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

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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, & Kazangi, 2012; Baird, McIntosh, & Özler, 2011; Benhassine, Devoto, Duflot, Dupas, & Pouliquen, 2013; de Brauw & Hoddinott, 2011; Robertson et al., 2013; Schady & Araujo, 2008) and a meta-study by Woolcock, Özler, Baird & Feirerra (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 addi-
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


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