KFW-DEVELOPMENT RESEARCH

Views on Development

No 2, 28 May 2014

Strings Attached for No Good Reason? The Role of Conditionality in Social Cash Transfer Programs

By Esther Schüring

Esther Schüring is Professor at the Bonn-Rhein-Sieg University of Applied Sciences. Her current research is focused on conditionality and targeting in social cash transfer programming as well as political, economic and social frameworksfor social protection.

In the series „Views on Development“, KfW periodically publishes personal views from renowned development researchers on current development policy topics. The authors bear full responsibility for the contents of their texts. KfW does not necessarily share the views expressed.

The question of whether social transfers should come with strings attached has been fiercely debated in developing countries. Pilots were set up to test the viability of conditional cash transfers, economic experiments were run to elicit the differential impact of conditionality and blogs were cluttered with mixed opinions about the political, economic and ethnic justifiability of conditionality. The Western world has not witnessed such a flurry around conditionality; even if not completely uncontested, conditionality has been increasingly employed as a policy tool in the wake of workfare and activation. Stricter eligibility criteria for social assistance as well as the occasional introduction of indirectly conditioned support such as the 1-Euro jobs and educational coupons in Germany show that conditionality continues to have a certain appeal. Why has conditionality then stirred up such a hot debate among social protection professionals working in low- and middle-income countries?

Critics have mainly argued that conditionality is an ineffective tool for developing countries that belittles citizens and comes with an unaffordable price tag for the administration. With a continuously growing evidence-base it is now possible to substantiate some of the arguments made in favor or against conditionality.

Is conditionality really effective?

The main reason why social cash transfers are conditioned is to ensure that recipient households make the most optimal decisions from their own point of view or the perspective of society. By adding conditionality, cash transfers are supposed to turn mere consumption support into an investment in human capital and act as the key to break intergenerational poverty. A household head might not send his children to school because he knows too little about the importance of education, because he only prioritizes his own interests, is myopic or does not factor in the importance of well-educated children for society. A transfer conditioned on school enrolment would in theory then signal the importance of education, serve as a self-control device and entice this household to consider his children's interest and positive externalities for society.

Whether this also happens in reality has been largely contested. Due to (quasi) experiments on conditionality in Ecuador, Mexico, Malawi, Burkina Faso, Morocco and Zimbabwe (Akresh, De Walque, & Kazianga, 2012; Baird, McIntosh, & Özler, 2011; Benhassine, Devoto, Duflo, Dupas, & Pouliquen, 2013; de Brauw & Hoddinott, 2011; Robertson et al., 2013; Schady & Araujo, 2008) and a meta-study by Woolcock, Özler, Baird & Feirrera (2013), we now know that conditionality can make a difference. The difference is, however, not guaranteed, often very subtle and only comes to the foreground when we focus on children in a particular grade, consult outcome and not impact variables and restrict our sample to schemes where conditionality has been more rigorously enforced. If we additionally consider unintended consequences, the balance can easily tilt. In Malawi for instance, conditionality has dampened the effect on reducing early marriages and childbearing and also produced more psychological distress among recipients (Baird, de Hoop, & Ozler, 2013). An agricultural conditionality in Mexico led to a decrease in school expenditure (Davis, Handa, Ruiz Arranz, Stampini, & Winters, 2002).

Conditionality not only serves to alter behavior but has also been considered an effective political tool to increase the attractiveness of social transfer programs which often suffer from chronic underfunding. This appears plausible at first sight and the little evidence that is available confirms the positive political effects (Lindert & Vincensini, 2009). There is, however, also some evidence that those positive effects can be at least partly offset once a program is in full motion and the first negative consequences of conditionality such as high exclusion of potentially even eligible beneficiaries are felt (de Janvry, Finan, & Sadoulet, 2009; Schüring, 2012).

Isn't conditionality patronizing?

While most politically mature citizens would tend to think that being told what to do is patronizing and demeaning, the reality is once more a little more complex. Evidence from Zambia shows that conditionality is perceived as empowering, mainly because conditions provide clear information and guidance for beneficiaries and serve as a contractual certainty that the money cannot be arbitrarily withdrawn or localized conditionality imposed. The effect of conditionality therefore hinges on the self-esteem and confidence of the beneficiary as well as on contextual factors such as the nature of state-citizen relationships and the recourse mechanisms that citizens have when public services are not delivered.

Conditionality also affects the relationship between individual household members. It can be a mechanism to strengthen the bargaining position as well as the confidence of women in the household (Adato, de la Brière, Mindek, & Quisumbing, 2002) or it can improve parents' capacity to monitor their children's schooling decisions (Bursztyn & Coff-

man, 2012). At the same time, conditionality does not fundamentally change the power dynamics and can sometimes even serve to reinforce traditional gender roles and responsibilities (Molyneux, 2006). The role of conditionality needs to be consequently judged within its context and it is important to be realistic about the transformative effects that conditionality can produce.

What is the price?

Even if we were to detect modest impact and no negative empowerment effects of conditionality, it is still important to consider the costs that administrations incur when managing conditionality and factor this into the equation. While it is obvious that a conditional program – if properly monitored and enforced – is always more expensive than an unconditional program and we also have evidence that costs might be quite substantial at the beginning of a program (Caldes, Coady, & Maluccio, 2006), the direct administrative costs might be less of a concern for developing countries.

The additional complexity that conditionality adds to the administration of a cash transfer program can be overwhelming in a country context where even just the enrolment of beneficiaries or regular payment of transfers turns into a great challenge. It is therefore not surprising that quite a few experiments – in Kenya, Zambia and Morocco - that wanted to test the differential impact of conditionality eventually failed because the administration was not in a position to manage conditions properly, even at small-scale. Implementation glitches have also been quite common in more advanced administrations (Fiszbein & Schady, 2009) and it has taken years for conditionality to run smoothly.

Quo vadis?

The evidence base on conditionality has continuously grown and has informed a rather ideologically driven debate. Countries, however, still face a challenging decision when they deliberate on whether transfers should be conditioned. Even if the default position of many low-income countries is not to introduce conditionality for the time being, the question is likely to come up from time to time as the development in Europe has shown. What is important to consider so that strings are not attached for no good reason?

It is important for policymakers to be realistic about what can be potentially achieved. Conditionality is not a multi-dimensional silver bullet to break the intergenerational cycle of poverty. It is important for policymakers to carry out a comprehensive analysis that not only studies the potential economic effects but also the social, political as well as institutional implications. It is important to do this analysis prior to the introduction of conditionality as well as after conditionality has been implemented. Some of the effects only materialize later and the political economy could possibly shift as we have seen.

If policymakers have opted for conditionality, it is important to design conditionality in a way that addresses a real behavior-related problem. Conditionality has for instance less leverage in improving the quality of education or the physical accessibility of health-posts. Policy-makers should see to it that conditionality does not unnecessarily inconvenience or even exclude beneficiaries from participating and that it does not unnecessarily overburden the administration. This is a fine balancing act, requires careful thinking and also flexibility in adjusting the design over time. ■

References

Adato, Michelle, de la Brière, Bénédicte , Mindek, Dubravka , & Quisumbing, Agnes (2002). The impact of Progresa on women's status and intrahousehold relations. Washington, USA: International Food Policy Research Institute.

Akresh, Richard, De Walque, Damien, & Kazianga, Harounan. (2012). Alternative Cash Transfer Delivery Mechanisms. Impacts on Routine Preventative Health Clinic Visits in Burkina Faso Policy Research Working Paper 5958. Washington D.C.: World Bank.

Baird, Sarah, de Hoop, Jacobus, & Ozler, Berk. (2013). Income shocks and adolescent mental health. Journal of Human Resources, 48(2).

Baird, Sarah, McIntosh, Craig, & Özler, Berk. (2011). Cash or Condition? Evidence from a Cash Transfer Experiment. . The Quarterly Journal of Economics, 126(4), 1709-1753.

Benhassine, Najy, Devoto, Florencia, Duflo, Esther, Dupas, Pascaline, & Pouliquen, Victor. (2013). Turning a Shove into a Nudge? A “Labeled Cash Transfer” for Education. National Bureau of Economic Research Working Paper Series, No. 19227.

Bursztyn, Leonardo, & Coffman, Lucas C. (2012). The Schooling Decision: Family Preferences, Intergenerational Conflict, and Moral Hazard in the Brazilian Favelas. Journal of Political Economy, 120(3).

Caldes, Natalia, Coady, David, & Maluccio, John A. (2006). The Cost of Poverty Alleviation Transfer Programs: A Comparative Analysis of Three Programs in Latin America. World Development, 34(5), 818-837.

Davis, Benjamin , Handa, Sudhanshu , Ruiz Arranz, Marta , Stampini, Marco , & Winters, Paul (2002). Conditionality and the impact of program design on household welfare: Comparing two diverse cash transfer programs in rural Mexico ESA Working Paper No. 02-10: Agricultural and Development Economics Division. The Food and Agriculture Organization of the United Nations.

de Brauw, Alan, & Hoddinott, John. (2011). Must Conditional Cash Transfer Programs Be Conditioned to Be Effective? The Impact of Conditioning Transfers on School Enrollment in Mexico. Journal of Development Economics, 96(2), 359-370.

de Janvry, Alain , Finan, Frederico, & Sadoulet, Elisabeth. (2009). Local Electoral Incentives and Decentralized Program Performance: University of California at Berkeley.

Fiszbein, Ariel, & Schady, Norbert. (2009). Conditional Cash Transfers. Reducing Present and Future Poverty A World Bank Policy Research Report. Washington: The World Bank.

Lindert, Kathy, & Vincensini, Vanina. (2009). Bolsa Família in the Spotlight of Public Opinion: Some Observations and Theories on the Political Economy of CCTs. Presentation at the Safety Nets Core Course. In The World Bank (Ed.). Washington.

Molyneux, Maxine. (2006). Mothers at the Service of the New Poverty Agenda: Progresa/Oportunidades, Mexico's Conditional Transfer Programme. Social Policy & Administration, 40(4), 425-449.

Robertson, Laura, Mushati, Phyllis, Eaton, Jeffrey W., Dumba, Lovemore, Mavise, Gideon, Makoni, Jeremiah, . . . Gregson, Simon. (2013). Effects of unconditional and conditional cash transfers on child health and development in Zimbabwe: a cluster-randomised trial. The Lancet, 381(9874), 1283-1292.

Schady, Norbert, & Araujo, Maria Caridad. (2008). Cash Transfers, Conditions, and School Enrollment in Ecuador. Economia: Journal of the Latin American and Caribbean

Economic Association, 8(2), 43.

Schüring, Esther. (2012). To condition or not – is that the question? An analysis of the effectiveness of conditionality and targeting in social cash transfer programs. (Ph.D. dissertation), Maastricht University.

Woolcock, Michael, Özler, Berk, Baird, Sarah, & Ferreira, Francisco H. G. (2013). Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries: A Systematic Review.