty Reduction in Brazil and South Africa', Institute for Development Policy and Management, University of Manchester
http://www.ids.ac.uk/ids/pvty/pdf-files/Non-contributory_pensions.pdf

This paper considers the impact of cash transfer programmes for the old in Brazil and South Africa on poverty among households with older people. The paper finds that:

- The poverty headcount would be over 7% points higher for the Brazil sample and over 2% points higher for the South Africa sample if the pension income was removed
- The average poverty gap would be 35.7% points larger for the Brazil sample and 10.41% points larger for the South Africa sample if the pension income was removed.
- Belonging to a household with a pension recipient reduces the probability of an individual being poor by 18% points
- for the Brazil sample and 12.5% points for the South African sample.

- Devereux, S., Mvula, P, and Solomon, C., 2006, 'After the FACT: An Evaluation of Concern Worldwide's Food and Cash Transfers Project in Three Districts of Malawi', Concern Worldwide

The Food and Cash Transfers project (FACT) was implemented by Concern Worldwide in three districts of central Malawi as a complementary humanitarian intervention during the food crisis of 2005/06. The evaluation finds that FACT cash allowed beneficiaries to meet their immediate subsistence needs, but also to invest in agriculture and other livelihood activities, and to protect their assets. The transfers also promoted higher food consumption and more diversified diets and allowed people to avoid detrimental coping strategies such as the selling of livestock and other assets. In some cases however, the programme led to tension within households, and disagreement between husbands and wives over the use of FACT cash, especially when men spent the money on alcohol. There were also tensions within communities and between included and excluded households, especially where these had not been selected in a transparent manner.

Conditionality vs. Non-conditionality

- De Brauw, A. and Hoddinott, J., 2007, 'Must Conditional Cash Transfer Programs be Conditioned to be Effective? The Impact of Conditioning Transfers on School Enrollment in Mexico', International Food Policy Research Institute, Washington D.C. <http://www.ifpri.org/pubs/dp/IFPRIDP00757.pdf>

This paper aims to test the importance of conditionality on the specific outcome of school enrollment, using data collected during the evaluation of Mexico's *PROGRESA* CCT program. To assess the importance of conditionality, the study utilises the fact that some *PROGRESA* beneficiaries who received transfers did not receive the forms needed to monitor the attendance of their children at school. The study shows that the absence of these forms reduced the likelihood of children attending school, with the most pronounced effect on children transitioning to lower secondary school.

- Schubert, B, and Slater, R., 2006, 'Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?', *Development Policy Review*, Vol. 24, Issue 5, pp. 571–578. http://www.socialcashtransfers-malawi.org/Publications_files/Schubert-Slater.pdf

This paper argues that there has been no rigorous analysis of the respective costs and benefits of conditional versus unconditional transfers and therefore the impact of conditionality itself is not known. The important contextual differences between Africa and Latin America, in terms of quality and quantity of service provision, capacity to implement conditionality, socio-cultural, ethnic and political contexts, and, potentially, the benefit:cost ratio of conditionality, may well make the introduction of CCTs in Africa inappropriate.

Educational Outcomes

Conditional Transfers

- De Janvry, A., Finan, F., and Sadoulet, E., 2006, 'Evaluating Brazil's *Bolsa Escola* Program; Impact on Schooling and Municipal Roles', University of California at Berkeley, USA <http://are.berkeley.edu/~sadoulet/papers/BolsaEscolaReport6-6.pdf>

Bolsa Escola was a conditional cash transfer program that offered mothers in poor households in Brazil a monthly stipend if their children aged 6 to 15 attended school on a regular basis. This report offers an analysis of the impact of the program on two important issues affecting education in the Northeast: a high drop out rate; and a high failure rate affecting progression to the next grade. The general finding of the paper is that *Bolsa Escola* had a strong impact on reducing child dropout rates during the school year, with a 7.8% improvement in complete year attendance. However, the grade failure rate actually increased by 0.8% point, probably because the transfers helped maintain at school children who were less able or less motivated to study and who might otherwise have dropped out.

- De Janvry, A., Finan, F., and Sadoulet, E., 2004, 'Can Conditional Cash Transfer Programs Improve Social Risk Management? Lessons for Education and Child Labor Outcomes', World Bank, Washington D.C.
<http://are.berkeley.edu/courses/ARE251/2004/papers/Shocks-10-22.pdf>

This paper examines the extent to which CCT programmes can help mitigate the effects of shocks on child schooling and labour choices, using data from the *PROGRESA* programme in Mexico. The findings from the study show that:

- Strong state dependence indicates that children taken out of school (partly due to shocks) are less likely to subsequently return. The CCT programme seems to mitigate this state dependence.
 - Shocks such as unemployment or illness, natural disasters, and loss of land, harvest, or animals, have strong effects on children's schooling attainment, which indicates that children are used as risk coping instruments. The *PROGRESA* transfers compensate for these shocks, protecting child schooling.
 - While these shocks seem to induce children to work when their parents are affected by unemployment, *PROGRESA* transfers and the conditionality on school attendance serve to deter parents from using child labour as a risk coping strategy.
- Attansio, O., Fitzsimons, E., and Gomez, A., 2005, 'The Impact of a Conditional Education Subsidy on School Enrolment in Colombia', The Institute for Fiscal Studies, London
http://www.ifs.org.uk/edepo/rs_fam01.pdf

This study estimates the short-term impact on school enrolment of the *Familias en Acción* programme in Colombia which offers a monthly subsidy to eligible mothers conditional on their child(ren) attending school. It found that the programme has been effective at increasing enrolment, particularly amongst 14-17 year olds, in both urban and rural areas, by approximately 5.5% points. Boys have benefited most from the programme and the programme succeeded in reducing gender disparity in school enrolment. However, female school enrolment still generally exceeds that of males. In terms of improving already high enrolment amongst younger children, the paper suggests that resources might be better spent on other interventions, such as improving school quality, rather than simply increasing school enrolment.

- Kakwani, N., Soares, F., and Son, H. H., 2006, 'Cash Transfers for School-Age Children in African Countries: Simulation of Impacts on Poverty and School Attendance', *Development Policy Review*, Vol. 24, No. 5, pp. 553-569
This article is available from Ingenta Connect:
<http://www.ingentaconnect.com/content/bpl/dpr/2006/00000024/00000005/art00004>
(Note: This issue of *Development Policy Review* was dedicated to cash transfers and includes six other articles which may be relevant to this query. For a list, see: <http://www.ingentaconnect.com/content/bpl/dpr/2006/00000024/00000005>)

This study uses data from 15 African countries in order to simulate the impact of implementing cash transfers on current poverty and school attendance. The authors also try to determine the target groups and transfer levels best suited to sub-Saharan Africa. Their key findings include:

- Transferring 0.5% of GDP to school-age children would have a small impact on reducing the actual number of people living in poverty, but a high impact on improving the situation of extremely poor people.
- Targeted programmes for children from poor households leads to much greater poverty reduction, as the transfers are likely to be higher than under universal schemes.
- Poverty reduction is greater if the transfer targets only rural children rather than all children.

- Progressive cash transfers (increasing with age) are effective for poor children, though there is little difference between progressive and equal transfers when all children are targeted.

The authors also make the following recommendations:

- sizeable cash transfers (between 2-8 percent of GDP)
 - combining cash transfers with conditionality, along with an improvement in school quality.
 - a broad targeting design (for example, by geographical regions): this could be sufficient given the widespread poverty in the countries studied, and would avoid the administrative costs of detailed targeting (for example, by income).
- Schüring, E., 2005 'Conditional Cash Transfers: A New Perspective for Madagascar – Feasibility Study', German Technical Cooperation (GTZ), Antananarivo
http://www.socialcashtransfers-zambia.org/mediapool/28/282961/data/Feasibility_study_April_19_06_.pdf

This detailed feasibility study analyses whether a conditional cash transfer programme would be appropriate to respond to the problem of high drop out rates in Madagascar, whether it would be feasible, and how it could be tailored to the Malagasy context. Chapter 5 'Conditional Cash Transfers – the right approach to reduce drop out rates in Madagascar?' analyses the value of conditional cash transfers in comparison to other programs and discusses whether they can play a role in the education sector to tackle a very specific problem. The chapter presents CCT and other potential solutions that have either been piloted or considered in Madagascar, presents the advantages and disadvantages of each, as well as the potential impact they could have on dropout rates.

- Reimers, F., Da Silva, C., and Tervino, E., 2006, 'Where is the "Education" in Conditional Cash Transfers for Education?', UNESCO Institute for Statistics, Montreal
<http://gseacademic.harvard.edu/~reimers/WhereIsTheEducationInConditionalCashTransfersEducation.pdf>

This paper reviews programmes in Bangladesh, Brazil, Colombia, Guatemala, Honduras, Indonesia, Malawi, Mexico, and Nicaragua in order to examine the educational effects of CCTs for education. It finds that there is very little support for the conclusion that CCTs are effective educational instruments, in particular with regard to their ability to increase learning. The key argument of the paper is that before spending more resources in this area, it is important to assess whether children learn more than they would if they had stayed out of school, and whether what they learn has sufficient value, in terms of enhancing their cognitive skills in the ways necessary to allow them more options in life than their parents.

Unconditional Transfers

- Case, A., Hosegood, V., and Lund, F., 2005, 'The Reach and Impact of Child Support Grants: Evidence from Kwazulu-Natal', Development Southern Africa, Vol. 22, No. 4, pp. 467-482

This article is available for purchase from Ingenta Connect:
<http://www.ingentaconnect.com/content/routledg/cdsa/2005/00000022/00000004/art00001>

A draft 2004 version is also available at:

http://www.princeton.edu/~rpds/downloads/case_etal_impactchildgrant.pdf

This paper examines the reach and impact of the South African Child Support Grant, which is being taken up for a third of all age-eligible resident children, and appears to be reaching the poorest households. The report finds that children who received the grant are significantly more likely to be enrolled in school in the years following grant receipt than are equally poor children of the same age. However, older brothers and sisters of grant recipients, when they were observed at younger ages, were less likely than other children to be enrolled in school. Therefore, the grant appears to significantly help overcome the impact of poverty on school enrolment.

Further Resources

- Barrientos, A. & Holmes, R., 2006, 'Social Assistance in Low-Income Countries Database', Institute of Development Studies, University of Sussex
<http://www.chronicpoverty.org/pdfs/SocialAssistanceDatabaseVersion1-April2005.pdf>

This database provides a summary of the evidence available on the effectiveness of social assistance interventions in developing countries, with special reference to low income countries. The information is presented in:

- An 'Index of Programmes' which lists interventions by type, for example, whether the intervention transfers cash or food, and if cash whether the transfer is conditional or not; and
 - An Index of Countries which lists interventions by country. The summary information for each intervention covers a range of programme dimensions (type, start year, cost, targeting, evaluation results, welfare outcomes, etc.), and links to further information sources.
- Schady, N. and Milazzo, A., 'A Bibliography on Evaluations of Conditional Cash Transfer Programs', World Bank, Washington D.C. (draft version)
<http://info.worldbank.org/etools/icct06/DOCS/BibliographyCCTs.pdf>

This is a bibliography compiled for a cross-country World Bank review of Conditional Cash Transfer Programs.

- 3rd International Conditional Cash Transfers Conference, Istanbul 2006
<http://info.worldbank.org/etools/icct06/welcome.asp>

This website presents the summary reports and materials of the Third International Conditional Cash Transfers Conference. Some of the relevant documents include:

- Ahmed, A., 'Conditional Cash and Food Transfer Programs for Education in Bangladesh'
http://info.worldbank.org/etools/icct06/DOCS/English/Day1/Akhter_Ahmed_CCT_in_low_income_Bangladesh_EN.pdf
- Hussein, A., 'Conditional Cash Transfers in Low Income Countries: Applicability and Challenges – Kenya'
http://info.worldbank.org/etools/icct06/DOCS/English/Day1/Akhter_Ahmed_CCT_in_low_income_Bangladesh_EN.pdf
- Schady, N., 'Conditional Cash Transfer Programs: Reviewing the Evidence'
<http://info.worldbank.org/etools/icct06/DOCS/English/Day2/SchadyCCTIstanbulEN.pdf>
- Samson, M., 'The Case for Unconditional Social Transfers'
http://info.worldbank.org/etools/icct06/DOCS/English/Day2/Samson_CCTconferenceJune27EPRizz.pdf

4. Additional information

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Websites visited

Eldis, Google, Google Scholar, Governance and Social Development Resource Centre (GSDRC), Eldis, University of Sussex Institute of Development Studies (IDS), International Food Policy Research Institute (IFPRI), UNDP, UNESCO, UNICEF Wahenga.net, World Bank.

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