Chapter 9

Designing conditional cash transfer schemes

The objective of this chapter is to introduce the rationale for cash transfers and the debates concerning conditional cash transfers. This chapter will also discuss key issues in designing and managing conditionalities that characterise these programmes.

"I think these programmes [conditional cash transfers] 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." [1]

Dr. Nancy Birdsall

"Development cannot be imposed. It can only be facilitated. It requires ownership, participation and empowerment, not harangues and dictates." [2]

President Benjamin Mkapa

In some countries, social transfer programmes are unconditional, while in other countries, conditionalities are attached to transfers. These human capital conditionalities – which can include such requirements as school attendance or academic achievement by children, clinic visits, meeting nutritional objectives and adult education programmes – aim to actively encourage changes in behaviour, and beneficiaries must fulfil these conditions in order to receive payments. Conditionalities raise specific issues that are not a concern for other types of social transfers. This chapter addresses those matters.

Most conditional cash transfer programmes are currently found in Latin

America and the Caribbean, following Brazil's trail-blazing *Bolsa Escola* initiative at a municipal level and Mexico's *Progresa* (now *Oportunidades*), the first CCT programme implemented at a national level.[3] After Mexico successfully implemented Progresa, international development banks and United Nations agencies heralded the innovation as one of social protection's "best practices", and provided important sources of international finance and technical assistance that have supported CCTs' expansion and replication.[4] Most CCT programmes have been implemented in middle-income Latin American countries. The administrative requirements and health and education delivery prerequisites pose greater challenges in low-income countries, particularly those with weak or fragile states.

Much of the debate between conditional and unconditional transfers centres around whether poor households know how best to employ resources for household well-being, and whether they act accordingly. Studies of CCTs have shown that – when implemented jointly – higher money incomes for households, public funding to improve service delivery and conditionalities requiring school attendance and other forms of compliance can improve social well-being and reduce poverty. However, within the evidence base to date, it is difficult to distinguish whether these impacts are due to the cash transfer, or whether they are due to the conditionality.[5] It is possible that in many instances, unconditional transfers could achieve the same developmental outcomes as (or even greater developmental outcomes than) conditional programmes have yielded. The design of programme conditionalities must balance the appropriate role for household autonomy with the common interest in ensuring that households engage in the development of largely public and intergenerational benefits, such as education, health and employment. This chapter will examine these issues in detail, with a particular focus on the issues that arise when active conditions are imposed for the receipt of social transfers.

Human capital conditionalities

Chapter 1 defines "conditional cash transfers" (CCTs) as regular payments of money (or in some cases in-kind benefits) by government or non-governmental organisations to individuals or households in exchange for active compliance with human capital conditionalities, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability, while at the same time also promoting human capital development.The stated objectives of these types of programmes are two-fold: (1) to reduce current poverty through the provision of the cash transfers, and (2) to leverage these transfers as incentives to promote human capital development, with resulting further reductions in future poverty. The central design element of conditional cash transfers is the targeted provision of social transfers to poor households, conditional on household members investing in education and often health and nutrition.[6]

These programmes are usually both targeted and conditional. The selection process often begins with geographical targeting, followed by household assessment using proxy means tests, social workers, teachers or community screening.[7]

Many programmes include two components of conditionalities – education and health/nutrition. The education grant generally targets primary school children, but encompasses secondary school students in Colombia, Mexico and Jamaica.[8] Additional conditionalities are often included to further change behaviour. Mexico's Oportunidades programme also utilises bonuses for school graduation and health seminar attendance.[9] Brazil's PETI programme required participation in an after-school programme in order to discourage child labour.[10]

The achievement of these conditions is supported by three mechanisms: (1) the cash transfer increases the household's opportunities, making human capital development more attainable; (2) the programmes are accompanied by government initiatives to improve the supply of education, health and other inputs into human capital development; and (3) linking the transfers to compliance with the conditions creates additional incentives for fulfilling programme objectives. In practice, it is difficult to identify how much of the observed benefit in human capital development is attributable to each of the three elements of the programme.

Both providing cash transfers and improving the supply of human capital inputs have demonstrated impacts on human capital development.[11] The conditionalities, however, may have two effects. First, as intended, they may help to achieve programme objectives. Second, they serve as a targeting mechanism. Poor households without children may be excluded, and households who fail to achieve the conditionalities may face cuts in benefits.

Should conditionalities be implemented?

When deciding whether to attach conditionalities to a social transfer, several issues must be taken into account. In theory, there are several reasons why the government might have an interest in providing incentives for caregivers to change their choices about investing in health and education. Sometimes caregivers do not have adequate information to make the most appropriate decisions, and other times they might not act in the best interests of their children, trading off the future returns on human capital investment for the current benefits from the proceeds of child labour. The conditions in these programmes create costs for caregivers but long-term gains for children and society.[12] Even when caregivers act in their children's best interests, greater investments in health and education create important spill-over benefits for the rest of society.

However, the implicit assumption that households would not make the same investment in health and education in the absence of imposed conditions has not been fully tested and cannot be taken as given. Would the combination of unconditional social transfers and substantial investment in health and

education deliver the same results without resorting to conditionalities?[13] Evidence for Brazil, Namibia and South Africa documents that old age pensions without education conditionalities significantly increase children's schooling, with a particularly strong benefit for girls.[14] Critical to the imposition of conditionalities is the question of whether the same impact can be achieved through unconditional transfers and improvements in the delivery of education and health services.[15]

Conditional cash transfer schemes often face a trade-off between poverty reduction and human capital development. If low education enrolments are the targeting mechanism, the education impact will be greater but the poverty effects will be compromised by severe undercoverage. As the scope is broadened to more effectively target poverty, the inclusion of households with high enrolment rates will reduce the educational effectiveness.[16] More severe penalties may improve educational outcomes but deprive households of resources vital to poverty reduction. When the objective is reducing poverty, conditionalities may backfire by depriving the poorest households who face severe constraints to complying with the education and health requirements.[17]

In some cases this perverse effect is reduced because conditions are not actively enforced. Interestingly, however, when programmes mature and become well-established, and beneficiaries are fully informed about responsibilities and entitlements, compliance rates are high.[18] These high compliance rates raise the question of whether the additional benefits associated with conditionalities warrant their costs. The benefits of these programmes may largely rest in the provision of cash to households and the public support for developing health and education institutions. The imposition of conditionalities is certainly not necessary to reduce current poverty, and may not always be necessary to reduce future poverty.[19]

Even in the absence of sound social and economic evidence that conditionalities are needed, political factors may weigh in favour of their inclusion.[20] Conditionalities may facilitate political support for cash transfers in several ways. Policymakers view conditional cash transfers as more politically acceptable to voters and taxpayers.[21] The conditionalities dilute the negative (and often misguided) perceptions of dependence with the positive sentiments of the responsibility beneficiaries exercise in promoting human capital investment.[22] The association of social assistance – not always the most popular political agenda – with the more broadly accepted deliverables of health and education enhances the political attractiveness of the programme.[23] The investment nature of human capital development enables policy-makers to help the "deserving poor" free themselves from poverty even while promoting economic growth – a deadlock-busting combination that transcends politics.[24] Conditional cash transfer strategies align the interests of critical social Ministries – education, health and social development – which can help reconcile the inter-ministerial rivalries that make social spending vulnerable to budget cuts. The political benefits of conditionalities weigh heavily in their favour.

The conditionality test evaluates whether a programme will provide more effective social protection if it imposes conditionalities that individuals and

Box 9.1: The human capital conditionality test

The rigorous implementation of the conditionality test presented in the text requires a solid evidence base which is lacking in most countries. However, the framework provides some general principles for judging when conditionalities are more likely to improve or reduce social protection. The following table discusses some of the main factors.

Country characteristic	Factors that suggest conditionalities will **improve** social protection	Factors that suggest conditionalities will **reduce** social protection
Current demand for human capital (for example, school attendance rates, immunisation rates)	If demand for human capital is low, there is greater room for conditionalities to improve. For example, conditional cash transfer programmes have led to significant secondary school attendance rates in Mexico – in large part because these were initially relatively low. When child labour is common, properly designed conditionalities may compensate for the loss of income households face when children attend school.	If demand for human capital is already high, the need for conditionalities is less – and they are less likely to improve social protection. For example, conditional cash transfer programmes improve primary school attendance in Mexico by only about 1%. When unemployment rates are high, child labour tends to be less of a problem and conditionalities are not as essential.
Government's delivery of health and education infrastructure (schools, quality education, clinics, necessary medical supplies)	If government is currently able to deliver the necessary health and education services, conditionalities are more likely to improve social protection. If current delivery is inadequate, but government has the will and resources to improve delivery prior to imposing conditionalities, the likelihood of improvement increases.	If government is unable to effectively deliver high quality health and education services, the conditionalities will drain household resources as they seek to comply, but receive little in return.
Government capacity for administration	If government possesses or can readily acquire the administrative capacity to implement and maintain the systems required for monitoring conditionalities, they are more likely to improve social protection.	If administrative capacity is weak, conditionalities may divert resources from the central objectives of delivering cash and health and education services. For example, payment delays due to system failures compromise the value of social protection.
Bottlenecks facing the poor	If the poor have the resources and circumstances to respond effectively to the incentives created by cash transfers, the conditionalities are more likely to improve social protection.	If the poor do not have the resources and circumstances to respond to incentives, conditionalities may screen out the poorest. In Kenya, for example, three out of four poor individuals live more than 8 kilometres from a clinic.
Government philosophy	A rights-based approach will increase the likelihood of improving social protection.	A mindset that views conditionalities as avoiding "something for nothing" is less likely to improve social protection.
Programme design	A well-designed system of conditionalities can increase the likelihood of improved social protection. For example, in Brazil's Bolsa Escola, failure to meet conditionalities triggers intermediation services that provide additional support. Households are not penalised but rather supported in achieving human capital investment, thus increasing the likelihood of breaking the poverty trap.	Rigidly imposed conditionalities are more likely to exclude the poorest and reduce social protection. For example, automatic cuts in benefits implemented without adequate warning and direct intervention can compound shocks that may have led to the failure to comply. Design is linked to capacity: if the government lacks the capacity to accurately monitor compliance, provide verified warning and offer intermediation services, conditionalities are more likely to reduce social protection.

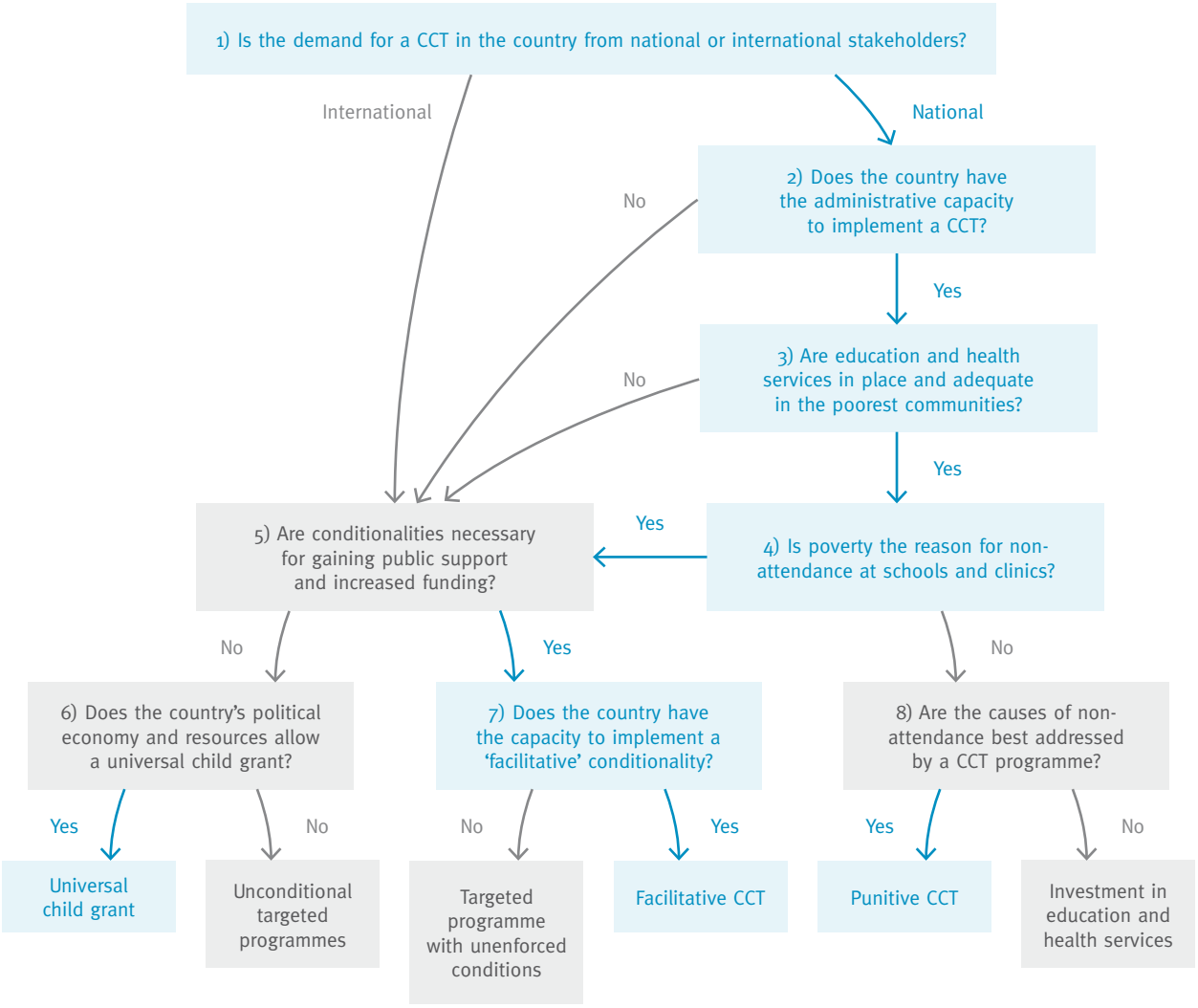


Figure 9.1 A decision tree on CCTs for policymakers

SOURCE: Calder, Kidd and Samson (2010).

households must satisfy to receive the social transfer. In principle, these conditionalities could be imposed for universal grants, although the authors are not aware of any actual example of this.[25] The discussion below develops versions of this test for application to a targeted transfer conditional on either human capital development activities or work requirements.

Ideally, the programme design should include conditionalities only when they improve the social protection capacity of the transfers. In practice, however, conditional cash transfers are sometimes attractive politically in part because they convey the impression that the poor must comply in order to receive support – the beneficiaries are not receiving "something for nothing". While this political mindset is inconsistent with a rights-based approach to social security, it is possible that conditionalities both improve social protection

and support political factors that improve the likelihood of programme funding.

The test for human capital development conditionalities takes the unconditional but targeted grant as the baseline for comparison. For example, for a child support grant targeted to children under 14 years of age, and further targeted based on a household assessment, the baseline is the cost of providing the transfer to all children in the group who meet the targeting criteria.

The next step is to assess the impact of imposing high-value conditionalities, such as requirements that children attend school regularly. This will potentially increase both costs and benefits, particularly if the government simultaneously supplies the additional investment in the educational system required to continue to provide the same or higher quality schooling to the increased number of children demanding it.

The conditionalities may also decrease the total cost of the cash transfers, since some children may not be able to comply with the requirements and face benefit reductions. In most cases, the poorest and most vulnerable will find it more costly to comply with conditionalities and bear a disproportionate share of the cuts. For a programme whose objective is social protection, a significant rate of benefit reductions indicates a failure to achieve this objective.

The result is an array of intermediate outcomes – possibly lower fiscal costs of transfers, greater fiscal cost for education, higher administration costs due to the bureaucratic requirements of the conditionalities (including the time teachers must divert from teaching in order to monitor and comply with paperwork), possibly reduced social protection in the short run (as children who fail to comply are excluded), and potentially lower poverty in the long run (if the effect of the education response is greater than the long-run impact of the reduced short-run social protection).

The third step evaluates the same cash transfer programme, but without the conditionalities. The government invests the same additional amount in the educational system. The same group of eligible children receive the transfers but are not required to satisfy the conditionalities. The result is a different array of intermediate outcomes. Compared to the conditionality scenario, the fiscal cost for transfers is expected to be greater, the fiscal cost for education is unchanged (by assumption), administrative costs are lower (because there is no need to monitor conditionalities), social protection in the short run is greater (since there is less exclusion), and the difference in the impact on poverty in the long run is uncertain.

In terms of fiscal impact and current social protection, there are two main possibilities:

- If conditionalities are very burdensome and exclusionary, so that the reduction in current transfers is greater than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be lower than an unconditional programme with the same level of investment in education. This savings, however, will be at the cost of a reduction in social protection.

- If conditionalities are not burdensome, so that the reduction in current transfers is less than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be greater than an unconditional programme with the same level of investment in education. The conditional cash transfer scheme will in this case provide less social protection than the unconditional programme with the same level of investment in education.

The deciding factor may be the net impact on future social protection resulting from the combination of greater human capital investment and reduced short run social protection. If government provides cash transfers to the poor and simultaneously improves the educational system, yet does not impose education conditionalities on the transfers, how much will human capital investment improve?

The conditionality test aims to answer this question. The answer may vary depending on the country context. In Latin American countries with flexible labour markets, child employment may be an attractive alternative to education. Conditionalities may yield significant improvements in educational outcomes.[26] In African countries with high enrolment rates, high unemployment rates and high costs to administration of the conditionalities, the net educational improvement may be small compared to the impact of crowding out current social protection. It is possible that the evidence for Latin America may be only weakly applicable to Africa and other regions.

Social policy analysts do not yet have sufficient information to rigorously execute this test. Conditional cash transfer programmes are a young instrument, and it will take time to evaluate their long-term benefits and impact on future poverty. While many evaluation studies have been conducted on the health and education impact of these programmes, most of these studies are unable to explicitly separate the effect of the conditionalities themselves from the impact of the cash transfers and the investment in health and education. In practice, this test provides a framework for making policy judgments about the usefulness of imposing conditionalities. Box 9.1 provides some general principles about when the conditionality test is likely to be satisfied – and when it is likely to fail. Figure 9.1 illustrates these principles in the form of a decision tree.

The managing institutions

The executing institution for a conditional cash transfer programme is generally public, although the responsible government unit varies. Social security or education ministries (or secretariats) manage the programmes in Brazil, Jamaica, and Mexico. Social investment funds are responsible in Costa Rica, Nicaragua and Turkey; and the Presidency directly oversees the initiatives in Colombia and Honduras. The advantage of autonomy lies in the administrative and financial dimensions of independence, while line ministries

provide the advantage of institutionalization and longer-run sustainability.[27]

The choice of managing institutions for conditional cash transfer schemes is more complicated than for unconditional transfers because of the complexity of their administration and the more pressing need to coordinate multiple ministries and government departments. Conditional programmes require not only registration and payment processes (similar to the requirements for unconditional programmes), but also monitoring, verification and dispute mechanisms that are heavily dependent on administrative resources.[28] In addition, since conditional cash transfers work hand-in-hand with education and often health service delivery, these social sectors play a critical role in the success of the programme.

Mexico's *Progresa* (now *Oportunidades*) and Brazil's *Bolsa Escola* (now *Bolsa Familia*) were legislated programmes that were well-integrated with the regular operations of line ministries, particularly education and health.[29] In Mexico, the federal government – through the Federal Executive Office – establishes the ground rules for Oportunidades, and the Secretariat for Social Development (SEDESOL) coordinates the programmes through an operational agency.[30] The coordinating agency designs and implements all aspects of the programme, determining benefits, conditionalities, beneficiary selection, payments and day-to-day logistics.[31] SEDESOL works closely with the Ministries of Education and Health.[32]

Brazil's Ministry for Social Development manages the *Bolsa Familia* programme, with responsibility centred in the Secretaria Nacional de Renda de Cidadania (SENARC).[33] The Interministerial Action Council, which includes the Minister of Finance, the Minister of Planning, the Minister-Manager of the Civil House and ministers of social areas, coordinates inter-ministerial functions.[34] The programme's ability to coordinate horizontally across Ministries, vertically at national and local levels, and with civil society – reinforced by the national secretariat's direct link to the Presidency – supports successful delivery.[35]

If the line ministries are committed to the programme and possess the necessary capacity, they may provide the best seat for these programmes. The success of the Mexican and Brazilian programmes documents the advantages of line ministry integration. However, when resources are particularly scarce – particularly bureaucratic capacity – an agency linked to the Presidency may offer a better chance of keeping resources channelled to the programme and implementing it successfully. In lower-income countries, there is a greater tendency to assign primary responsibility outside the line ministries, in social investment funds and the Presidency.[36] For example, Honduras has assigned management responsibility for its Family Allowances Program (PRAF) to the Technical Analysis Unit (UNAT) in the Office of the President.[37] In particular, given the high start-up costs of these programmes in terms of developing targeting mechanisms and delivery logistics, a specialised agency with strong political backing may mobilise the necessary capacity faster than line ministries in countries with fewer administrative resources.[38]

In other cases, hybrid management arrangements that link top executive authority to line ministries may work best. For example, the Programme

Executing Unit within the Ministry of Family administers and implements Nicaragua's Red de Protección Social (Social Protection Network), a conditional cash transfer programme initiated in 2000 that benefits 30,000 households. A Coordinating Council, however, led by the Secretariat of Strategy and Coordination from the Office of the Presidency, and including representatives from line ministries, manages responsibility for policy strategy. Likewise, at the community level, local committees composed of representatives from the health and education ministries, local government, civil society and the local programme executing unit work to promote better coordination, cooperation and communication.[39]

Designing conditionalities

The distinction between conditional and unconditional transfers lies primarily in the conditionalities imposed for receipt of benefits. Since conditionalities impose costs on both the participants and the public agency, it is important to identify conditions that will generate substantial benefits to both the participants and possibly the public at large. As documented in Box 9.2, conditionalities in most existing programmes are based on education, health and nutrition – goods most societies believe everyone should be able to access (merit goods), and that involve important spill-over benefits to the broader society (public goods).

The selection of conditionalities involves trading off simplicity against impact. The simplest conditionalities involve discrete choices, such as school enrolment. Using school enrolment registries as the verification mechanism is relatively easy and inexpensive; however, a household will not necessarily be required to follow through with the activity that generates the social gain (school attendance). More effective conditionalities require monitoring of continuous decisions over time, such as school attendance. The most demanding and potentially troublesome conditionalities evaluate outcomes, such as educational performance or nutrition's impact on health (Bangladesh's PESP and Honduras' PRAF). In evaluating the appropriateness of these types of outcome-based conditionalities, it is important to consider the impact of penalising a household by reducing cash benefits when a child is malnourished or performs poorly in school.

To what extent should the conditions be enforced?

One of the key choices in designing conditionalities is determining how they will be enforced. "Hard" conditionalities create rigid penalties, where non-compliance leads to immediate benefit cuts. "Developmental" conditionalities aim to protect rights to human capital while recognising access to social security as a human right. For example, in implementing Bolsa Familia, the Ministry of Social Development made the delivery of social security as a citizens' right the

priority; monitoring of conditionalities was aimed at reinforcing constitutional rights to education and health care, not at denying the poor their cash benefits.[40] This position is consistent with Brazilian legislation passed in 2004 which aims to gradually introduce universal basic income guarantees, with Bolsa Familia providing an important step in this direction.[41]

Will conditions improve the success of the programme?

Conditional cash transfer schemes aim to increase poor households' demand for public services deemed critical to human capital accumulation – usually related to education and health care. There are several reasons why poor households may have insufficient demand for these services:

- Households may simply lack the resources necessary to pay the direct and indirect costs associated with accessing the services. These can include user costs (school fees and charges for health care visits), transportation costs, and the cost of goods essential for making the public service beneficial (such as school supplies and school uniforms for education or medicine for health care).
- Households may lack the information about the benefits of some types of public service: caregivers may not recognise the returns to girls' education in some communities, or not see in advance the advantages of preventive healthcare, nutrition and sanitation.
- Public services may be non-existent, inaccessible or suffer from such low quality that poor households rationally choose not to use them. Discrimination and cultural insensitivity in the supply of public services can also adversely affect their demand and availability.
- Household decision-makers might not always act in the long-term best interests of certain members, particularly children, when basic survival is a priority. For example, some parents or guardians might depend on the short-term income gains from child labour even though they recognise the longer-term benefits the child will receive from education.

Conditional cash transfer schemes can work to address all of these factors. By directly providing income, households can better afford the costs associated with the public services. For the chronically poor, having some income can increase the likelihood of investing time in healthcare and education rather than income-generating activities. The incentives provided by cash transfers can change the calculation of costs and benefits – and sway decision-makers towards greater demand for public services. By linking the transfers to compliance with the conditionalities, the schemes highlight the importance of the public services and signal their value. In addition, the information campaigns associated with these programmes usually inform participants of the longer term value of the public services. In addition, some conditional schemes also include "supply side" components (see the next section), which aim to improve the accessibility and quality of the public services.

However, the imposition of "hard" conditionalities can generate perverse effects. For example, an analysis by Mexico's Ministry of Social Development (SEDESOL) warns that without appropriate "exit" options, the benefits from conditional cash transfers might induce students to unnecessarily repeat their final year of secondary school, solely so they continue to qualify for the cash grant.[42] In the absence of effective and appropriate controls, the incentive effects of conditionalities may encourage parents or guardians to send ill children to school or to otherwise make decisions that, in the absence of the cash transfer, would have negative consequences for the child, the household and the community. It is critical to carefully evaluate the possible unintended consequences and increase the chances that the conditionality will provide benefits that outweigh the associated costs. Several criteria[43] provide a guide for the consideration of a conditionality, which are rooted in the specific reasons poor households lack sufficient demand for the human capital services:

- Is the problem of low human capital due to a lack of demand by households or poor conditions of public service provision? If the former, do household decision-makers lack information about the positive impact of the public services, or do policymakers and social policy analysts lack information about inaccessibility and poor quality? Does the conditionality work to correct the problem of imperfect information more effectively than a direct information campaign? If the latter, will investment in public services alongside unconditional transfers be sufficient to increase demand?
- Is there a conflict between choices that are best for the caregiver or other household decision-makers and choices that are best for the children, and is there evidence that caregivers act against the long-term best interests of their children?
- Are there broader public benefits that result from poor households increasing their demand for these public services?

If the problem is rooted in households' lack of information about the benefits of the high-quality and accessible public services available, imposing conditionalities may benefit both households and the broader society by encouraging the household behaviour that would follow from better information. However, if the problem results from poor quality or inaccessibility, the incentives can produce skewed results. The benefits to households and the broader community may be less than the gains from unconditional transfers. For example, a conditional cash transfer that just compensates for the time and travel costs of a required health seminar conveying knowledge the participants already possess is worth less than an unconditional transfer. The poorest may be penalised the most if they face the greatest access costs and the lowest quality of services. If problems with service provision are mistaken for low demand, the scheme may be skewed against the poorest. Even if the problem is low demand because of imperfect information, it is important to weigh the costs and benefits of a direct information campaign against those of imposing conditionalities.

Box 9.2: Conditional cash transfer programme objectives, conditionalities and results

Programme	Objectives	Conditionalities	Results
Bangladesh Primary Education Stipend Project (Cash-for-Education)	Reduce poverty and increase educational enrolment, attendance, persistence and performance of poor primary school-aged children.	Children: 85% monthly attendance and 50% marks on annual grade exam. School: 60% pupil attendance and 10% of grade 5 pupils sit for the Primary School Scholarship Exam.	20-30% higher participation rates, longer school persistence (based on previous Food-for-Education programme).
Brazil Bolsa Familia	Increase educational attainment of poor school-age children and reduce current and future poverty.	Children in primary (3rd – 6th grade) and secondary (7th – 12th grade) school age must enrol in school and attend regularly. Reproductive health education and family planning education/counselling. Pregnant and lactating women: prenatal care, vaccinations, nutrition, education. Children 0-5 must access and receive vaccinations and growth monitoring visits, nutritional supplements, other preventive health care measures. Children 5-9: vaccinations, development assessment, and regular check-ups.	Impact evaluations are currently in progress, although some shorter-term qualitative results indicate improved food security, greater educational commitments and improved local economic activity.
Honduras Family Allowances Program (PRAF)	Strengthen human capital for those in the poorest communities of the country by offering health and education services, nutrition and hygiene information for mothers and ensuring a cash transfer in order to improve nutrition.	School attendance for children aged 6-12; Nutritional status and health visits for children aged 0-5 and pregnant women.	Small increases in primary school enrolments; significant increases in pre-natal care and child health visits and child vaccinations No measurable impact on nutritional status.
Mexico Oportunidades (previously Progresa)	Improve educational, health and nutritional outcomes for poor families, particularly mothers and children; and promote income-generating opportunities for poor households.	School enrolment and at least 85% attendance on a monthly and annual basis. Health centre visits and attendance at health and nutrition seminars (2-4 checkups annually per child, one check-up per adult, seven pre- and post-natal checkups per pregnant woman).	Small improvements in primary education attendance rates, larger improvements for secondary school. Significant increase in checkups for children.
Mozambique Bolsa Escola	Promote children's school attendance.	At least 90% school attendance.	Improved attendance and performance; improved household conditions.
Nicaragua Red de Protección Social (Social Protection Network)	Promote human capital accumulation for extremely poor families in rural Nicaragua.	Growth monitoring for children 0-5 and nutrition counselling, micronutrients, de-worming, etc. Vaccinations, children 0-5 and 6-9. Pre-natal and post natal care, bimonthly health education workshops. Children's enrolment and assistance to school (1st – 4th grade).	Some of the most significant primary school education gains of any conditional cash transfer programme.

High child labour force participation rates and low school attendance rates may indicate that caregivers and other household decision-makers are failing to act in the best long-term interests of their children, or that conditions of poverty are so severe that the household cannot afford to forego income from child labour in order to invest in children's education. Unconditional cash transfers directly tackle the problem of poverty and may be sufficient to increase the demand for education – particularly when combined with improved quality for schools and a direct information campaign. If, however, the problem lies in household decision-makers undervaluing children's education, the incentive effect of the conditionalities may provide a win-win solution, providing households with the needed resources while increasing demand for children's education (or other services linked to the conditionalities).

One must carefully evaluate the justification for constraining a poor mother's use of cash resources for her children. Generally, one of three arguments must hold: (1) the parents do not have sufficient information to make the best decisions on using the cash to improve household well-being; (2) parents are not acting in the best interests of their children; or (3) the government is willing to compensate households for investments that generate much of their returns to the broader society rather than the household paying the cost. When any combination of these three effects is sufficiently significant, it may be appropriate to impose conditionalities.[44]

Who should the conditions apply to?

An important question in designing conditionalities is how to assign different conditionalities to different members of the household. Because of differences in opportunities and circumstances, conditionalities usually vary by age and sometimes by gender. Children below school age face predominantly health-related conditionalities, while school-aged children might expect both health and education requirements. Pregnant women and girls might receive additional benefits in order to improve pre-natal care and address gender discrimination. Box 9.3 shows the differences in conditionalities across household types in Nicaragua's social protection network (RPS).

Conditional cash transfers, focus on human capital investment makes children and youth a logical target, as the benefits of the transfers to the recipients and society span over their lifetime (and potentially across generations). Nicaragua's RPS and Brazil's Bolsa Familia, however, also provide benefits to very poor households without children. Many conditional cash transfer programmes target certain groups of children – for instance, those old enough to go to school. This raises a potential conflict between the objective of poverty reduction and that of educational attainment, since there will be some untargeted children below school age who are poorer than the targeted school-age beneficiaries. Box 9.4 illustrates another conflict of objectives in the case of Mexico's Oportunidades programme.

Box 9.3: Conditionalities for Nicaragua's RPS by household type

Program requirement	Households with no targeted children (A)	Households with children ages 0-5 (B)	Households with children ages 7-13 who have not completed fourth grade (C)	(B) + (C)
Attend health education workshops every 2 months	✓	✓	✓	✓
Bring children to prescheduled health-care appointments Monthly (0-2 years) Every 2 months (2-5 years)		✓		✓
Adequate weight gain for children younger than 5 years		✓		✓
Enrollment in grades 1-4 of all targeted children in the household			✓	✓
Regular attendance (85 percent, i.e., no more than 5 absences every 2 months without valid excuse) of all targeted children in the household			✓	✓
Promotion at end of school year			✓	✓
Deliver teacher transfer to teacher			✓	✓
Up-to-date vaccination for all children under 5 years		✓		✓

SOURCE: Maluccio and Flores (2005), page 9.

Programmes may impose conditionalities in order to benefit the broader society rather than to benefit an individual or household. Education and health services potentially yield both private gains to individual consumers and broader benefit to the public's well-being. For example, immunisations provide private health benefits as well as broader social gains by reducing the risk of epidemics. For other types of conditionalities, such as civil registration, the public benefits may be greater than the private gains, and the poorest may receive a relatively small share of the programmes' value.

Similarly, some programmes only target children in areas where educational and health infrastructures are adequate to support the increased demand for human capital created by the transfers. For example, Mexico's Oportunidades programme excluded communities that lacked a minimum level of health and educational resources.[45] Since the poorest are likely to live in areas where health and education facilities are the worst, this strategy for

Box 9.4: An example of conflicting objectives in conditionality design

Mexico implemented PROGRESA (the Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Program) in 1997 to support human capital development in poor rural households, with the objective of reducing future and current poverty. The presidential administration elected in 2000 renamed it Oportunidades and extended it to urban areas. More than other conditional cash transfer programmes around the world, Oportunidades focuses on addressing future poverty – even at the expense of current poverty. For example, in order to improve school enrolment and attendance, Oportunidades provides cash transfers to secondary school students (who are more responsive to job market opportunities) at a level over three times that provided to primary school students (who are significantly more likely to attend school even in the absence of the incentives).

The graph below depicts information illustrating the argument that providing conditional cash transfers to primary school students in rural areas of Mexico is inefficient – since well over 90% of primary school students enrol with or without the subsidy. The blue line shows the continuation rates from one grade to the next for students in villages targeted by the programme – those students who received cash incentives to stay in school. The grey line shows comparable rates in similar villages that were excluded from Progresa benefits.

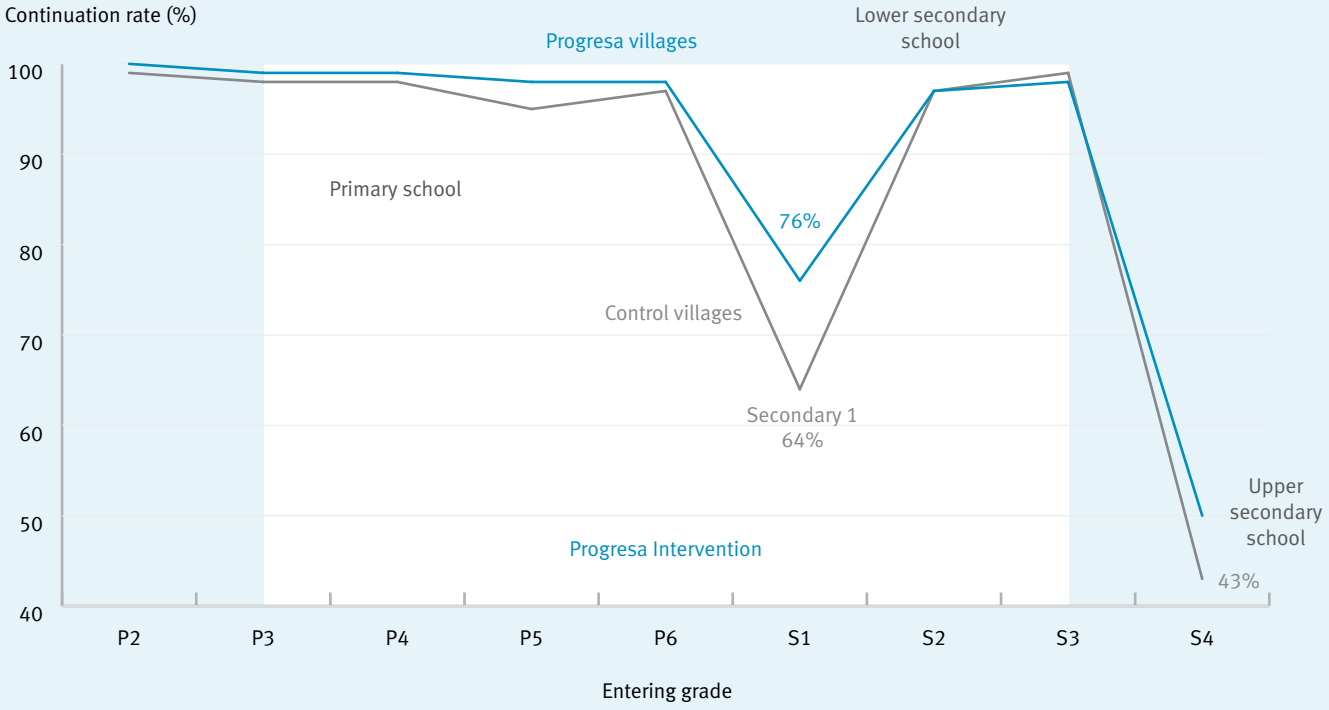
It is clear that the grant has a minimal impact on the objective of promoting primary education – the two lines hug each other all the way through the primary grades. Enrolment rates for children aged 8 to 11 years are in the high nineties (%), both in the group receiving benefits and the control group. However, only 64% of the students not receiving Oportunidades transfers who graduate from primary school continue with lower secondary school, while 76% of the programme beneficiaries progress into lower secondary school – a significant 12 percentage point difference. In terms of non-continuation rates, the 36% non-continuation rate for the control group is fifty percent greater than the 24% rate for the treatment group. If one's objective is to maximise the education impact, one might argue for concentrating transfers to create incentives for secondary school and providing nothing for primary school students. However, if one's primary objective is to reduce current poverty and inequality, this strategy would fail to meet that goal. Balancing objectives is a critical element of designing appropriate conditionalities.

maximising the health and education performance of the programme may fail to serve the poorest. This may pose a fundamental problem in some low-income countries or fragile states where social service infrastructure is weak or has been devastated by war. In these countries, resources may be better spent on building this infrastructure and delivering simple cash transfers, rather than using resources on administratively complex conditionalities.

Lessons learnt on balancing poverty reduction with long-term development goals

A number of general lessons can be drawn for balancing immediate poverty reduction with longer-term developmental impact:

- Careful analysis and design is required to ensure that the selected conditionalities include the poorest, even if this requires substantial additional investment in health and education infrastructure. Some programmes impose minimum residency requirements because migration to the project region creates distortions.[46] If the poorest are



SOURCE: de Janvry and Sadoulet (2005), Skoufias (2005).

effectively targeted on a national basis, these regressive requirements should be unnecessary.

- Appropriate design requires evaluating the programme's administrative costs and the private costs to beneficiaries in terms of complying with the conditionalities, particularly when objectives aim to support broader social goals, not just the interests of the households. Low benefit levels may create incentives that are sufficient to attract poor households and serve public objectives, but the effective benefits to the poor may be so small that they would gain more from an unconditional programme. For example, providing cash incentives to poor households may increase enrolment rates less expensively than building and staffing new schools, even if overcrowding reduces the quality of education. However, many poor households would be better off with new schools – the combination of lower private access costs and the higher-quality education would contribute greater value than the cash transfers.
- Careful consideration is required for those who are unable to comply with the conditionalities. For example, to deny social transfers to a child who is unable to attend school because she must care for an

AIDS-affected household member employs the wrong instrument for providing social protection. Households affected by HIV/AIDS require more resources – certainly not fewer – and appropriate mechanisms should ensure the necessary care support, the social transfers and the opportunity for children to attend school. Conditionalities may prove too blunt as instruments under these circumstances.

- Conditionalities must support the development of effective human capital for those participating in the programme. One cannot assume that the poor do not make rational and optimising decisions. For example, apparently irrational decisions may reflect the social policy analyst's imperfect information, particularly about the adequacy of the supply of human capital services. Evaluations of conditional cash transfer programmes consistently demonstrate that poor households respond to incentives. A programme that motivates poor households to demand education and health services must ensure that the schools and clinics provide the quality required to contribute to human capital development.
- When conditionalities are necessary, they should be structured as simply as possible to achieve the intended result. The monitored indicators should be easily verifiable and not require unnecessary discretion. It is often useful to implement simpler conditionalities and evaluate their effectiveness before attempting ones that are more complex.[47]

Supply side support

Conditional cash transfer programmes directly increase the demand for services which promote human capital, creating stress on the supplying institutions (schools, clinics, etc.). If these institutions face supply bottlenecks, specific support may be necessary. In Mexico, Nicaragua and Honduras, the government allocated additional resources to health and education as part of the design of these programmes. In Nicaragua, this took the form of direct bonuses to teachers, with a specific earmark for school materials.[48] In Honduras, initial supply-side health measures included monetary transfers to primary health care teams which applied for grants that averaged US$6,000 per year (ranging from US$3,000 to US15,000 depending on the population served by the applicant health clinic). To improve education provision, initial support was given in the form of monetary grants applied for by legally registered Parent Teachers Associations associated with a given primary school.[49]

Poor health, nutrition and education outcomes can result from both the inability to pay (poverty) and the absence of the necessary institutions – schools, clinics and food. Providing conditional transfers encourages poor households to demand the conditioned services, but a similar effect could result from building new schools and clinics or improving the quality of existing delivery (depending on accessibility). The difference is that conditional cash transfers increase the intensity of utilisation of the existing resources. Failure to improve the supply of health and education

institutions shifts part of the cost of transfers onto children currently investing appropriately in human capital and risks undermining popular support for the programme.[50] In addition, there are significant limits to which conditional transfers can effectively increase human capital investment. For example, relatively small transfers cannot easily overcome transportation barriers over long distances, and supply-side responses such as improved transportation or greater school density are necessary.[51]

The application of the conditional cash transfer model is particularly challenging for countries in Africa because of the continent's relatively larger backlogs for educational and health infrastructure.[52] Supply-side factors contributed to the delay in Mozambique's implementation of a Bolsa Escola-style pilot.[53] Conditional cash transfers are most challenging in situations where resources are the scarcest – increased expenditure on health, education, transportation and infrastructure may be required to effectively deliver these programmes.[54]

Conditional cash transfers can achieve apparent success in improving school attendance and motivating mothers to visit clinics, but nevertheless fail to break the intergenerational transmission of poverty if the health and education services provided are not of high quality. Supply-side interventions will improve participation, but more importantly, the delivery of high-quality services will support the achievement of long-run poverty reduction.[55]

Costing conditional cash transfers

Conditional cash transfers require management arrangements that are more sophisticated and integrated than unconditional programmes. Multiple ministries must co-operate, and operational implications frequently require important relationships with state and municipal governments. For example, Progresa was initially established as an inter-institutional programme co-ordinated by the Ministry of Social Development. Since states are responsible for health and education delivery in Mexico, the programme requires structures for state and municipal government cooperation.[56]

Conditional cash transfer programmes also require substantial expenditures on targeting beneficiaries and monitoring conditionalities – investments that contribute to effectiveness while increasing costs and potentially reducing efficiency. In addition, to the extent that administrative costs consume a limited budget, these expenses can reduce the value of transfers – risking the possibility that the benefits fail to compensate the recipients for the direct and opportunity costs of complying with the conditionalities.[57]

Costing conditional cash transfer programmes usually involves an analysis of six major expenditure components: (1) targeting costs, which usually involve geographical targeting and proxy means tests, (2) costs of implementing and managing conditionalities, (3) monitoring and evaluation expenses, (4) logistical costs of delivering cash, (5) costs of supporting the supply of human capital services, and (6) the private costs to beneficiaries

Box 9.5: The private costs of conditional cash transfers

Households face private costs in order to access social transfers – and these costs are greater when conditionalities are imposed. Mexico's Progresa (now Oportunidades) programme required school-aged children to attend school and required other household members to attend health clinics. A major component of the private costs beneficiaries incur is the expense of travel to schools, health clinics and payment collection points, both in terms of time and out-of-pocket charges.

The private costs of compliance can be separated – at least theoretically – into two components: the amount incurred even in the absence of the conditionality, and the additional expense households incur just because of the conditionality. For example, the cost of complying with a requirement to visit a health clinic six times a year can be calculated as the time and money costs associated with all six round trips. However, if an average beneficiary typically makes two trips a year to the clinic, the incremental cost associated with the conditionality is only the expense associated with the four additional visits.

For example, Progresa beneficiaries travelled an average of 3.98 kilometres to reach the health clinic, and the average distance for those who had to travel outside their community to reach a clinic was 5.12 kilometres. The average cost was $3.95 per return

from participation in the programme, including their costs of compliance. (While this last category does not represent a direct expenditure borne by programme budget, it can constitute a significant proportion of the foregone opportunities that the intervention costs.)[58] Unconditional programmes also incur expenses for monitoring and evaluation as well as cash delivery logistics; as such, the following discussion focuses on the especially high costs unique to conditional transfers: targeting and conditioning administrative costs, supply-side support and private costs.

Total administrative costs for conditional cash transfer programmes vary significantly. Mexico's Oportunidades is one of the most efficient conditional programmes in the world, costing only about $9 to deliver $100 in benefits. Smaller programmes in lower-income countries are much more expensive: Honduras' PRAF costs approximately $50 for every $100 in transfers, and 33% of the programme's budget through 2000 has been used to fund the administrative burden. Pilot programmes are likely to incur an even greater proportion of administrative costs. For example, from 2000 to 2002 Nicaragua's RPS cost $63 for each $100 of benefits delivered, but much of that involved the cost of planning the programme's expansion in 2003. The costs of targeting and conditionalities constitute a significant share of the non-evaluation administrative expenses in all of these programmes – 60% for PROGRESA, 49% for PRAF and 30% for RPS.[59]

Bangladesh's Food-for-Education programme has also incurred high administrative costs. The higher cost of transporting food instead of cash means that administration accounts for 37% of the programme's budget. In addition, teachers must divert teaching time to the task of measuring and distributing grain, a cost not easily measured. Brazil's Bolsa Familia programme reduces administrative costs by providing an electronic cash card to beneficiaries that accesses the recipient's bank account. In countries where the banking system is well- developed, this option can reduce both administrative expenses for the programme's budget and time costs for beneficiaries.[60]

trip, and $12.95 for those leaving their community. The annual average travel cost per household was $95.70. In terms of time costs, excluding children, the average household spends 48 hours a year travelling to and from the health clinics, and mothers incur more than two-thirds of this time cost.

Given the estimated value for the household's time, based on benefits of $125 per month, beneficiaries incur travel costs of $6.38 per $100 of social transfers. However, based on estimates of how many of the trips are due to the conditionalities, the additional time cost may be as low as $1.82 per $100 of benefits.

A similar exercise quantifies the cost of school travel time. While the average for all participants is only $316 per year, those who travel a significant distance face an average cost of $1,980 per year. With an average benefit of $2170, the average household incurs only $14.60 per $100 in benefits. For those who travel a significant distance, however, the benefit barely covers the time and financial costs of transportation. Since many of these households would send their children to school even in the absence of the conditionalities, these costs cannot be entirely attributed to the programme.

SOURCE: Coady (2000).

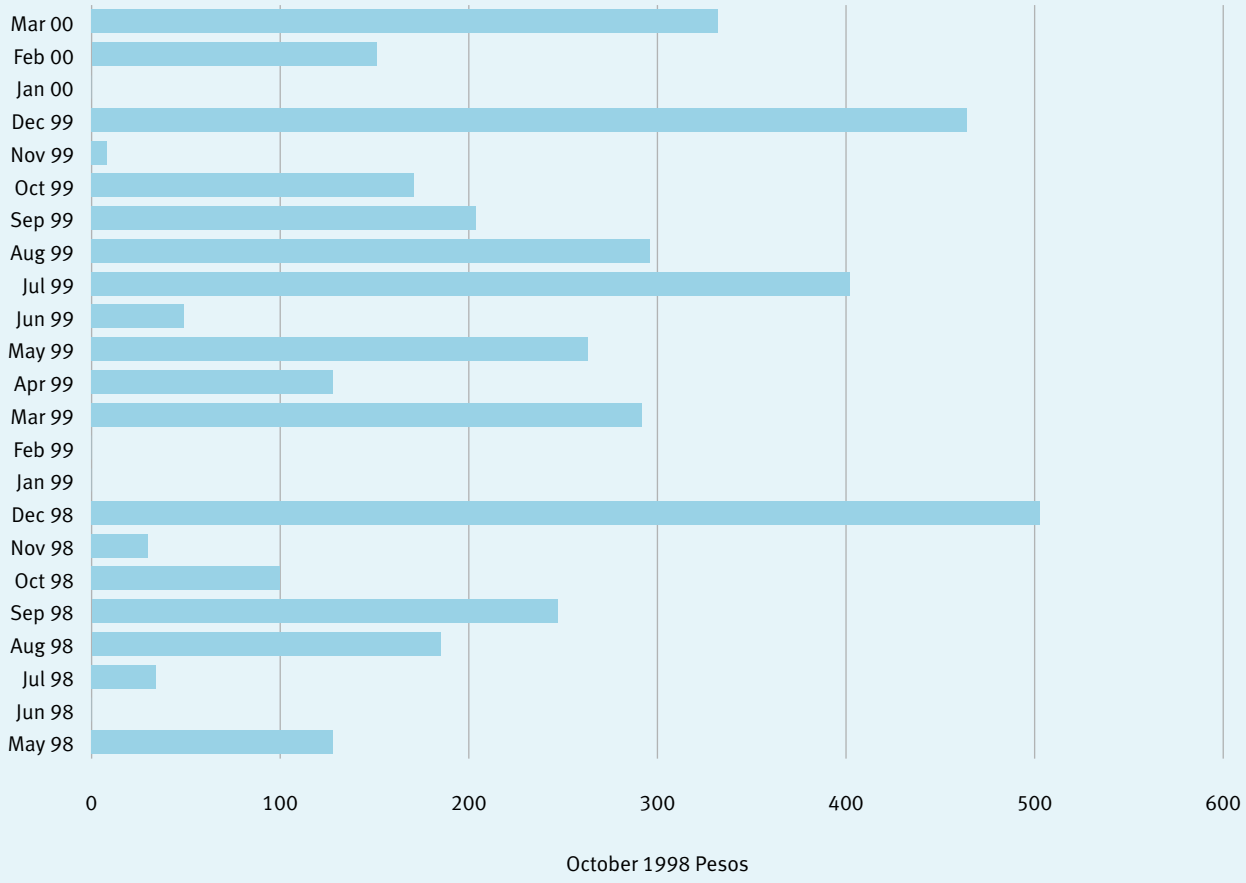
Other costs incurred by the health and education sectors are often difficult to measure because they usually do not enter into the programme's accounts. Nicaragua's RPS provides an exception – the programme contracted directly with private providers to supply health and education services. The required education workshops cost approximately $50 per participant on an annual basis, while children under the age of 5 received healthcare benefits that cost approximately $110 per beneficiary per year.[61] In many African countries, the supply-side issues may involve much greater cost – there may not be enough schools, classrooms or teachers to meet the increased demand for education by participants trying to satisfy conditionalities. Before costing the programme, it is essential to assess the availability and need for human capital infrastructure, and to identify whether the lack of demand is due to the household's dependence on child labour or to the low quality of schooling that provides no meaningful returns.[62]

Conditionalities also increase the private costs of the transfer programmes. In Nicaragua, the time input by households and promotoras (elected beneficiary representatives who serve the programme) is worth an estimated $20 per beneficiary per year, increasing the cost-to-transfer ratio by approximately 30% (based on 2002 expenses).[63] Likewise, an estimate of the private costs of Mexico's Oportunidades programme raises the cost-to-transfer ratio by approximately 27%.[64] Box 9.5 describes a case study of private costs for this programme.

Regarding payment systems, conditional cash transfer schemes face many of the same issues as other types of programmes; however, the conditionalities raise unique challenges and considerations. Regularity of payment is an important feature of any social transfer programme, but it has a double purpose for conditional cash transfers: it supports the social protection objectives, but it also reinforces the behaviour motivated by the conditionalities by more immediately associating compliance with payment.[65]

Box 9.6 documents the significant fluctuations from month to month in

Box 9.6: Average cash transfers from Progresa



SOURCE: IFPRI (2001), Skoufias (2001).

the average payments received by Progresa beneficiaries during the first few years of the programme. The table is based on administrative data provided by the programme. The large first payment in May 1998 covered March and April. According to the data, after variable but monthly payments from July to November 1998, beneficiaries received an extraordinarily large payment in December 1998 – and then nothing in January and February 1999.[66]

Many countries pay conditional cash transfers on a bi-monthly basis, which coincides with the frequency of some of the conditionalities, like bi-monthly educational seminars and health clinic visits. In addition, the reduced frequency (compared to monthly payments) reduces administrative and private costs. However, it may create hardships for households who are unable to conserve the resources over such an extended cycle. On the other hand, larger but less frequent payments may facilitate some types of investment opportunities. The bureaucratic processes involved in monitoring compliance with conditionalities and reflecting compliance immediately in the payments can lengthen the processing cycle. The appropriate payment frequency will depend on both the administrative and private costs of cash payment logistics, the bureaucratic processes involved in monitoring compliance and

Box 9.7: Payment sizes for various CCT programmes in Latin America

	US$PPP per family per month (mean)		
Program	Education	Total	Health/nutrition
Oportunidades (Mexico)	61.54		21.44
Bolsa Familia (Brazil)		64.29	
Familias en Acción (Colombia)	53.21		31.38
Chile Solidario (Chile)		22.11	
PATH (Jamaica)	27.36		27.36
RPS (Nicaragua)	31.91		53.59
PRAF (Honduras)	22.49		31.30

SOURCE: World Bank (2003a), Rawlings (2005), page 13.

the requirements of the programme participants. Appropriate adaptation of payment technologies, depending on the country's circumstances, can help to bring payment frequency into line with beneficiaries' needs.[67]

Chapter 6 discussed broad issues related to the determination of the appropriate size of a social transfer payment. The imposition of conditionalities raises additional issues and concerns. While all social transfer programmes that aim to promote social protection will consider the cost of the minimum living standard in setting the benefit level, conditionalities create additional costs that must be reflected. These include the costs of educational materials and uniforms, transportation to school, the income the child gives up by not working (the opportunity cost of going to school) and other costs associated with compliance. In addition, the determination of the benefit may be constrained by a pre-existing programme that the conditional scheme replaces.[68]

Mexico's Progresa and Oportunidades based the benefit level on the cost of minimum food requirements for children and the foregone income when children are not working, creating a programme that is relatively generous by conditional cash transfer standards. Payments in Colombia and Paraguay covered food requirements, school materials and transportation, but not the income secondary students would have to forego, leaving insufficient incentives to remain in school. Programmes in Jamaica and Palestine set benefit levels based on norms established by previous programmes. Jamaica's uniform benefit was not adapted to the varying needs of different participants, particularly those with disabilities. Palestine's benefit increased with household size. Both Mexico and Colombia provide higher payments for secondary school students, since they face a greater cost in giving up employment in order to remain in school.[69]

Honduras' PRAF provides relatively low benefits compared to other countries, which may explain part of the relatively weak impact assessments, particularly in terms of primary school and nutrition outcomes.[70] Brazil's programmes also began at a relatively low level – in order to affordably cover the greater number of beneficiaries – but Bolsa Familia has managed costs and succeeded in substantially raising benefit levels.[71] The variety of approaches

highlights the absence of a consistent methodology that informs conditional cash transfer design. Box 9.7 compares average payment sizes, showing the separate amounts for complying with education and health conditionalities when the separate data is available (the "Education" and "Health/nutrition" columns), and showing the consolidated amount when not available (the "Total" column).

Conclusions

The starting point for evaluating whether conditionalities are appropriate is an understanding of the country's objectives for its social protection strategy. Conditionalities shift emphasis towards future poverty reduction through human capital development. However, provisions that compromise current poverty reduction may prove counter productive. For example, "hard" conditionalities that deprive households of benefits because they are unable to comply with education and health requirements risk missing two opportunities to address current and future poverty: first, by failing to address the structural impediments that prevent households from investing in their children, and second, by depriving beneficiaries of needed income.

Conditionalities work when households would otherwise not send their children to school or for visits to health clinics because: (1) household decision-makers fail to understand the value of these services, (2) the parents and guardians fail to act in their children's best long-term interest, or (3) there are broad public objectives served by the conditionalities which do not benefit the households. However, none of these circumstances can be taken for granted. Perhaps household decision-makers recognise the inaccessibility or poor quality of public services. If the problem is the supply of quality human capital services, conditional cash transfer schemes must make provision for improving their delivery. Where conditionalities are warranted, design must ensure that they are appropriate to motivate the desired behaviour, that they provide adequate resources to compensate for the cost of compliance while improving household well-being, and that payment is regular and not arbitrarily withheld.

Endnotes

1 Quoted in de Janvry and Sadoulet (2004), page 1.

2 Quoted in Stiglitz and Charlton (2006), page 10.

3 These programmes are currently operating in Argentina, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Honduras, Jamaica and Mexico. Programmes are being planned or implemented in Bangladesh, Burkina Faso, Cambodia, Ethiopia, Lesotho, Mozambique, the Philippines, Pakistan, Turkey, and the West Bank and Gaza. See Lindert et al. (2006), page 16.

4 Britto (2005), page 3.

5 For example, the Honduran PRAF-BID II has one of the most sophisticated treatment-control

group structures, with three treatment groups in addition to the control. This enables the evaluation study to evaluate the impact of supply-side and demand-side interventions both separately and jointly compared to the group receiving no benefits. However, the design makes no provision for assessing the impact of the conditionalities themselves. See Sedlacek et al. (2000), page 20.

6 de la Brière and Rawlings (2006), page 4.

7 Lindert et al. (2006), page 16.

8 de la Brière and Rawlings (2006), page 4.

9 Lindert et al. (2006), page 16.

10 de la Brière and Rawlings (2006), page 5

11 For example, see Samson et al. (2004), DFID (2005).

12 Regalia (2005), page 3

13 Britto (2004), page 37. In addition, "Behrman and Knowles (1999) examine the large body of work on the income elasticity of schooling. The schooling outcomes used in the studies include attendance, enrolment, and completed schooling. In the 42 studies they review, covering 21 countries, three-fifths of the schooling indicators have significant positive associations with household income" (Demombynes 2002, pages 8-9).

14 DFID (2005), page 14; Barrientos and Lloyd-Sherlock (2002), page 12, citing De Carvalho Filho (2000); Devereux (2001), page 44; Samson et al. (2004).

15 Specifically, the World Bank 2002 conference on CCT asks: "Can we obtain same impact through unconditional transfers and improvement in service quality?" See Ayala Consulting (2003), page 60.

16 Britto (2004), page 37.

17 Barrientos and DeJong (2004), page 28.

18 Ibid.

19 The World Bank's 2002 conference on conditional cash transfers left unanswered the question of whether the conditionality was necessary to achieve the observed outcomes. See Ayala Consulting (2003), page 60; Barrientos and DeJong (2004), page 28.

20 de Janvry and Sadoulet (2005), page 2.

21 Britto (2005), page 20.

22 Coady (2003); Grosh (2005); Britto (2005), page 14.

23 Graham (2002); Britto (2005), pages 14-15.

24 Britto (2005), pages 14-15.

25 "Poverty targeting mechanisms can provide effective channels for reaching the poor, minimizing errors of inclusion and exclusion, but these efficiencies must be balanced against increased administrative costs and other problems often associated with targeting, including opportunities for corrupt behaviour on the part of officials, and for beneficiaries, perverse incentives to remain part of the target population and social stigma. In assessing this balance, CCT programme designers have opted strongly in favour of targeting and most CCT programmes use both geographic and household level targeting to channel scarce resources to poor areas and households". In Rawlings (2004), page 7.

26 Because child labour participation is so much higher than the desired levels in Brazil, a programme of cash benefits that would reduce child labour to insignificant levels would likely be too costly: R$100 monthly only reduced boys' labour participation in four percentage points. See Carvalho (2000).

27 Ayala Consulting (2003), page 15.

28 Workshop participants in the World Bank's conference on conditional cash transfers in Puebla, Mexico identified one of the biggest challenges as "the high amount of effort that is necessary to accurately verify the compliance of the beneficiaries' conditions". See Ayala Consulting (2003), page 7.

29 Britto (2005), page 18.

30 Ismail et al. (2003), page 268.

31 Coady (2003), page 5.

32 Government of Mexico (2006).

33 Government of Brazil (2006).

34 World Bank (2004a), page 6.

35 World Bank (2004d), page 250.

36 See Britto (2005), pages 18-19; Ayala Consulting (2003).

37 Reimers et al. (2006), page 17.

38 See Morley and Coady (2003).

39 Lacayo (2006).

40 Britto (2005), page 15.

41 Suplicy (2004), cited in Britto (2005), page 15.

42 Hernandez et al. (undated).

43 The identification of these three criteria and the subsequent discussion are substantially informed by the analysis in de Janvry and Sadoulet (2005), pages 2-5, as well as in Regalia (2005).

44 de Janvry and Sadoulet (2005), page 5. More technically: "Imposing a constraint on behaviour in using scarce cash in the hands of a poor mother thus requires careful consideration. The conditionality needs to be justifiable on the basis of one of these three arguments: imperfect information by parents, discrepancy between parent and child optima, and market failures due to the positive spillovers created by investments in child human capital. When these effects are expected to be large, a CCT approach is justified".

45 de Janvry and Sadoulet (2005), page 9.

46 Sedlacek et al. (2000), page 3.

47 Ayala (2005), page 27.

48 Rawlings (2004), page 5.

49 An evaluation study found empirical results "consistent with anecdotal evidence suggesting that the supply-side components of the programme have been badly implemented or not implemented at all". Glewwe et al. (2003), page 19.

50 Sedlacek et al. (2000), page 4; Britto (2005).

51 De Janvry and Sadoulet (2005), page 21.

52 Devereux et al. (2005) suggest that "in Africa, conditional cash transfers have proved less popular to date, possibly because the quality of education and health services is often so poor that the benefits of imposing these conditionalities are doubtful" (page iv).

53 A UNESCO report identified bureaucratic difficulties in contacting schools, poor roads and inadequate transportation limiting access to schools, and a shortage of Ministry of Education staff as some of the reasons for slow implementation of the pilot. See UNESCO (2003), page 9.

54 Barrientos and DeJong (2004), page 28.

55 Sedlacek et al. (2000), page 9.

56 Britto (2005), page 9.

57 Kakwani et al. (2005), pages 2–3.

58 See Coady et al. (2000), Kakwani et al. (2005).

59 Caldés et al. (2004), page 29.

60 Kakwani et al. (2005), pages 13–14.

61 Maluccio and Flores (2005), page 8.

62 Kakwani et al. (2005), pages 15–16.

63 Caldes et al. (2004), page 19.

64 Coady (2000), page x.

65 Ayala Consulting (2003), page 33.

66 Skoufias (2001), pages 92–93.

67 See Britto (2005), page 8; Caldés et al. (2004), page 3; Gertler et al. (2005), page 10; Ayala Consulting (2003), page 33.

68 Ayala (2005), page 28.

69 Skoufias (2001); Rawlings and Rubio (2003), page 4; Ayala (2005), page 33.

70 Caldés et al. (2004), page 32.

71 Britto (2005), page 19.