Maastricht University Leading in Learning!

Maastricht Graduate School of Governance (MGSoG)

Conditions, conditionality, conditionalities, responsibilities – finding common ground

Esther Schüring*

October 2010

Working Paper

2010WP014

Maastricht Graduate School of Governance (MGSoG)

Maastricht Graduate School of Governance

The 'watch dog' role of the media, the impact of migration processes, health care access for children in developing countries, mitigation of the effects of Global Warming are typical examples of governance issues – issues to be tackled at the base; issues to be solved by creating and implementing effective policy.

The Maastricht Graduate School of Governance, Maastricht University, prepares students to pave the road for innovative policy developments in Europe and the world today.

Our master's and PhD programmes train you in analysing, monitoring and evaluating public policy in order to strengthen democratic governance in domestic and international organisations. The School carefully crafts its training activities to give national and international organisations, scholars and professionals the tools needed to harness the strengths of changing organisations and solve today's challenges, and more importantly, the ones of tomorrow.

Author
Esther Schüring, PhD fellow
Maastricht Graduate School of Governance
Maastricht University
Email: esther.schuering@maastrichtuniversity.nl

Mailing address
Universiteit Maastricht
Maastricht Graduate School of Governance
P.O. Box 616
6200 MD Maastricht
The Netherlands

Visiting address
Kapoenstraat 2, 6211 KW Maastricht
Phone: +31 43 3884650
Fax: +31 43 3884864
Email: info-governance@maastrichtuniversity.nl

Abstract

The question of whether to condition a social cash transfer program or not has been controversially debated in the development scene, often without a clear concept of what conditionality constitutes, what it can realistically achieve and where the limitations are. In addition, debates are based on inconclusive and scarce evidence. The aim of this paper is to generate a common understanding about the concept of and theory behind conditionality, to highlight the different factors that prove essential in determining whether conditionality makes a social cash transfer program more cost-effective and to bring together existing evidence. While building on many important contributions made by other authors, the value added of this paper is to clearly differentiate between different dimensions of conditionality, to bring together a theoretical economic perspective with insights from psychology and political science, to comprehensively and systematically disentangle all factors that determine the impact conditionality can have on the cost-effectiveness of social cash transfer programs and to cite evidence beyond conditionality's influence on household behavior. The paper is supposed to equip policy-makers with a decision-making framework for deciding on whether to opt for conditionality or not and it is supposed to direct academics to areas where further research is required.

Key words: Conditionality, social cash transfers, cost-effectiveness, evidence, low-income country

* The author would like to sincerely thank Franziska Gassmann and Thomas Dohmen for their valuable comments.

1. INTRODUCTION

The question of whether to condition a social cash transfer program or not has been controversially debated in the development scene. The believers in conditionality assume that it is foremost the conditionality rather than the cash itself that produces mid- to long term improvements in human capital outcomes such as education and health. They also view conditionality as a powerful tool to make social cash transfer programs politically more attractive and to empower beneficiaries. Opponents of conditionality usually refer to the little robust evidence that is available to substantiate the impact of conditionality and are concerned about the feasibility in low-income countries, the paternalistic nature of conditionality and its potential to exclude qualifying beneficiaries from the program.

Very often, discussions on conditionality have an ideological underpinning and the decision whether to condition or not is not based on a comprehensive analysis of the different factors that determine whether conditionality is indeed an appropriate instrument in social transfer programming. In light of the growing endeavors for evidence-based policy making, this is regrettable. People however do not only differ in their views on conditionality but also in their concept of conditionality which often complicates discussions. In order to have a meaningful and critical discussion about the evidence base on the impact of conditionality, it is important to keep the various forms that conditionality can take, in mind. Not basing discussions on the same concept of conditionality is not conducive in establishing a common understanding, neither is the fact that existing evidence is frequently used selectively to underline the respective arguments.

This paper therefore aims at conceptualizing conditionality, highlighting different dimensions along which conditionality differs (Section 2). Taking a theoretical perspective, we then systematically disentangle the factors that determine to what extent conditionality affects the cost-effectiveness of social cash transfer programs, looking at efficiency gains (Section 3) as well as at efficiency losses (Section 4). The paper continues by presenting existing evidence on the impact of conditionality (Section 5) and concludes by summarizing the main points and pointing to further research gaps (Section 6).

2. CONCEPT OF CONDITIONALITY

Having a common understanding of conditionality is important when engaging in discussions about its necessity and value added. Surprisingly, conditionality evokes fairly different associations in policy-makers, government staff and academics. Some only associate eligibility criteria with conditionality; others only refer to programs that explicitly solicit certain behavior; others in turn only regard programs that strictly enforce conditionality as conditional. Programs that make exemptions for beneficiaries and are lenient are compared to programs that demand a specific outcome such as a grade point average in school. In addition there are discussions around whether programs with soft conditionality that is not enforced, public work programs or bursaries qualify as conditional cash transfer programs. So what is conditionality and along which dimensions does it differ?

2.1 Definition of conditionality

The term “conditionality” is mostly used in the foreign aid context where bilateral and multilateral donors as well as development banks make the receipt of grants and credits conditional on the country’s performance in areas that are deemed critical by the financers, such as macro-economic stability. In the context of social welfare, the term conditionality refers to a similar idea but with respect to households or individuals who receive government transfers conditional on some form of behavioral compliance. This means that in order to continue receiving support qualifying households have to meet specific conditions that are

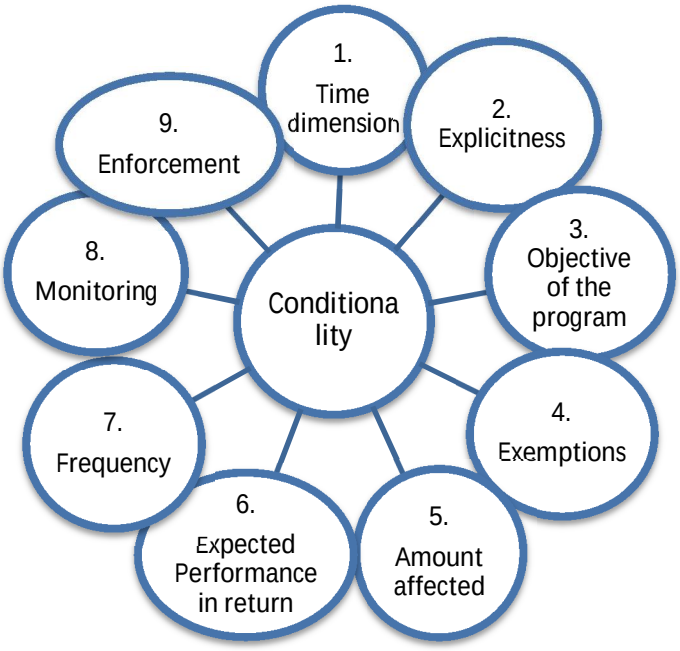
spelled out by the program. While the cash is supposed to reduce the financial barrier faced by households in improving their living standard and making use of existing social services, conditionality is supposed to tackle behavioral barriers that prevent households to improve their situation and escape poverty.

The term 'conditionality' is not used unanimously across the world. In reaction to the negative connotation of conditionality during the structural adjustment phase, some governments or development agencies have replaced the word 'conditionality' by 'co-responsibilities' or 'commitments' emphasizing the active rather than passive role that the beneficiaries have to play and the dual responsibility on the side of the beneficiary as well as government. The term "conditionalities" has also appeared in a number of articles and manuals, which has recently stimulated a debate on whether this word really exists or is just an unnecessary creation.[1]

2.2 Dimensions of conditionality

Conditions vary considerably in the way they are designed and implemented. Nine broad dimensions can be identified, along which conditionality differs (Figure 1): the time when conditions are placed, how explicitly they are mentioned, to what extent they respond to the primary objective of the program, whether there are any exemptions to the conditions, whether conditions are output or outcome driven, whether they are tied to the entire welfare payment or to a supplementary transfer, how often beneficiaries have to comply with them, and to what degree they are monitored and finally enforced. All these different characteristics have an impact on the administrative feasibility of conditionality, on the way conditionality may lead to unbearable costs for some beneficiaries and force them to drop out and on the potential positive changes that conditionality can produce at household and political level. These implications will be discussed in more detail in the sections to follow.

Figure 1: Dimensions of conditionality



Source: Author's illustration

[1] For a discussion on conditionalities, see http://www.wahenga.net/node/1756

1. Time dimension

Conditionality can range from ex-ante conditionality, determining households' eligibility to the program, to ex-post conditionality that decides on a household's or individual's continuation in a particular program. Ex-ante conditionality, defining the eligibility criteria, is common practice in every cash transfer program with the exception of truly universal programs such as the Basic Income Grant in Namibia. The introduction of ex-post conditionality is not an essential element of every cash transfer program.

2. Explicitness

Conditionality can be built directly into the program and explicitly spelled out to beneficiaries in form of a letter or a contract that they need to sign or they can be indirect in nature. Indirect means that they influence household behavior through the choice of implementation modalities instead of an officially communicated obligation. For instance, the program implementer can decide against using the banking system to stimulate consumption or he/she can opt for vouchers to control spending (Schubert and Slater 2006).

3. Objective

Programs can have an exclusive focus on the area that is conditioned or they can pursue broader objectives and the conditioned area just refers to one of them. When the transfer is for instance directly tied to school enrolment in the case of bursaries or directly linked to delivery in a health center in the case of a program that stimulates better health outcomes for pregnant and lactating mothers, conditionality is tied to the main objective. As per nature of the program, the transfer is only paid when households engage in these activities. This differs from conditionality in programs whose principal objective is to increase consumption levels of households and which intend to guide but not completely pre-determine households' expenditure pattern. In this case, conditionality applies to selected areas that are supposed to be reinforced.

4. Exemptions

Conditionality can apply to all beneficiary households or just a sub-group, with other beneficiaries being exempt. Beneficiaries can be exempt because they do not have any household members whose behavior is conditioned such as children of school-going age, children under five, pregnant women, etc. Whether there is a group that is not subject to conditionality mainly depends on the objective of the cash transfer program. If the main objective is to alleviate critical poverty and all poor households regardless of their composition are targeted, exemptions are necessary. If the transfer has exclusive education and health objectives and only households with conditioned household members are included, exemptions are not required. Further exemptions can be made for households that cannot comply with the conditionality for reasons beyond their control, such as unavailability of services within walking distance or the irregularity of services offered due to teacher or health staff shortages, etc.

5. Amount affected

Closely related to the objective of the program, cash transfers can be completely or only partly conditional. If conditionality is tied to specific education or health grants that are meant to promote specific health and education outcomes, non-compliance usually leads to the cancellation of the entire transfer. If the conditionality is attached to a more general welfare transfer that besides securing the survival of the household also encourages the use of health and education services, non-compliance can affect the entire transfer amount or only the part which covers education and health related expenses. While conditionality might be perceived as a "stick", punishing beneficiaries for non-compliance, if it applies to the entire welfare transfer, it has more the character of a "carrot" if it only affects a supplementary health or education sub-transfer.

6. Expected performance in return

Conditionality can be output-related, requiring the beneficiary to make use of certain services such as going to the under-five clinic or attending school on a regular basis or it can be outcome-related, expecting the beneficiary to show a positive outcome of this use of service such as good grades in school, no repetition of a particular grade or continuous growth for children under five. Kane et al. (2004) follow a similar logic by differentiating between simple (direct accomplishment) and complex (sustained) behavior requirements.

7. Frequency

Conditionality can be a one-off requirement such as the immunization of an infant or the acquisition of a birth certificate, or it can be regular in nature such as school attendance of 85% or regular growth monitoring where every month or every term compliance is monitored (Lund, Noble et al. 2008).

8. Monitoring

Usually when a transfer is conditional, compliance is monitored over time. Given the administrative challenges involved in monitoring, some programs have opted to either waive monitoring activities or restrict themselves to irregular spot-checks while other programs require regular and documented monitoring.

9. Enforcement

Conditionality can be punitive, developmental or soft in nature. As the word already entails, punitive conditionality punishes non-complying households by withdrawing at least part of the cash transfer. 'Developmental' conditionality entails that when a household fails to comply, a case-worker follows up on the reasons for non-compliance and tries to work out an individualized solution with the household before the transfer is definitely stopped. 'Soft' conditionality means that conditions are not enforced but officially remain a responsibility of the beneficiary household. The focus in programs with soft conditionality is thus more on monitoring and sensitization, rather than rewarding good and punishing bad behavior.

2.3 Conditionality in practice

The nature of conditionality is fairly similar across most countries with a conditional cash transfer program. In the area of health they often demand regular growth monitoring and completion of all required vaccinations for children below 6, antenatal and postnatal check-ups for pregnant and lactating women as well as participation in training sessions. In the area of education they ask for school enrolment and regular attendance. However, conditional cash transfer programs around the world differ substantially in the way they have been designed and implemented conditions in those two areas. The information on all together 39 conditional cash transfer active or recently active programs around the world compiled by the World Bank in 2009 (Fiszbein and Schady 2009) and on African programs in particular in 2010 (Garcia and Moore 2010) give us a first impression of this variety (see Annex 1 for an overview).

The majority of programs officially do not have a provision for **exemptions**. Given the low degree of monitoring and enforcement in a number of countries, in particular in Africa, indirect exemptions are however practiced. There are also programs such as the community CCT program in Tanzania and the OVC program in Kenya that only make conditionality mandatory for those who have access to schools or health centers. In Jamaica, children with disabilities are exempt.

In terms of the **amount affected**, the non-compliance with the conditionality affects the entire transfer in about 40% of all conditional cash transfer programs. In about 21% of all programs,

the transfer is divided into education and health sub-transfer and non-compliance with one of the conditions only concerns the respective part of the transfer. In 13% of all programs, the lowest proportion, the conditionality is placed on supplementary education and health grants, next to a basic food / welfare grant that the household is guaranteed in any case. 22% of all programs are pure education or health grants and therefore have an exclusive focus as opposed to the welfare transfers, which are concerned with the overall well-being and survival of a particular household / individual **(objective)**.

In about 67% of all programs the conditionality is output-related, meaning that conditions only require beneficiaries to use social services but the use of these services does not have to lead to a particular outcome (**expected performance in return**). Most programs with outcome-related conditionality are specific education or health transfers which predominantly intend to reward good performance such as the bursary program in Cambodia or the HIV and AIDS program in Tanzania.

The majority of programs have regular conditionality, with only a few programs asking for additional once-off conditions such as the receipt of a birth certificate or the participation in training sessions (**frequency**). The regularity of conditionality, however, varies. There are for instance programs asking for 75% of regular school attendance such as the one in Bangladesh vs. programs that require 90% such as the program in Burkina Faso. Some programs demand monthly health-checkups for children under 1 while others demand quarterly check-ups. Not only the percentage but also the reference unit differs across programs with programs demanding 80% of regular school attendance per month vs. programs that allow for 80% of regular school attendance over the year.

Of course, the regularity as well as the number of conditions affect the regularity of the **monitoring** activities, which again ranges from intensive monitoring in countries such as Chile, Brazil, Mexico and Turkey to random checks in Argentina, Bangladesh and Tanzania to no monitoring at all in countries like Ecuador and Ghana.

Programs differ significantly when it comes to **enforcement** mechanisms. Countries like Brazil, Chile and El Salvador have officially adopted a developmental approach, involving extensive exchanges between households and social workers, and individualized service before a final decision is taken. There are also a number of other countries where transfers are more rapidly reduced or cut such as Mexico or Jamaica. Most programs with soft conditionality have been soft in nature due to capacity constraints, which rendered proper monitoring and enforcement of conditionality virtually impossible. It is therefore important to also distinguish conditionality by the way they are designed and eventually implemented.

For the remainder of this paper we narrow the discussion of conditionality to programs with ex-post conditionality which is explicit in nature and which is attached to programs with an overall welfare focus as well as to programs with a specific education or health focus.

3. RATIONALE BEHIND CONDITIONALITY

Standard micro-economic theory teaches us that unconditional cash transfers are superior to conditional cash transfers as the former allow the beneficiary to freely choose between a bundle of different goods and services that maximizes his/her utility. There are however instances when households do not realize optimal investment levels in education and health and more paternalistic policy making such as attaching conditionality to cash transfers might be warranted. While most economists view such paternalism with skepticism (see for instance Glaeser 2005), they usually tend to accept it in case children are deprived of education and health services or when poor decision-making has disastrous effects on society (Stiglitz 2000; Thaler and Sunstein 2003).

There are principally five arguments for why conditionality could enhance the effectiveness of social cash transfer programs: private efficiency, social efficiency, political economy, empowerment and equity (Das, Do et al. 2005; de Janvry and Sadoulet 2006; Bastagli 2008; Fiszbein and Schady 2009). First of all the government might be concerned that households do not reach their private optimum in terms of making the right investment decisions for education and health (**private inefficiency**). This can occur due to misinformation, non-altruism of parents towards their children, myopia or risk aversion. Even if households reach their private optimum, the government might wish to intervene if the households' optimum differs from society's optimum (**social inefficiency**). Conditionality can moreover be the trigger that makes politicians accept an otherwise unpopular social welfare intervention (**political economy**). Conditionality is argued to have the effect of empowering beneficiary households as well as empowering individual members of the household by for instance increasing the bargaining power of women (**empowerment**). Last but not least, conditionality can lead to more equity by improving the targeting performance of a social welfare program, working as a disincentive for those who are non-qualifying (**equity**).

The use of conditional incentives to influence behavior is also a common treatment form in behavioral therapy in psychology. Contingency management, a treatment used for substance use disorders such as drug abuse or obesity is based on the three main principles of 1) frequent monitoring or target behavior, 2) provision of incentives when target behavior occurs and 3) removal of incentive when it does not occur (Petry, Petrakis et al. 2001). While psychology has a long-standing tradition of incentivizing behavior, going back to earlier token economy approaches, little effort has been undertaken to use their experiences for research on conditional cash transfer programs (Medlin and de Walque 2008). This section will make an attempt of drawing more heavily on experiences and insights from psychology to complement the rationale and evidence taken from economics.

3.1 Economic superiority of unconditional cash transfers

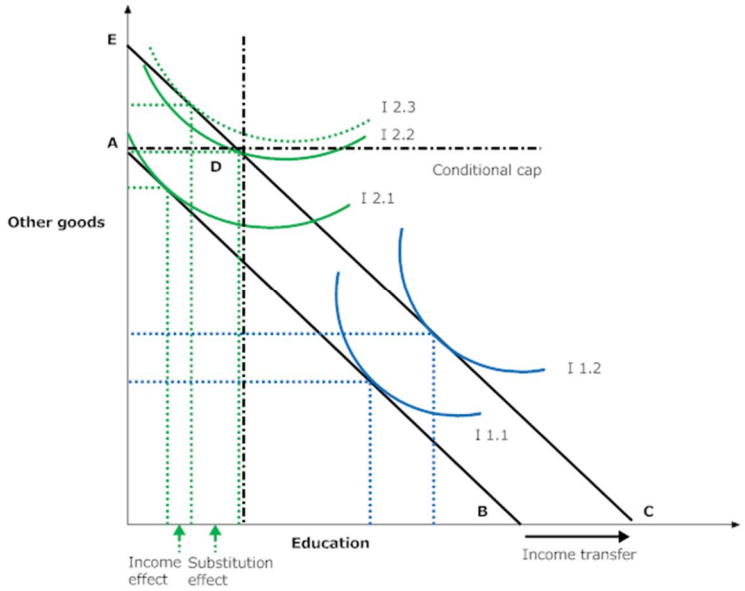
In order to see which type of transfer is more effective, clarifying the objective of the program is crucial. As discussed previously, conditional cash transfer programs can set different priorities when it comes to objectives, which range from a primary focus on increasing the income of the poor or the vulnerable (short-term poverty reduction) to one on human capital accumulation (long-term poverty reduction). If the focus is predominantly on improving schooling and health outcomes which necessitates behavioral change, a conditional cash transfer targeted at those who under-invest in education and health, can be more effective. If however the main focus is on increasing the welfare of the poor with a secondary objective of strengthening human capital to avoid long-term poverty, the stakes look different.

In a situation where agents behave rationally and markets function and the government takes decisions in the best interest of its citizens, unconditional cash transfers would be the optimal choice. They allow agents to maximize their utility by letting them choose the bundle of goods and services that they prefer. The chosen combination of goods and services might coincide with the choices made by the social planner if preferences are alike but any form of standardizing the goods and services that each citizen is required to use risks lowering some of the agents' welfare.

If we take a look at figure 2 we see the impact that a conditional cash transfer would have vs. the impact of an unconditional cash transfer on two different households marked by the colors "blue" and "green" according to a standard economics framework. Both households can choose a bundle of education and other goods that is within their budget constraint, which is demarcated by the points A & B. Important to note here is that for the conditioned good, be it education and health, we do not regard dichotomous choices – e.g. whether a child is enrolled in school or whether a vaccination book is available – but areas where small changes are possible (school attendance, percentage of completion of all vaccinations etc.). The unconditional income transfer moves the budget line from AB to CE whereas the

conditional cash transfers moves the line AB to CDA, capping the consumption of “other goods” at A. The cash transfer in this scenario is expected to cover all school-related expenses and supposed to allow the household to meet the condition even if none of the prior income is invested in education.

Figure 2: Welfare effects of a conditional vs. an unconditional cash transfer scheme



Source: Author’s illustration

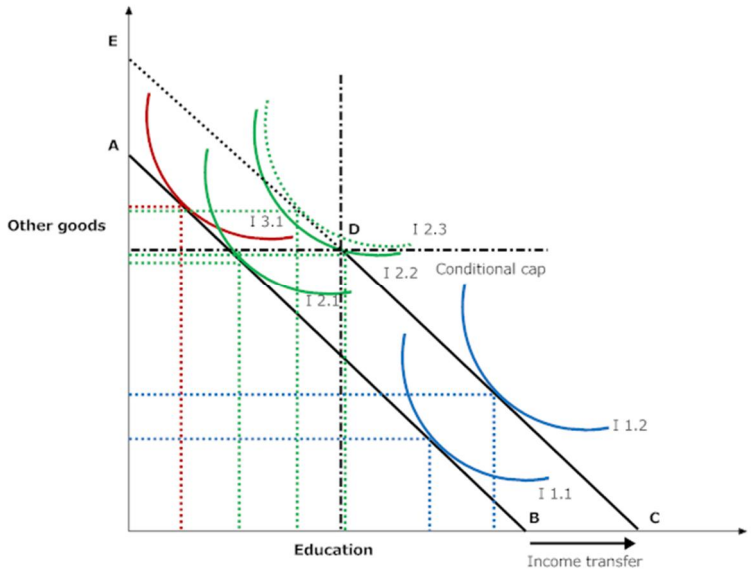
While household “blue” would be indifferent between an unconditional or conditional cash transfer as the conditionality does not change the level of the indifference curve he can reach (I.1.2), household “green” would prefer an unconditional cash transfer. A conditional cash transfer would restrict the household to indifference curve I 2.2 and the respective bundle of education and other goods at the corner point while an unconditional cash transfer would allow the household to reach a higher indifference curve (I 2.3). A conditional cash transfer would consequently lower the welfare of household “green.” At the same time, household “green” is the household that is the main target group of a conditional cash transfer program as this household in absence of the unconditional transfer would decide to take the conditional cash transfer and substitute some of the income it would have normally invested in ‘other goods’ (see decision under I 2.3) to education.

Lowering the welfare of household “green” only makes sense if we believe there are market inefficiencies leading household “green” to make sub-optimal decisions from a private point of view, meaning that household “green” bases its decision on the wrong indifference curve that does not reflect its true preferences. This can occur due to information constraints or incomplete altruism within the household for instance. It is furthermore justified if household “green” makes sub-optimal decisions from a social point of view by not factoring in the positive externalities that education and health generate, leading to a sub-optimal social welfare outcome for society. A conditional cash transfer might also be the optimal choice if a government provides the income transfer only in case the condition is attached. In this scenario both individual “green” and “blue” would still support conditionality if this is the only way that an income transfer takes place.

The graph in figure 3 presents a slightly modified scenario, where the transfer to households does not cover all education related expenses, leading therefore to different trade-offs for some households. Household “blue” is still indifferent between a conditional and an unconditional cash transfer and household “green” would still have made a different decision

and moved to a higher indifference curve (I 2.2) if the transfer had been unconditional. As opposed to household “green”, household “red” would refuse to participate in the program as it would have to substitute too much of its income away from ‘other goods’ to the good education in order to meet the conditions. Who participates in the program is therefore largely determined by the cut-off point and the size of the transfer. If the transfer is for instance doubled or the education requirement halved, household “red” would also decide to participate in the program. For any household in the bottom left quarter as demarcated by the “conditional cap” lines, the transfer would lead to a behavioral change.

Figure 3: Consequences of conditionality in case of an insufficient transfer



Source: Author’s illustration

In conclusion, unconditional cash transfers are at least as efficient as conditional cash transfers and might be even superior for certain households such as household “green” and “red” in our example. This is at least the case for a situation where all households behave rationally, where the market is fully functional and the government benevolent.

3.2 Private efficiency arguments

One way that conditionality can thus improve efficiency is when there is a market failure and households do not reach their private optimum in terms of their education and health investments. Households might not reach their private optimum because they only have access to imperfect information on the benefits of education and health, because parents do not behave completely altruistically towards their children, they are myopic, risk-averse and therefore under-invest in education and health.

3.2.1 Imperfect information

Households, in particular those where parents have not been exposed to education themselves, are often misinformed about the value of education for the present and future of their children and therefore invest sub-optimally. They might not realize that education is a perquisite for achieving productivity gains in the local market or they might not be adequately informed about the returns to education in communities outside. Lack of education is even more problematic when it comes to optimally combining the components of multi-sectoral programs that simultaneously address education, health and nutrition (de Janvry and Sadoulet 2006). Conditionality in this case has a signaling effect by informing households

about the minimum level of education required. They come particularly into play when other approaches such as public information campaigns have not been successful in reducing simple information asymmetries (de Brauw and Hoddinott 2007). While Fiszbein & Schady (2009) argue that information campaigns might often be more cost-effective at reducing some of these information asymmetries, they also warn that wrong beliefs are self-reinforcing and that only people who would like to be informed will take advantage of such campaigns.

This is especially the case when misbelieves about the preconditions for good learning or about the actual returns of education are handed down from generation to generation. Poorer people might for instance be convinced that their children do not have the necessary potential to absorb the knowledge taught at school. Even if they do believe that their children have the potential, they are often skeptical as to whether schooling outcomes eventually determine the returns of education. The right connections or financial support might be given a greater weight in this regard. Studies by Jensen (2010) for the Dominican Republic, by Attanasio and Kaufmann (2009) for Mexico and by Nguyen (2008) for Madagascar demonstrate that expected returns to education are often substantially lower than realized returns, in particular for those children who originate from households with lower education levels.

3.2.2 Incomplete altruism

Parents however do not always fulfill their role of acting as an agent on behalf of the children's preferences even if they have access to all information. Some parents discount for instance the future at a higher rate or estimate a lower return rate than their children, which results in less education and even less health. Empirical studies by Kochar (cited in: Das, Do et al. 2005) show that the rate of return to children's education differs significantly between parents and children and that the education decisions follow the rate of return by parents. The gender differences in education and health decisions, mostly disadvantaging girls, are another example of a dysfunctional principal-agent relationship between children and parents. Parents might also decide against a better education of their children for instance because less education limits children's mobility and thereby serves as a better security to have children stay in the local village.

Parents themselves are not always unitary agents neither. The conflict of interest and the subsequent bargaining process in the household might therefore be between the household head on one side and his spouse and children on the other side. This is due to the fact that the spouse, whose preferences tend to be more aligned with her children's preferences[2], usually has a lower bargaining position in the household in most developing countries with patriarchal relations. The children as well as the woman whose utility increases with greater welfare for the children would therefore stand to benefit from conditionality. The value added of the conditionality over the woman being the transfer recipient is that the conditionality usually affects a greater share of the income than just the transfer from government itself (Martinelli and Parker 2003)..

3.2.3 Myopia

Even if parents have access to perfect information and behave altruistically towards their children, they make sub-optimal choices if they are impatient and willing to trade future for present consumption. There are several reasons that explain this impatience such as dynamic inconsistency of preferences, anticipation utility, habit-formation, visceral influences, projection bias and other considerations (see Frederick, Loewenstein et al. 2002 for a comprehensive overview). In our scenario where households decide against human capital

[2] See evidence on the higher likelihood of women to invest in children, provided by Haddad et al (1997), Kakwani et al (2005), Barrientos and de Jong (2006). Ezemenari et al (2002) also provide a recount of the positive evidence but also caution the reader to automatically assume that the woman will always be objective in her judgments.

investments with potentially larger pay-offs in the end, the dynamic inconsistency of preferences and visceral influences appear to be plausible reasons behind myopia.

The dynamic inconsistency of preferences, hyperbolic discounting, refers to the phenomenon that sacrifices are promised when they are distant but reversed once the moment has come. This inconsistency is supported by a large body of collective evidence (Frederick, Loewenstein et al. 2002). To what extent people are prone to self-control problems depends on their degree of sophistication as O'Donoghue et al. argue (2003). Sophisticated people might not be completely immune to phenomena such as over-consumption or procrastination but they search for and respond to commitment devices, whereas naïve people would only do that if they were either better educated or if they received incentives for using commitment devices. However, education or information of naïve people should not rely too much on a demand approach as the same naïve people might also experience procrastination in information gathering. Others have explained this impatience with visceral influences such as hunger and other sudden cravings which present transient fluctuations in tastes. These visceral influences let certain activities appear more attractive even though people would often prefer not to succumb to those forces. In addition, people, even if they have experienced them once, tend to ignore the influence of visceral forces in the future (Loewenstein, Camerer et al. 2004).

Myopia is problematic as households over-consume in the present - even compared to their own prior preferences - and their welfare is consequently lowered. Green et al. show that this effect is more pronounced for lower-income individuals (1996). Dohmen et al. (2010) find greater impatience among people with lower cognitive ability. Lower-income and lower cognitive ability are likely to be attributes of social assistance recipients, meaning that impatience is particularly magnified.

The role of credit markets should however not be ignored when discussing people's time preferences. When credit markets are perfect, we expect people's discount rate to affect consumption but not any investment decisions in human capital. When credit markets are however not perfect, which is a likely scenario in low-income countries, parents being restricted in their choice set might not be able to make optimal investment decisions because decisions on consumption and investment are no longer separately taken. If parents consequently do not have any other means for consumption smoothing, they might prefer greater consumption today through the earnings on child labor and the saving on school-related expenses rather than foregoing more consumption for better education and health for their children.

While credit markets are difficult to influence, influencing human behavior is easier. Commitment devices and incentives to use them are proposed by several authors (Laibson 1998; Frederick, Loewenstein et al. 2002; O'Donoghue, Rabin et al. 2003) as measures to self-control. In this light, conditionality can be seen as a device to limit households' ability to trade off future for present consumption (de Brauw and Hoddinott 2007) and the cash is the incentive to use this commitment device. The same authors that propose commitment devices as a solution, however also caution their use. Laibson (1998) points to the fact that commitment devices can take a way flexibility in reacting to household shocks and O'Donoghue (2003) remarks critically that prior to devising any policies for self-control problems, the magnitude of harm needs to be assessed.

3.2.4 Low risk behavior

Potential beneficiaries, coming from low-income households, have often been characterized as extremely risk-adverse with subsequent negative consequences for education and health decisions. Economists such as Lipton (1968) up to economists behind the World Development Report (2001) have emphasized the correlation between poverty and risk aversion and limited risk coping mechanisms. This is consistent with the expected utility

theory that postulates a decrease in absolute risk aversion as wealth increases. Risk aversion can then lead to sub-optimal investment decisions, not only with respect to financial but also to human capital investments. Schooling in lower grades has often been characterized as a risky investment decision for parents due to the direct and indirect costs attached, the uncertain ability of children and uncertain return rate in the labor market at the end (Belzil and Leonardi 2007). The risk of human capital investments is furthermore increased by the fact that human capital risks are noninsurable and nondiversifiable (Shaw 1996). The belief in this causal chain that poverty fosters risk aversion and higher risk aversion leads to sub-optimal human capital decisions motivates the choice of conditionality which forces households to take the risk and avoid sub-optimal decisions.

This causal chain from poverty to risk aversion to sub-optimal human decisions is only partly confirmed by evidence. The first experiments carried out by Binswanger in the 80s on risk attitudes in rural India did not find any evidence in support of the first link between wealth and risk aversion (Binswanger 1980). Mosley and Verschoor's experiments in Uganda, Ethiopia and India confirm this finding but find out that it is more subjectively measured vulnerability rather than objectively measured income that drives risk attitudes (2005). More recent evidence from an experimental study in Vietnam (Tanaka, Camerer et al. 2010) equally concludes that there is no significant relationship. In contrast, Yesuf (2004) as well as Wik et al. (2004) discover through experimental evidence from Ethiopia and Zambia respectively a negative relationship, meaning that greater wealth lowers risk aversion. On the relationship between risk and human capital decisions, Belzil and Leonardi (2007) conclude that empirical evidence has been scarce and inconclusive. Only after controlling for the endogeneity and measurement errors and contrary to previous analysis (Belzil and Leonardi 2007), they find that risk aversion has a negative impact on higher education investment. With respect to health, Hammit and Haminger (2010) show that risk aversion increases parents' willingness to pay for safer food. In the area of health it is anyhow likely that risk-aversion translates into a greater readiness to make investments.

3.3 Social efficiency arguments

Even if households reach their private optimum, their private optimum might not be socially optimal. There could be a discrepancy between the private and social optimum because of direct positive externalities of education and preventive health care measures and/or high future social costs of under-investment in education and health that the household does not factor into his education and health decisions.

Das et al. (2005) distinguish between two types of externalities that households often do not reflect on when making education and health decisions: physical externalities and learning externalities. Physical externalities are spill-over effects from a positive experience in one household or community to the neighboring household or community. Learning externalities refer to the benefits from initial experimentation with a new approach for other potential participants, which creates a classical free-rider scenario. While some empirical studies cast doubt on the importance of positive externalities, at least for Western economies, (Acemoglu and Angrist 1999; Heckman 2000; Bils, Klenow et al. 2004), there are a few studies from low-income countries that testify their impact. Miguel and Kremer (2004) show how these physical externalities worked in practice in a deworming program in Kenya where untreated students equally benefited from the intervention. These benefits are largely known for vaccination programs. Kremer et al. (2004) provide also evidence on positive externalities resulting from a bursary program in Kenya for girls that had a positive effect on low-scoring girls as well as on boys. Lalive and Cattaneo (2009) show proof of a social interaction effect on schooling that is almost as great as the direct effect of the cash transfer.

Janvry & Sadoulet (2006) highlight the potential high future costs that result from under-investments in education and preventive health measures such as increased crime and insecurity levels, lost labor and entrepreneurial contributions to overall economic growth, lack

of informed participation to democratic practices, and continued underestimation by future parents of the value of education. The pioneering work of Heckman (2000) has also demonstrated the negative long-lasting implications of under-investment in early childhood for the development of the child as well as for society such as lower productivity and earning capacity, greater criminal potential and poor parenting practices.

3.4 Political-economy arguments

An analysis of the political institutions, actors and incentives in the decision-making process can help explain why actual policies diverge from economically optimal policies. Governments do not always represent the interests of their constituents in the decision-making process. It is first of all difficult for the government to aggregate preferences of different individuals. Secondly according to Arrow's impossibility theorem, the government of a democratic state does not act with the same degree of consistency and rationality as an individual. Decisions are consequently often a result of bargaining processes, lobbying and rent-seeking.

Assessing the political institutions, actors and incentives behind pro-poor reforms and programs is therefore instrumental to launching and sustaining poverty reduction measures. Even if Künnemann & Leonhard (2008) argue that cash transfers are a human right, which comes with the obligation for the state to act upon and therefore requires no further legitimacy in form of conditionality, it should not be overlooked that the way a program is designed and implemented influences its political sustainability (Hickey 2006). Conditionality is expected to buy political support for welfare programs, which tend to be politically unpopular. In a first step it needs to be assessed to what extent different features of a cash transfer program lead to political rejection. The unpopularity is often explained by the fact that these programs transfer resources to a narrowly targeted group of people who are too distant in terms of characteristics from the middle class poor and who are (partly) held responsible by society for their poverty status which is seen as a result from bad income management or lack of motivation.

Conditionality can react to the unpopularity of a welfare program in different ways. The impact of conditionality on the unpopularity resulting from narrow targeting is ambivalent as conditionality on the one hand is meant to benefit children and women in society, increasing the political acceptance but on the other hand risks adding to the unpopularity by working as a screening mechanism against the better-off. Conditionality can however transform the image of a transfer going to an "undeserving" individual. As Hickey puts it: "CCT have an intuitive appeal to elites as they help make better citizens of the poor." (2006: 4) According to Lindert and Vincensini (2009), this appeal applies to the political right as well as to the political left with the Right appreciating conditionality as a contractual arrangement with clear obligations attached and the Left viewing conditionality as a basic right.

By adding requirements to the transfer, the conditionality introduces an element of control preventing that households consume "demerit" goods. It also introduces an element of reciprocity, asking the individual to actively graduate out of poverty, to reduce the risk of falling into poverty again and to prevent that the coming generation will equally depend on social welfare. In this way conditionality can be seen as a guarantee for society to fair burden-sharing across generations. Conditionality might also enhance the effectiveness of a program, which tends to increase the political acceptance levels.

In addition, conditionality can have an important signaling effect in terms of the performance of government, which is important as "politicians and policy makers are often evaluated by performance indicators" as de Brauw and Hoddinott state (2007: 2) Conditionality assists policy-makers in demonstrating success long before the actual impact evaluation has been carried out. This might be particularly crucial in countries which are donor dependent and

where donors demand observable measures of performance, usually fairly quickly as they are equally accountable to taxpayers in their respective countries (Das, Do et al. 2005).

The unpopularity of government support alone does not justify the use of conditionality. Even if a program is politically unpopular and there is scope for conditionality to increase the effectiveness of the social assistance program, the negative impact of conditionality on the political popularity has to be considered as well. While conditionality can make the outcome more predictable and serve as a guarantee to the middle class or the donors of a country that they get value of money, conditions can have negative political consequences if they foster corruptive practices, if conditions are not fulfilled by beneficiaries or if conditionality renders a program too complex, expensive and less efficient. Britto (2004) points out that non-compliance on the part of beneficiaries for instance leads to a withdrawal of political support by the middle class. This sentiment was reiterated in interviews with Zambian stakeholders (Schüring 2010).

3.5 Empowerment arguments

By turning the welfare payment into a contractual agreement between the state and the beneficiaries to which both parties make a contribution, conditionality can reduce the stigma that is usually attached to social assistance programs and thereby increases the potential take-up rate of social cash transfers (de Brauw and Hoddinott 2007). As Fiszbein & Schady state, “when conditions are seen as co-responsibilities, they appear to treat the recipient more as an adult capable of agency to resolve his or her own problems.” (2009: 10). This might be the reason why several authors such as de la Brière and Rawlings (2006), Cohen & Franco (2006) or de Janvry and Sadoulet (2006) have characterized conditional cash transfer programs as less paternalistic than unconditional programs and emphasize the contract character of conditionality with a provision of penalties in case obligations are not fulfilled. The conditionality might also be regarded as empowering as they permit the beneficiary household to realize outcomes that it desires but fails to attain due to informational asymmetry or impatience. This can give beneficiaries control over their decisions and increase their feeling of autonomy (for evidence in psychology, see: Corrigan 1997).

A number of authors are skeptical of this impact (Schubert and Slater 2006; Freeland 2007; Standing 2007) and consider conditionality to be paternalistic as it is based on the assumption that the government cares more about the welfare of the next generation than parents themselves. Veit-Wilson (2009) criticizes that conditions are often set for people but not together with people, which is even more critical in regimes that people themselves cannot shape and influence. It might also be questionable whether a system of “co”-responsibilities where only one party to the contract can be penalized is really empowering. “Co”-responsibility would normally mean that parents could also take the service providers to task if services are not adequately provided.

Another dimension of empowerment is the strengthening of women’s position in society as well as in the household. Conditionality is furthermore said to increase the bargaining position of the woman in the household, institutionalizing the preferences of women (Martinelli and Parker 2003). In addition, the courses on different topics women are asked to attend as part of conditionality (at least in a number of Latin-American countries) are meant to strengthen women’s self-confidence and broaden their perspective and encourage them to speak out and move freely. According to Adato & Hoddinott (2007) conditionality can furthermore legitimize social change such as equal access for girls and boys to education and health services. Authors such as Molyneux (2006) and Bradshaw (2008) on the contrary critically point to the fact that conditionality simply just reinforces traditional gender roles and responsibilities without changing the status and decision-making power of the woman.

3.6 Equity arguments

Information asymmetries between the government and the population lead to adverse selection for social assistance programs. Individuals have an incentive to provide wrong information about themselves and their household in order to qualify for the program. This incentive is even greater in low-income countries where information provided by potential beneficiaries is often very difficult and costly to verify due to lack of infrastructure, lack of administrative capacity, lack of functional registration systems or reliable external sources for verification.

Conditionality can improve the targeting efficiency of a social cash transfer by decreasing the attractiveness of the transfer to those that are ineligible who would be unwilling to bear additional costs or would shun away from public appearances to get conditionality cards verified and stamped. In this way, households would voluntarily reveal information about their characteristics with no additional expensive verification required. Such a screening mechanism can be particularly useful for countries where means tests are logistically or politically unfeasible (Das, Do et al. 2005). Equally highlighting the merits of self-selection, Blackorby and Donaldson show in their model that in the case of imperfect information for the government, an in-kind transfer, a transfer that is inexplicitly conditioned on using a particular good or service, is superior to a cash transfer (1988).

In addition, de Janvry and Sadoulet (2006) further argue that conditionality even increases the attractiveness of the program for potential beneficiaries through the empowerment effects discussed in the previous section. In this way they would contribute towards increasing program uptake. The challenge however remains to design conditionality in a way that it screens out non-qualifying household but does not screen out qualifying households at the same time for whom the compliance costs might be equally prohibitively high and present a larger proportion of their income. Further information on screening out effects of qualifying households is provided in section 4.2.4 & 4.2.5.

4. INEFFICIENCIES OF CONDITIONALITY

While the arguments in section 3 demonstrate that conditionality can make a social cash transfer program more effective and politically acceptable, there are a number of reasons that can actually off-set these gains and even lead to an efficiency loss (for an overview, see figure 7). If conditional programs have indeed a tendency to be self-sustaining even if proven inefficient according to the model by Bougheas et al (2007), there is still a greater need to carefully study the potential inefficiencies before launching conditionality. The inclusion of conditionality can produce inefficiencies through inherent negative side effects, which reduce the impact of conditionality, or produce inefficiencies by the way conditionality is designed as well as by the way it is implemented. It is crucial to realize here that not all inefficiencies carry the same weight: while some design inefficiencies can be avoided through a careful design that is tailored to the country context and some implementation inefficiencies might be transitory in nature, others such as impact inefficiencies are more difficult to tackle.

Most theoretical discussions mention drawbacks of conditionality but not always in the most systematic way, disentangling the different factors that produce inefficiencies. Contrary to other illustrations, Bastagli (2009) clearly mentions the drawbacks of conditionality in terms of financial and social costs (design and implementation inefficiencies) as well as unintended behavioral consequences (impact inefficiencies). Similar to Bastagli, de Janvry and Sadoulet clearly put the gains of conditionality into perspective with their respective costs and also compare the effectiveness of conditionality vis-à-vis other policy choices. They provide a detailed discussion of the design inefficiencies and equally mention the challenges associated with low administrative capacity (implementation inefficiencies).

Das et al. (2005) state the challenges of low participation of poorer households which for them is intrinsically linked to the transfer amount (design inefficiency), the problem of fungibility, meaning that households just reduce spending on goods and services which are close to the conditioned-good (impact inefficiency) as well as the problem of satisfying the efficiency and equity objectives at the same time (design inefficiency). They also raise attention to the point that conditional cash transfers have to be compared to other policy interventions in terms of their cost-effectiveness. While Fiszbein and Schady (2009) caution that conditionality might not always be the most cost-effective instrument and problematize the exclusion of beneficiary households as well as the promotion of sub-optimal behavior (design inefficiency), they do not explicitly factor in the role of implementation costs of conditionality. Impact inefficiencies are the ones which are least discussed by any of the authors with the exception of unintended behavioral consequences illustrated by Bastagli and Das et al. Implementation inefficiencies are mentioned but not sufficiently problematized in the context of low-income countries.

4.1 Impact inefficiencies

Conditionality can lead to unintended consequences in terms of distorting decisions in areas that are not conditioned or in terms of having negative motivational effects and reversing the desired behavioral change in the long run. This means that if one cares not only about target behavior in conditioned areas but about household behavior in general, these negative behavioral effects might undo any positive behavioral gains. The negative motivation effects might, at least in the long run, affect household behavior and reverse any private efficiency gains and could also lead to disempowerment. See table 1 for a more detailed overview of the different efficiency reducing effects of impact inefficiencies.

Table 1: Efficiency reducing effects of impact inefficiencies

Impact inefficiencies affect:	
Private & social efficiency	• Potentially a negative effect on non-target behavior, which might lead to an overall undesirable behavior • Potentially negatively affected by motivation effects
Political economy	• Negatively affected if impact inefficiencies lead to higher drop-out among beneficiary households, impact reversal and negative influence on behavior
Empowerment	• Negative motivation effects might increase the mistrust vis-à-vis government and lead to disempowerment
Equity	• Could be worsened if negative motivation effects lead to higher drop-out among beneficiaries

Source: Author's illustration

4.1.1 Negative behavioral effects

The compliance with conditionality might motivate the household to alter consumption choices in other areas, which could in the end lead to an overall sub-optimal outcome. If there is an education condition in the program and households substitute for instance a greater variety and quantity of food for all household members for the required amount of education, then this behavioral change might not be welfare-enhancing for the entire household.

Davis et al. (2002) raise concerns that Procampo, a program conditioned in the area of agriculture, has led to an overinvestment in agriculture, away from non-agricultural investments. This might be an example where conditionality can actually channel resources away from higher return activities in other economic fields. The fact that Procampo has even

led to a decrease in school expenditure, possibly because more labor was required for the additional agricultural investments, is equally a sign of how conditionality might produce negative side-effects in other areas. In Malawi, the conditionality in the experiment equally had negative side effects. It caused more distress among girls and only the unconditional cash transfer had a significant impact on reducing early marriages (Baird, McIntosh et al. 2010).

4.1.2 Negative motivation effects on (re)-engagement

Whereas standard economic theory highlights the positive impact of incentives on individuals' efforts, latest theories and evidence from psychology and experimental economics provide more controversial results (Kremer, Miguel et al. 2009). These insights show that conditionality can actually have a negative impact on the engagement or the re-engagement of those who are intrinsically motivated to carry out the activities that are conditioned. The conditionality might be perceived as a controlling device or a lack of trust; people might lose their intrinsic motivation and discontinue the activity when the external reward is terminated. Furthermore, this negative effect on intrinsic motivation can spill over to other areas of similar activity or even influence fellow citizens.

In psychology, different theories point to the potential of extrinsic motivators to exert a negative impact on intrinsic motivation. Cognitive evaluation theory mentions two oppositional forces that influence intrinsic motivation (Deci, Koestner et al. 1999). Extrinsic rewards can be negatively perceived as controllers of behavior or positively as an indicator of competence. Attributional approaches are similar to the cognitive evaluation theory. They suggest a negative impact through an overjustification effect where an external reward makes people attribute the activities undertaken to the external reward rather than their own motivation. Behavorists in psychology have also provided different arguments, equally outlining different negative forces that affect intrinsic motivation such as the feeling of helplessness when rewards are general and not tied to specific outcomes as well as positive forces such as learned industriousness.

A meta-study by Deci et al. of over 100 experiments depicts a rather clear and consistent pattern of negative motivation impact across different psychological experiments conducted. Only verbal rewards had a positive impact on motivation and unexpected or non-contingent rewards were neutral. This negative effect on the motivation of the individual can have substantial consequences as Frey (2008) demonstrates: quality of performance is often substituted by quantity; negative actions that are sanctioned are repeated as the bad conscience is paid off through the sanction and indirect damaging effects are transferred onto other fields and people. These conclusions are however not uncontested. Another meta-study by Cameron et al (2001), using a different methodology, does not find pervasive negative effects on intrinsic motivation and shows that intrinsic motivation was maintained or strengthened when participants had to meet a specific criterion or were enticed to out-perform fellow participants.

Evidence from experimental economics has equally supported the findings of negative motivational effects from psychology. Benabou and Tirole (2003), developing an economic model to explain the effects of extrinsic rewards on intrinsic motivation, demonstrate that even if incentives increase performance in the short term, they can have a demotivating effect once they are removed. They cite a number of studies with monetary incentives whose findings confirm their model. Fehr and Gächter (2001) show that material incentives crowd out fairness-driven voluntary cooperation and lead to an efficiency loss of the contract and lower effort levels of the agents. Sliwka (2007) formally models optimal incentive schemes to foster a better understanding of the disincentive effects and shows that for a conformist agent, a bonus-related contract might signal that distrust is the social norm, resulting in inefficient behavior and outcomes.

Unfortunately, there is no evidence from conditional cash transfer programs to what extent the desired behavior change lasts beyond participation in the program. This is due to the fact that conditional cash transfer programs are a fairly recent phenomenon and that they often stop when the conditioned behavior is no longer required, i.e. when children have completed school or all antenatal checks have been carried out. Evidence from the contingency management literature shows that incentivizing behavior can be successful in treating drug abuse or obesity problems but that people resume old behavior patterns once the incentive is removed (Medlin and de Walque 2008). Evidence from economic incentives to promote preventive health behavior shows the same pattern. All 4 studies on economic incentives that looked at long-term effects, stated that behavior had returned to original levels (Kane, Johnson et al. 2004).

4.2 Design inefficiencies

Conditionality by design might introduce new inefficiencies that either produce higher costs or reduce the effectiveness of conditionality. Conditionality is inefficient if constraints in social services are not predominantly behavior-related or if conditionality promotes already existing behavior, lead to sub-optimal behavior, and/or exclude qualifying beneficiaries from the onset. Conditionality is equally inefficient if they ask for too much or too little in exchange for the money or if there are alternative approaches that are more cost-effective in reacting to behavioral constraints.

Table 2: Efficiency reducing effects of design inefficiencies

Design inefficiencies affect:	
Private & social efficiency	• Limited and possibly no effect if behavior is not the actual problem • Inefficient if behavior is already optimal or if a more cost-effective instrument could be chosen • Negative effect if sub-optimal behavior is promoted
Political economy	• Negatively affected if there is a high drop-out rate or if inefficient instruments are chosen for either an improvement in education / health or a behavioral change
Empowerment	• Negatively affected if either sub-optimal behavior is promoted or if beneficiaries are excluded due to sub-optimal programming
Equity	• Negative effect if qualifying beneficiaries are excluded due to an insufficient transfer amount or other constraints that they cannot influence

Source: Author's illustration

If behavior is not the actual problem behind sub-optimal use of health and education services, then conditionality will not have any impact on the private and social efficiency. The promotion of existing or sub-optimal behavior through conditionality equally means that private and social efficiency gains cannot be realized. In the case of sub-optimal behavior, beneficiaries might actually decide to leave the program, which negatively affects equity. The exclusion effects through inadequate conditions or an inadequate amount also have a negative bearing on equity and subsequently on empowerment as well as the political economy behind. Not having considered alternative instruments that might be more cost-effective in nature, impacts predominantly the private and social efficiency as more or the same efficiency could have been achieved with less or the same. See table 2 for a more detailed overview of the different efficiency reducing effects of design inefficiencies.

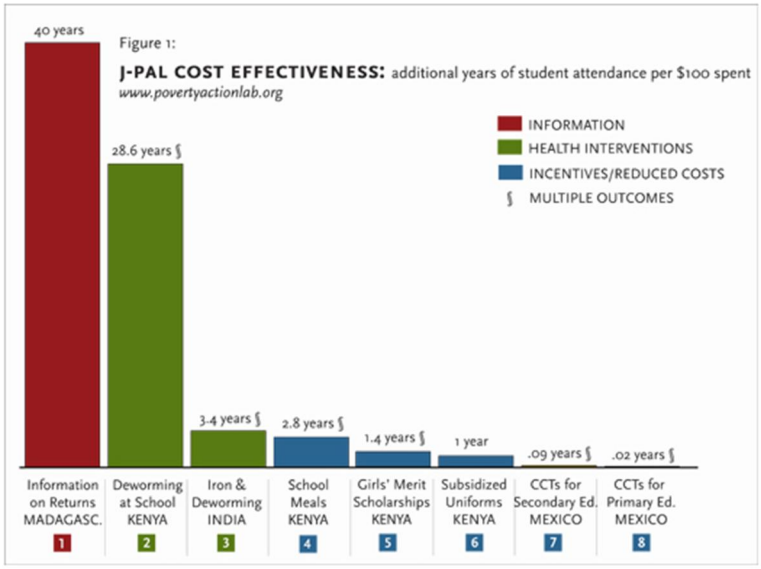
4.2.1 Behavior is not the actual problem

Conditionality is often sold as a miracle device to get children back to school, have households take preventive health measures such as vaccinations, persuade women to deliver their babies in health clinics, etc. Conditionality itself can however only address constraints that are related to the behavior of households and do very little in terms of households' supply side and financial constraints. Evidence on the relative cost-effectiveness of demand- and supply-side interventions is scarce.

Coady and Parker (2004) provide evidence that the focus in Mexico on demand-side interventions concerning education outcomes is warranted. De Janvry and Sadoulet (2005) when analyzing the heterogeneity of impact on school enrolment in Progresa conclude that a demand-side intervention only has limited impact on those children who live further away from school and that a supply-side intervention such as school transportation or the building of additional schools would be more effective. When analyzing the reasons for uptake failure, they furthermore propose complementary interventions on the supply-side as well as increased assistance for children originating from uneducated households. In Nicaragua, Honduras and Colombia – countries that are poorer than Mexico - demand-side strengthening has not resulted in bringing those 10-15% of children back to school who are at present not enrolled in school, mainly due to lack of access to school (Handa and Davis, 2006).

With respect to Africa, Handa and Davis (2006), using data from Mozambique, compare demand-side with supply-side interventions and come to the conclusion that the former would be the least cost-effective choice. Schubert and Slater (2006) conclude that in the case of Zambia the quantitative and qualitative supply side constraints lie at the heart of the problem rather than the unwillingness of children and their families to invest in education. Lund et al. (2008) also highlight the pre-dominance of supply-side constraints in South Africa – such as resources, facilities, management and teaching/health practices – in preventing children from accumulating human capital and escaping from poverty in the long term.

Figure 4: Comparison of outcomes of different education measures



Source: Abdul Latif Jameel Poverty Action Lab

The Abdul Latif Jameel Poverty Action Lab has also compared the cost-effectiveness of different education measures across countries and demonstrates that among demand-side

interventions, the provision of information on returns in Madagascar and the deworming initiative in Kenya were the most successful interventions (figure 4). When regarded through the education lens alone, conditional cash transfers are not very cost-effective when compared to these other initiatives.

Consequently, before using conditionality, the primary barriers to education and health have to be carefully analyzed. In most countries where a cash transfer program was introduced, no prior analysis took place on whether the problems were mostly on the demand or supply side (Handa and Davis 2006). This criticism is echoed by Kane et al. (2004) who show that out of 47 studies on economic incentives only 3 studies provided a justification for the incentive chosen and the majority employed a condition on services that had not proven adequately cost-effective itself.

In addition, if there are serious supply side problems, conditionality that is supposed to even stimulate further demand than a mere income transfer, might actually have a negative impact on the capacity of schools and health centers to absorb more people and still offer quality services not only to the beneficiaries but also to all the other households who come without additional incentives.

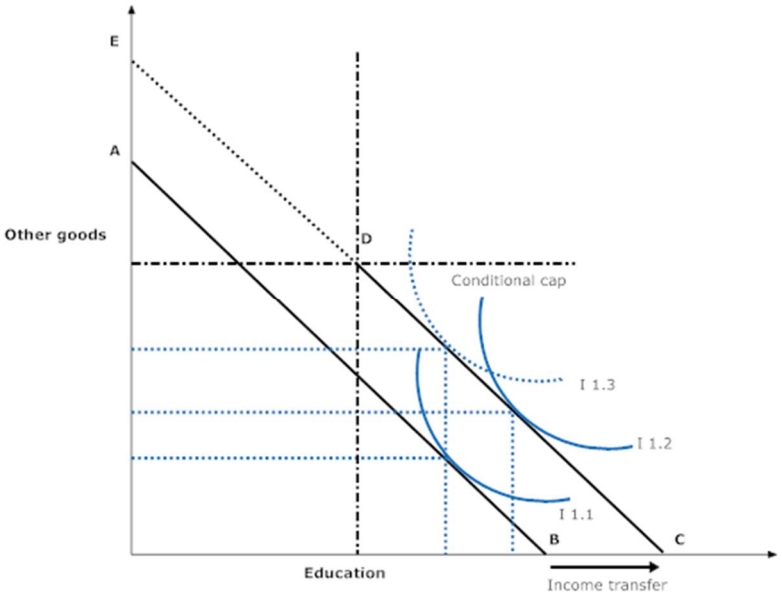
4.2.2 Promotion of existing behavior

Conditional cash transfers are inefficient if they are paid to households / individuals who already display the required behavior (Janvry & Sadoulet 2006, Das et al 2005). In the case of education conditionality, this would mean that transfers are paid to households who already send their children to school on a regular basis and where no behavioral change is required. In Mexico for instance, a conditionality for primary school is not cost-effective as close to 97% of all children are enrolled (de Janvry and Sadoulet 2005). Even when encouraging the transition to secondary school, de Janvry and Sadoulet demonstrate that 'effective' transfers, going to those who only enroll when offered a transfer, amount to 12%. 64% of the transfer volume would go to children who progress to secondary school even without the transfer.

They furthermore compare different targeting and calibration schedules to optimize social cash transfer and calculate that variable transfers targeted pre-dominantly to those with a low probability of attending school results in an efficiency gain of 43.6% over a universal uniform conditional transfer program. Even what they call an "implementable" program with more simplified criteria, the efficiency gain lies still at 29.4%. Again, if the objective is not exclusively tied to human capital accumulation, one has to critically reconsider whether and which conditionality is really cost-effective.

The graph in figure 5 presents household "blue" who already invests more in education than is required and who would not necessarily need the transfer. The transfer increases the welfare of the household as the household shifts to a higher indifference curve from for instance I 1.1 to I 1.2 but if the objective of the transfer is to increase education levels in the country, the transfer might not deliver the desired outcome. Household "blue" might move to I 1.2 after the income transfer in which case the transfer still fulfills its purpose but household "blue" might also opt to keep the level of education investments steady and to invest the additional income into other goods and services as depicted by I 1.3. This is possible as money is fungible. In this way money would be spent inefficiently as the objective to increase education levels would not be achieved.

Figure 5



Source: Author's illustration

This can be avoided by either changing the conditionality if the primary objective of the program is to increase the welfare of this particular group in society or by adjusting the target group if the objective of the program is to improve educational outcomes.

4.2.3 Promotion of sub-optimal behavior

Conditionality can distort households' consumption and potentially investment choices and thereby risks lowering the welfare of households. Martinelli & Parker (2003) argue that if households have positive bequests, their investment choices in human capital are efficient and a conditionality would hence lead to over-accumulation of human capital, which might furthermore result in reduced bequests for children in the future. They also point out that the effectiveness of conditionality greatly depends on the fact whether conditions are placed on activities that actually lead to an increase in human capital, which might not always be the case in areas or countries where a conditional cash transfer program operates.

Furthermore, the market outcome might be optimal from a household perspective and be only misperceived by the social planner as sub-optimal. It could for instance be more optimal for a parent to work in the field to ensure that the children have a greater variety of food rather than using the time to take the under 5 year old child for monthly growth monitoring, where the staff can only weigh the child but not offer any further medical advice or medication. A social planner, not considering the quality of services and the opportunity costs faced by households, might consider a monthly check-up as the most appropriate choice for this particular household and impose it as a condition. For conditionality to reduce and not produce sub-optimal behavior there needs to be assurance that the social planner is better informed about the private costs and benefits of conditionality than the household itself.

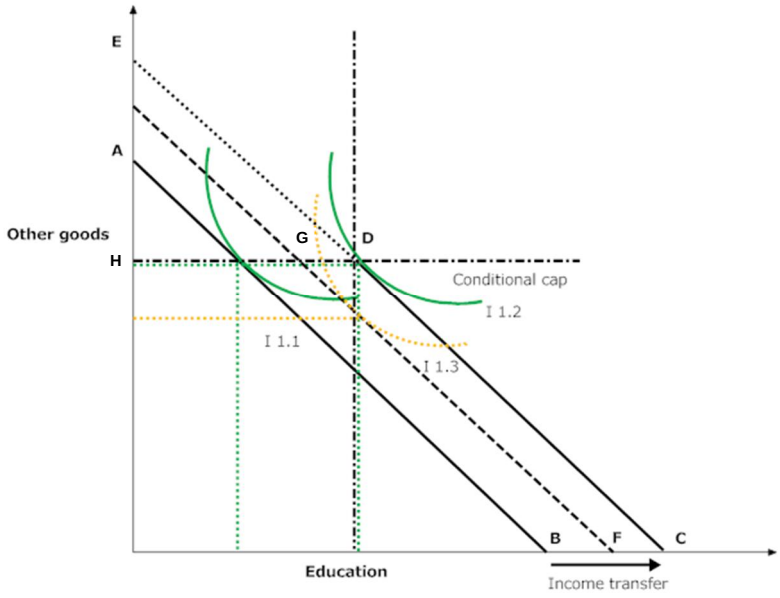
4.2.4 Exclusion effects due to the inadequacy of the amount

The monetary transfer has to allow the beneficiary to comply with conditionality, catering also for any additional expenses that the household incurs in showing proof of compliance such as transport or any opportunity costs, which can be quite significant. In addition, the transfer has to be paid on a regular basis as irregularities in the payment process might translate into an irregular use of conditional services. Coady, Perez, and Vera-Llamas (2005), using data

from the Mexican conditional cash transfer program Progresa, calculate that recipients' private costs in a conditional program are close to 50% higher than private costs in an unconditional program, an increase in 1.3 percentage points of total program costs.

If for instance household "green" in the graph in Figure 6 receives a conditional cash transfer that moves his budget line from AB to CDH so that the household can invest the required amount in education as demarcated by point D but if the compliance costs with the transfer moves the budget line back to FGH because of higher costs incurred and income forgone, household "green" will no longer be in a position to comply with conditionality. Meeting the condition would mean for household "green" that it would have to substitute away some of the other goods, which the household would decline to do. Household "green" would therefore either refuse to participate in the program from the onset or would be screened out in case the conditions are rigorously enforced. This means for the government that a chance to optimize the education investments of this household and to increase its welfare would be forgone.

Figure 6



Source: Author's illustration

If this change in education and welfare can only be achieved at a relatively high cost through the instrument of conditionality, we might also inquire as to whether the instrument is the most cost-effective, a point that is discussed in the next section.

4.2.5 Exclusion effects due to factors beyond beneficiaries' control

There are other factors that prevent beneficiary households from accessing the conditioned services such as unavailability, irregularity or low quality of respective health and education services (Barrientos and de Jong 2006). Poverty, culture, social exclusion, discrimination and other historical processes might also hamper households' access to social services (Adato and Hoddinott 2007).These factors are beyond beneficiaries' control and not easily overcome through an incentive system. Besides, outcome-related requirements such as the completion of a particular grade or the attainment of a particular grade point average might foster the exclusion of qualifying households as performance does not only depend on motivation and financial constraints, but also on ability, the learning environment and other factors.

As discussed in 4.2.4 excluding qualifying households comes at a cost because potential poverty reduction effects are not realized. Some programs tried to avoid this problem by introducing exemptions for certain households. This in turn leads to higher administrative costs and might also incentivize other households to sell their non-compliance as inability. As always, these costs have to be borne in mind when deciding on the instrument of exemptions. Another form of "exemption" is not to offer a conditional cash transfer program in regions where health and education services are not available as is practiced in Mexico and Colombia for instance. This artificially solves the problems concerning the inability to comply with conditionality, but still leads to poverty reduction effects being foregone.

Teachers in Colombia and Argentina practiced exemptions by using their discretion to promote the child into the next year despite poor academic performance in order to avoid that poor households would be denied the transfer (Heinrich 2007). Even though this form of exemption helps to realize all poverty reduction effects, it might set a precedent for corruptive practices and is also counterproductive for the educational outcomes of children. Being promoted into the next year without qualifying does not grant the student the chance to constructively solve his/her learning deficits.

4.2.6 More cost-effective alternatives for behavior change

Even if prior analysis has shown that behavior of households presents a great barrier to using social services such as education and health, conditionality is not always the most cost-effective tool to affect behavioral change. It is important to first analyze the forces that are at work behind the behavior in order to effect change (Kane, Johnson et al. 2004). Information campaigns or more intensive social-counseling that offer parents an opportunity to understand the value of the social services and express their concerns and problems can be more effective and come at a lower cost than conditionality that involves different Ministries and a fairly elaborate monitoring system. These alternative approaches might also propel a real behavior and attitude change that can be sustained even when the transfer comes to an end while the behavior change induced through conditionality might not last longer than the transfer itself.

The mere signaling effect of conditionality, without actual enforcement, in Ecuador had for instance a significant impact on the behavior of beneficiaries (Schady and Araujo 2008). Barrientos and de Jong (2004) equally suggest that once beneficiaries have internalized the information about entitlements and responsibilities, non-compliance is rare even if conditionality is not rigorously enforced. Such flypaper / labeling effects are not conform to economic thinking that presupposes that individuals treat their income from different sources as fully fungible but have been confirmed through experimental evidence.

Unfortunately comparisons of policy alternatives still remain the exceptions as is also discussed in 4.2.1. Kane et al (2004) point out in their review of economic incentives that only 7 out of 47 studies provided cost-effectiveness calculations and that in 5 out of 7 studies, similar interventions without the incentive proved more cost-effective.

4.3 Implementation inefficiencies

The implementation of a conditional cash transfer program that involves different social Ministries can present a unique opportunity to better institutionalize coordination among the different Ministries in the form of new multi-sectoral committees (as in Panama) or in the form of concrete incentives to re-activate existing committees (as in Zambia). The greater need for information and data exchange leads to more integration. By promoting better collaboration and joint problem solving conditionality can help improve service delivery or motivate countries like El Salvador to further invest in measures to strengthen the supply side or countries like Jamaica to implement joint targeting (for country examples see: Fiszbein and

Schady 2009). Better coordination might also prevent inter-ministerial rivalries and subsequent budget cuts in social spending (Samson, van Niekerk et al. 2006).

Despite these promising side-effects for the administration of conditionality, there are a number of inefficiencies that result from the implementation of conditionality. The monitoring of compliance with conditionality and the subsequent enforcement do not only translate into higher administrative costs as well as opportunity costs but also into additional capacity challenges for the administration and potentially into higher corruption in-country. These implementation inefficiencies might affect the private and social efficiency as regular services for beneficiaries and their community members might not be of the same quality. Implementation inefficiencies can also negatively impact the political economy if the overall service quality is lowered, if administrative costs are disproportionally high and if corruption levels are high for governments that intend to fight corruption. See table 3 for a more detailed overview of the different efficiency reducing effects of implementation inefficiencies.

Table 3: Efficiency reducing effects of implementation inefficiencies

Implementation inefficiencies affect:	
Private & social efficiency	Negative effect if service quality is lowered
Political economy	Negative effect if service quality is lowered, administrative costs are disproportionally high and corruption is fostered
Empowerment	Potentially affected if capacity constraints translate into inappropriate treatment of beneficiaries
Equity	Only negatively affected if capacity constraints hinder beneficiaries to comply with conditionality

Source: Author's illustration

4.3.1 High direct / indirect costs for the administration

Conditionality can increase administrative costs and also raise the opportunity costs of the intervention as the extra time invested in managing and monitoring conditionality cannot be availed to the provision of other social services. In order to determine the cost-effectiveness of the intervention and see whether additional costs are warranted by the greater gains through conditionality, it is important to have a precise idea of the direct and indirect costs attached to conditionality.

Very few studies have been carried out to calculate those costs and use these results to analyze whether conditionality is indeed the most cost-effective instrument. Given the otherwise rigorous impact evaluations and studies done around conditional cash transfer programs, this finding is rather surprising. Fiszbein and Schady (2009) partly attribute this to the fact that some of the costs are borne by the service providers directly. Coady et al. (2004) cite the unavailability of detailed administrative data as the principal reason.

Coady et al. (2005) estimate that the conditionality component in 2002 was the second largest cost item of Progresa, after deducting the actual transfers. They calculated the costs for monitoring conditionality to be as high as 24% of program costs. Caldés et al. (2006) extend the cost analysis to two more countries, Nicaragua (RPS) and Honduras (PRAF) and show that all three countries spend considerable resources on conditionality, ranging from 16 to 27% of program costs if fixed costs such as an external evaluation and program design are excluded. These costs could even be higher if conditionality was properly administered as was not the case in Nicaragua and Honduras when the calculations were made (Caldes, Coady et al. 2006). In addition, further ballpark figures are provided by Grosh et al. (2008) who work their way backward and conclude by assuming that monitoring compliance takes about the same share of administrative costs as payments and targeting, that the costs for conditionality amount to 1-3% of total program resources.

4.3.2 Capacity constraints

Conditionality cannot only be a strain on the budget but also on the capacities of an administration due to the additional layer of complexity they add to the program (Tabor 2002). They involve several stages in the implementation process from informing beneficiaries, training the administration, ensuring regular monitoring of compliance to enforcing decisions, which means either counseling beneficiaries, reducing transfers or taking beneficiaries off the program. For this to happen professionally, information needs to flow on a regular basis and has to be captured by a functional database system. Management information systems that furthermore interlink different social ministries such as the single registry system that for instance Brazil has developed still remain the exception in most low income countries despite significant improvements over the past years. Such a complexity can result in a chaotic implementation process, demotivation of staff, potentially the non-provision of other key services and eventually even in the failure of the program.

This is particularly the case for low income countries where Ministries of Social Affairs are typically understaffed and do not always have personnel with the necessarily qualifications. Bastagli stresses how difficult it is to obtain statistics of non-compliance and subsequent enforcement and states that "where information exists, it confirms the irregularity with which monitoring and responses to conditionality compliance are implemented" (Bastagli 2008). Even countries like Brazil faced – at least initially – huge implementation challenges. In 2004, only 33% of all education providers reported on conditionality compliance and two years later, when education saw an increase to 93%, health reporting still lagged behind with 55% (Fiszbein and Schady 2009). In Zambia, the Social Ministries failed jointly in monitoring conditionality with problems of miscommunication, under-reporting and incorrect and incomplete reporting (Schüring 2010). Programs which are conditional on paper and unconditional in practice not only waste valuable resources and therefore minimize potential poverty effects but they also lead to a loss of credibility of the Ministry or agency in charge (Regalia 2006).

What kind of impact the service provider has for instance on the effective management of conditionality and the subsequent drop-out rate is shown by Alvarez et al (2008) with Progresa data. According to their analysis, which does however not control for health and community variables, there is a 15 percentage point difference in drop-out rates between two different health providers.

Capacity constraints can also concern the Ministries whose services the beneficiaries are encouraged to utilize. If schools and health centers are already over-crowded and no additional support is offered, an additional demand-stimulus might overtax the system and inconvenience those who already invest optimally in these services. This might in return negatively affect popular support for the program (Samson, van Niekerk et al. 2006).

4.3.3 Promotion of corruption

Staff who certify conditionality are in a particular position of power vis-à-vis beneficiaries and might also abuse this. They could for instance ask for money in exchange for favorable reporting or they could force beneficiaries not to complain about the services being delivered. This would block change on the demand as well as supply side as well as better outcomes in education and health. Corruptive practices also include service providers twisting the rules in favor of certain clients as was the case in Colombia and Argentina (Heinrich 2007). Granting exemptions appears to be a benevolent act on the side of the service provider but this discretionary power – when granted - can easily be used for bending the rules to the disadvantage of clients. A greater incidence of corruption can also endanger the image of the program and might lead to an early termination, in particular in countries with high corruption incidences and official intentions to fight it.

Following the argumentation by Coate & Morris (1995) we can furthermore assume that politicians would favor conditional cash transfers over pure cash transfers if they are interested in corruptive practices in order to benefit their constituencies or special interest groups. Having conditionality that turns the transfer more into a project would result less in a reputational penalty for politicians than direct transfers.

5. EVIDENCE BASE ON CONDITIONALITY

After having explored the rationale and the potential benefits and inefficiencies of conditionality, we now turn to the evidence base and the actual impact that conditions have had on beneficiary households, politics and the administration (Annex 2 offers a complete overview of all studies consulted).

5.1 Private and social efficiency – does conditionality lead to more education and health?

Different attempts have been made to gauge the differential impact of conditionality on household behavior, ranging from simulations, quasi-experiments, randomized experiments to non-experimental methods. The degree, to which results vary, even for the same country, is surprising.

5.1.1 Simulations

Bourguignon et al (2002) simulate schooling decisions as well as poverty impacts of the Brazilian cash transfer program Bolsa Familia. They estimate that a conditional cash transfer could increase school enrolment by 3.7 percentage points for all beneficiaries, with an even more pronounced effect of 5.2 percentage points for a sub-sample of the poor benefitting from Bolsa Familia. They attribute this change exclusively to the conditionality and conclude that a mere income transfer without the conditionality would lead to no differences in schooling decisions. The findings by Todd and Wolpin (2006) based on the Mexican program Progresa (now: Oportunidades), are less radical: an unconditional cash transfer would still have an impact on households' schooling decisions but it would be only around 20% of the size of magnitude of a conditional cash transfer program.

Todd and Wolpin (2006) do not content themselves with the question of whether a transfer should be made conditional but they simulate and partly cost out a range of policy alternatives from doubling the transfer amount to restricting the bonus to certain grades, making school attendance compulsory, prohibiting child labor and rewarding the completion of grade 9. Out of all subsidy alternatives that were costed out[3], a restricted subsidy to grade 6-9 appears to be the most cost-effective choice; a smaller amount is more cost-effective than a larger and an unconditional cash transfer is more cost-effective than a conditional transfer for the completion of grade 9. Furthermore it is interesting to observe that according to their dynamic behavioral model, a child labor prohibition would not have any impact on schooling decisions; something which is integral to the model by Bourguignon et al. (2002).

Kakwani et al (2005) simulate the impact of an unconditional cash transfer on school attendance for 12 African countries and only find very modest results. With a transfer that is based on overall program costs that are financed by 0.5% of GDP for the country, a cash transfer would lead to a 0.03% (Malawi) to 0.26% (Cote d'Ivoire) difference with universal targeting and to 0.04% (Malawi) to 0.42% (Cote d'Ivoire) with poverty-targeting. Unfortunately their simulation model does not include any information on the impact of supply-side factors on schooling decisions as data were unavailable. Consequently, their

[3] Only direct subsidies to households and none of the other policy interventions were costed out, factoring out any administrative expenses

conclusion that the introduction of conditionality would be an important mechanism in raising attendance has to be treated with caution.

5.1.2 Quasi-experiments

De Brauw & Hoddinott (2007), using administrative data from PROGRESA and constructing a quasi-experiment on the basis that not all beneficiaries received conditionality monitoring forms, show that the impact of conditionality largely depends on the grade of the student. There is no measurable impact of conditionality at primary level and the greatest impact is in the range of 17-20% at the transition from primary to secondary education. Despite the robustness checks carried out and the attempt to control for unobservables, the authors conclude that more light has to be shed on the impact of unobservables, preferably through a controlled randomized experiment. It might furthermore be problematic that the authors only included beneficiaries who are receiving transfers as they automatically exclude those from the analysis who did not comply with conditionality despite having received E1 form.

Schady and Araujo (2008) make use of the fact that some households in the unconditional social cash transfer program in Ecuador believed to be subject to education conditionality in order to estimate the impact of conditionality on educational outcomes. The probability of being enrolled differs among households who believe to be subject to conditionality and households who are unaware of conditionality when compared with a control group that receives no cash transfers. The probability of being enrolled for “conditional” households is between 7.3 and 13 percentage points higher than for the control group, while the probability for households who are unaware of conditionality ranges from 1.4 to 2.1 percentage points and is furthermore statistically insignificant. The authors controlled for observable differences between the two groups. However, as households self-selected themselves into this experiment and unobservable characteristics such as motivation cannot be controlled for, this study is likely to be affected by a selection bias. The fact that the randomization failed might equally introduce a bias concerning the magnitude of the respective effects.

5.1.3 Randomized experiments

The only evaluated randomized experiment with conditionality has been carried out in Malawi with 2,286 13-22 year old girls who were unmarried (Baird, McIntosh et al. 2010). The transfer was conditioned on regular school attendance for some of the girls. The research findings show no statistically significant impact of the conditionality on school enrolment of the girls.

Next to the experiment in Malawi, there are two more experiments which are currently ongoing and have not been evaluated yet. In Burkina Faso, a CNLS and World Bank randomized experiment involving 3,250 households in 75 villages is trying to determine the impact of conditionality as well as the impact of having a female vs. a male cash transfer recipient. The experiment, which was due to run out by the end of the school year 2009-10, tests one health conditionality for children aged 0-6 years, who are obliged to visit the health center, and an education conditionality for children aged 7-15 years, who are supposed to be registered and have 90% school attendance. Kenya has equally implemented a randomized experiment on conditionality with 2000 households, which probably comes closest to mimicking a real-life situation as the program is government-owned and managed as well as large enough to permit lessons on the implementation costs and challenges of conditionality. The study design also includes a detailed costing of conditionality.

5.1.4 Non-experimental methods

Janvry and Sadoulet (2006) argue that a conditionality as a price-distorting instrument is necessary in addition to the mere income effect, given the evidence for the relatively low income elasticity of education among the poor as demonstrated by a review of studies by

Behrman and Knowles (1999). There is nowadays however plenty of evidence that contradicts the predictions of the simulation models and shows that households also respond positively to the income effect, leading to positive effects in education, health and nutrition (see for instance: Devereux 2001; EPRI 2008; Miller, Tsoka et al. 2008). Even Behrman and Knowles illustrate using the example of Vietnam that different specifications of the model substantially increase the association between income and schooling (1999).

Even if the existence of an income effect is uncontestable, the question remains how large the additional substitution effect is. Using a theoretical approach, de Janvry and Sadoulet (2005) demonstrate that if the increase in schooling is the main objective, conditional cash transfers are more effective as they translate into a direct price effect, other than a diluted income effect through an unconditional transfer. They (2006) calculate that unconditional cash transfers such as the South Africa old age pension systems would have to be six times larger in size to produce the same impact as Progresa. As the country context, the supply side characteristics and demand constraints are not necessarily comparable across the two countries, this comparison might be biased.

Davis et al (2002) compare the effects of two different conditional programs in Mexico, Progresa and Procampo to draw conclusions on the importance of conditionality for consumption decisions as well as outcomes. They find that despite different conditions – Progresa in the area of education and health and Procampo in the area of agricultural land use – both programs have a similar effect on total consumption. They do however differ in terms of spending on non-food items and investment outcomes concerning human capital as well as agriculture. Progresa recipients have higher school expenditure levels and shares, while Procampo leads to a decline in school expenditure but an increase when it comes to adult clothes, personal health and hygiene. In terms of outcomes, conditionality seems to have magnified effects: Progresa indeed leads to better school and health outcomes while Procampo leads to greater agricultural investment.

Heinrich (2007) shows that the Argentinean scholarship program Beca improved students' attendance as well as school performance and ascribed this impact in part to the conditionality that allowed households only to continue into year 2 and 3 of the program if students had regular school attendance and good school performance. She bases her assessment of the impact of conditionality on the greater effort levels of those who continued into year 2 and 3, which does not seem surprising as lower attendance and performance is certainly related to motivation. Whether this motivation was however induced by the conditionality remains questionable as there is no counterfactual; all those who stopped after the first year were equally subject to conditionality.

De Janvry and Sadoulet (2005) estimate the magnitude of the effect of the conditionality for Mexico by comparing the impact of the conditional cash transfer and the impact of household total expenditure (unconditional transfer) on schooling. They arrive at the conclusion that the conditionality multiplies the effect by 16 times. Gitter and Barham (2008), including log household consumption as a control for the income effect into their regression equation, show that when it comes to school enrolment in Nicaragua's Red de Protección Social income effects are about in the order of 25-33% of non-income effects. Non-income effects on food and milk expenditure are statistically significant but only top the income effect in the case of milk. Only the income effect is statistically significant with respect to school expenditure. As all authors caution, these effects might be biased due to problems of endogeneity resulting from measurement errors and the fact that income and expenditure choices might be jointly determined by the household.

Several authors have attempted to control for these biases through different methods and arrive at different conclusions than de Janvry and Sadoulet (2005) and Gitter and Barham (2008). Hoddinott and Skoufias (2004), using Progresa data, have instrumented capita consumption and use a model that controls for household fixed effects. They arrive at the

conclusion that when treating household consumption as endogenous the non-income effect on caloric availability only remains statistically significant for fruits and vegetables and the income effect outdoes the substitution effect.[4] Handa et al. (2009), equally using Progesa data, account for measurement errors using an instrumental variable for the actual transfer amount and they control for the endogeneity of household income using a household fixed effects model. They estimate that the conditionality does not lead to a substitution effect on spending, neither for total expenditure nor for specific education expenditure. The absence of a substitution effect points out that better outcomes in schooling are for instance not due to higher expenditure on education but due to the replacement of foregone wages through child labor.

In contrast to Hoddinott and Skoufias (2004), Gitter and Barham (2008) and Handa et al. (2009), Ribas et al. (2010) use a semi-parametric approach, not assuming linearity of income, to decompose treatment effects into income and behavioral effects. Using data from Paraguay, they find that the income effect has a positive impact effects on consumption and savings of beneficiaries while the substitution effect cancels out the impact on consumption, reinforces the savings effect and is the only one to have an impact on the overall consumption composition. Rubalca et al. (2004) not only demonstrate in their analysis of Progresa data that the assumption of non-linearity might be an important one but they also show that one needs to be careful in ascribing all behavioral effects to the conditionality. They show that budget allocations among single-headed households remain the same, concluding that the behavioral effect might foremost result from the fact that the transfer is allocated to women and the subsequent change in decision making power and preferences.

5.2 Political economy – does conditionality make cash transfers more attractive?

Up till now there is no study that has looked closely into public attitudes on conditionality in low-income countries. A study by Taylor-Gooby (2001) on the direction and origin of political attitudes towards welfare confirms the rising popularity of activation / conditionality across various welfare states in the Western world. This inclination towards conditionality has different motives: it is based on the principle of citizens' duty towards society in the social democrat countries, on the principle of cost containment and responsibilization in Anglo-Saxon models or on the inter-linkages between work and welfare in Christian democrat countries.

Lindert and Vincensini's media analysis (2009) provides some interesting insights into the perception of the role and experience with conditionality in Brazil. Conditionality appeared as a theme in about a quarter of all articles screened. An increasing number of those articles (from 35% from 2001-03 to close to 50% from 2004-06) mentioned the importance of the existence of conditionality with politicians being the strongest believers in the importance in 2004-2006. Conditionality was seen to guarantee impact and avoid assistentialism. Better monitoring of conditionality was also suggested as one of the strategies to overcome criticism of dependency and assistentialism.

De Janvry et al. (2009), using data from Brazil, show however that better monitoring of conditionality can also have a negative impact on the political economy as they reduce mayors' chances of re-election. They also find that avoidance of inclusion errors can increase chances of re-election by 26%, which would support the introduction of conditionality that works as a disincentive device. Initial findings from Zambia demonstrate that while conditionality increases the political attractiveness of a program among voters and politicians, this effect is at least partly offset by the potentially very negative consequences of conditionality in form of a high exclusion rate of beneficiaries (Schüring 2010).

[4] Assuming an average increase in consumption by 20 percentage points which is indicated as the average increase in consumption through the transfers by the authors.

Sources such as the world value surveys and attitude surveys carried out by Graham (2002) can help to draw preliminary conclusions about public attitudes on government assistance and the expectations that the public has of welfare recipients. However nobody has used these data to analyze the extent to which conditionality would resonate with the political culture in different countries.

5.3 Empowerment – does conditionality empower or patronize?

With respect to empowerment, there is very little but anecdotal evidence on whether beneficiaries feel that conditionality has transformed the welfare transfer into a contractual arrangement and empowered them. In Zambia, the overwhelming majority of beneficiaries perceived conditionality as empowering and as a vehicle to better negotiate household expenses with their spouses (Schüring 2010). According to qualitative interviews this positive connotation of conditionality is largely due to the fact that conditions provide clear information and guidelines for beneficiaries in areas where information is often not readily available, in particular for the illiterate.

There is more evidence on the impact of conditional cash transfers on the bargaining position as well as the role of the woman in the household but again, very little on the differential impact of conditionality. Adato et al (2002) find that the impact of the monthly meetings on health-related issues and other topics for women in Mexico made a contribution to increasing women's confidence, awareness and knowledge. Molyneux (2006) on the contrary shows that conditionality can equally reinforce traditional gender roles and responsibilities if the woman is the one who has to bear the greatest responsibility in meeting conditionality as it is the case in Mexico. This can have the exact opposite effect of disempowering the women by confining them to their female duties. Bradshaw (2008) finds similar evidence in Nicaragua where the conditionality implicitly serves as a hint to women that they need to learn how to be better mothers. She equally suggests that courses which women are required to attend on "good parenting" might also have a disempowering effect on those mothers who are not participating, portraying them as 'bad parents.'

Most authors furthermore caution that conditionality disproportionally affects the costs that women have to bear. Time constraints and transaction costs with respect to accessing the transfer are often higher for women than for men (Ezemenari, Chaudhury et al. 2002). In addition, time away from the household that the mother has to spend on complying with the official conditions can easily translate into more work for girls at home (Luttrell and Moser 2004).

5.4 Equity – does conditionality increase targeting efficiency?

The impact of conditionality on targeting efficiency has equally been little studied. Alvarez et al (2008) find evidence using administrative data from Progresa that conditionality increased the targeting efficiency of the program by serving as a screening mechanism throughout the course of the program. Those that dropped out of the program were more likely to be male, more educated, non-indigenous, single and employed. Drop-out households were smaller in size and had a lower dependency rate. In Zambia, conditionality are unlikely to function as a screening-device as the better-off seemed to be more willing to bear additional costs associated with conditionality than the poorer population (Schüring 2010). First calculations based on an attitude survey, interviews and monitoring cards allude to the fact that rigorously enforced conditionality could even have the potential to exclude a significant number of beneficiaries.

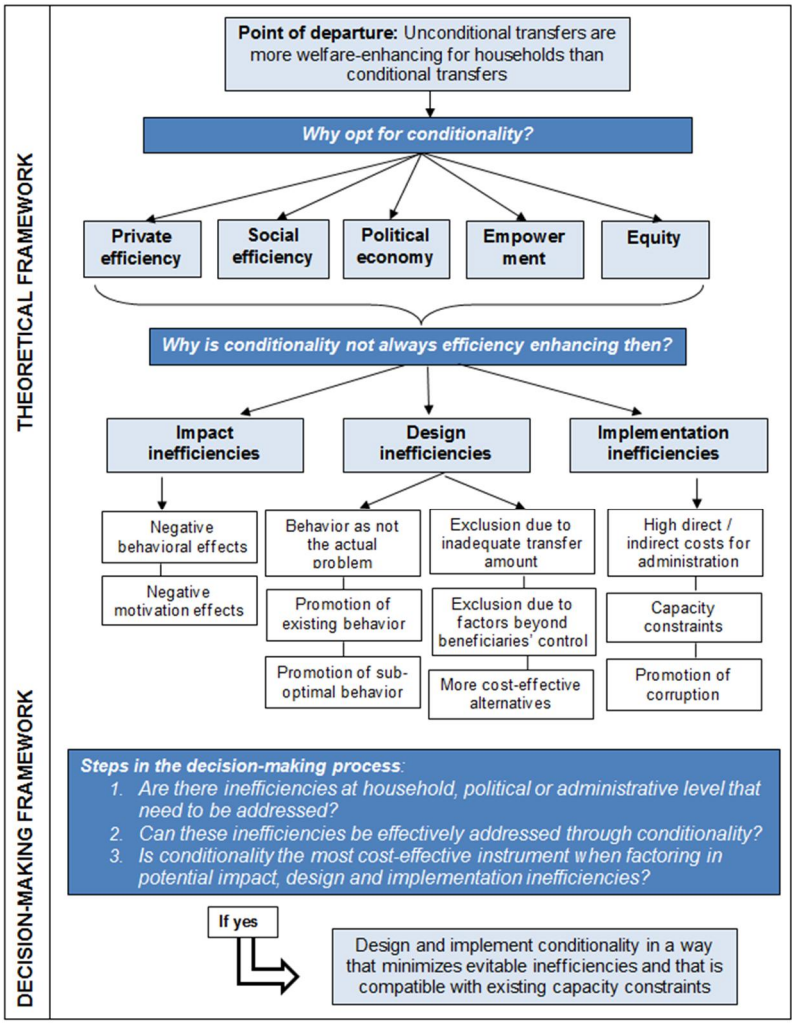
Alvarez et al. (2008) arrive at the conclusion that conditionality in the Mexican case did not systematically screen out the extremely poor but did lead to a higher probability of drop-out in

the case of the indigenous populations and in the case of the extremely poor in low-marginality communities. Whether conditionality increases the attractiveness of a program for potential beneficiaries through the empowerment effects and thereby leads to a higher program uptake and better targeting outcome, has not been studied at all.

6. CONCLUDING REMARKS

The aim of this paper was to generate a common understanding about the concept of and the theory behind conditionality, to highlight the different factors that prove essential in determining whether conditionality makes a social cash transfer program more cost-effective and to bring together existing evidence. While building on many important contributions made by other authors, the value added of this paper is to clearly differentiate between different dimensions of conditionality, to bring together a theoretical economic perspective with insights from psychology and political science, to comprehensively and systematically disentangle all factors that determine the impact conditionality can have on the cost-effectiveness of social cash transfer programs and to cite evidence beyond conditionality's influence on household behavior.

Figure 7: Theoretical and decision-making framework for conditionality



Source: Author's illustrations

For policy-makers, this paper is supposed to give an orientation on how to decide whether conditionality is an appropriate instrument in their social cash transfer program. Figure 7

provides a summary of the main arguments made in this paper and enables policy-makers to consider all relevant factors when assessing the cost-effectiveness of conditionality, thinking through the implications of conditionality for the beneficiary households, society, the administration as well as politics. When deciding on conditionality, it is important that policy-maker critically look at the nature of the problems that they want to address and the potential of conditionality to do so. In addition, policymakers have to assess whether conditionality is the most cost-effective instrument, considering the different inefficiencies that conditionality introduces and costing out the implementation of conditionality in terms of direct and indirect costs, administrative as well as private and social costs.

For researchers, the review of the evidence has demonstrated that for some areas such as the impact on beneficiary behavior, the evidence is inconclusive, even for the same country. It would be interesting to better explain these differences and see to what extent they hinge on different assumptions made and factors considered. There is also need to gain a better understanding of the long-term impact that conditionality has on household behavior. The evidence base for other areas such as the political economy, empowerment and equity arguments for conditionality is rather scarce and would benefit from further research. The "cost" side in the cost-effectiveness equation has also received little attention with few studies looking at the actual costs at administrative and private level and little documentation of how conditionality can be tailored to a low capacity administration. In addition, policy-makers would also benefit from more holistic assessments of conditionality, not only singling out certain aspects such as the potential of conditionality to affect household behavior but a comprehensive analysis of all the different factors that determine whether conditionality turns into a cost-effective choice.

7. BIBLIOGRAPHY

Acemoglu, D. and J. Angrist (1999). How Large are the Social Returns to Education? Evidence from Compulsory Schooling Laws, National Bureau of Economic Research, Inc, NBER Working Papers: 7444.

Adato, M., B. de la Brière, et al. (2002). The impact of Progresa on women's status and intrahousehold relations. Washington, USA, International Food Policy Research Institute.

Adato, M. and J. Hoddinott (2007). Conditional cash transfer programs: A "magic bullet" for reducing poverty? 2020 vision briefs, International Food Policy Research Institute

Alvarez, C., F. Devoto, et al. (2008). "Why Do Beneficiaries Leave the Safety Net in Mexico? A Study of the Effects of Conditionality on Dropouts." World Development **36**(4): 641-658.

Attanasio, O. and K. Kaufmann (2009). Educational Choices, Subjective Expectations, and Credit Constraints. NBER Working Paper No. 15087.

Baird, S., C. McIntosh, et al. (2010). Cash or Condition? Evidence from a randomized cash transfer program. Unpublished manuscript.

Barrientos, A. and J. de Jong (2004). Child Poverty and Cash Transfers. CHIP Report No. 4. C. P. R. a. P. Centre.

Barrientos, A. and J. de Jong (2006). "Reducing Child Poverty with Cash Transfers: A Sure Thing?" Development Policy Review **24**(5): 537-552.

Bastagli, F. (2008). "Conditionality in Public Policy Targeted to the Poor: Promoting Resilience?" Social Policy & Society **8**(1): 127-140.

Behrman, J. R. and J. C. Knowles (1999). "Household Income and Child Schooling in Vietnam." World Bank Economic Review **13**(2): 211-256.

Belzil, C. and M. Leonardi (2007). "Can risk aversion explain schooling attainments? Evidence from Italy." Labour Economics **14**: 957-970.

Belzil, C. and M. Leonardi (2007). "Risk Aversion and Schooling Decisions." IZA Discussion Paper No. 2994.

Benabou, R. and J. Tirole (2003). "Intrinsic and Extrinsic Motivation." Review of Economic Studies **70**(3): 489-520.

Bils, M., P. J. Klenow, et al. (2004). Does Schooling Cause Growth? Recent developments in growth theory. Volume 1. Empirical patterns, Elgar Reference Collection. International Library of Critical Writings in Economics, vol. 179. Cheltenham, U.K. and Northampton, Mass.: Elgar**:** 363-386.

Binswanger, H. P. (1980). "Attitudes toward Risk: Experimental Measurement In Rural India." American Journal of Agricultural Economics **62**(3): 395.

Blackorby, C. and D. Donaldson (1988). "Cash versus Kind, Self-Selection, and Efficient Transfers." The American Economic Review **78**(4): 691-700.

Bourguignon, F., F. H. G. Ferreira, et al. (2002). Ex-Ante Evaluation of Conditional Cash Transfer Programs: The Case of Bolsa Escola. Policy Research Working Paper Series: 2916, The World Bank.

Bradshaw, S. (2008). "From Structural Adjustment to Social Adjustment. A Gendered Analysis of Conditional Cash Transfer Programmes in Mexico and Nicaragua." Global Social Policy **8**(2): 188-207.

Caldes, N., D. Coady, et al. (2006). "The Cost of Poverty Alleviation Transfer Programs: A Comparative Analysis of Three Programs in Latin America." World Development **34**(5): 818-837.

Cameron, J., K. M. Banko, et al. (2001). "Pervasive negative effects of rewards on intrinsic motivation: The myth continues." The Behavior Analyst **24**(1): 1-44.

Coady, D., M. Grosh, et al. (2004). Targeting of Transfers in Developing Countries. Review of Lessons and Experience. Washington, The World Bank.

Coady, D., R. Perez, et al. (2005). Evaluating the Cost of Poverty Alleviation Transfer Programs. FCND Discussion Paper 199. Washington, International Food Policy Research Institute.

Coate, S. and S. Morris (1995). "On the Form of Transfers to Special Interests." The Journal of Political Economy **103**(6): 1210-1235.
Cohen, E. and R. Franco (2006). Los Programas de Transferencias con Corresponsabilidad en América Latina: Similitudes y Diferencias. Transferencias con Corresponsabilidad: Una Mirada Latinoamericana. E. Cohen and R. Franco. Mexico City, SEDESOL**:** 85-136.
Corrigan, P. W. (1997). "Behavior Therapy Empowers Persons with Severe Mental Illness." Behavior Modification **21**(1): 45-61.
Das, J., Q.-T. Do, et al. (2005). "Reassessing Conditional Cash Transfer Programs." World Bank Research Observer **20**(1): 57-80.
Davis, B., S. Handa, et al. (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, A. and J. Hoddinott (2007). Must Conditional Cash Transfer Programs be conditioned to be effective? The impact of conditioning transfers on school enrollment in Mexico. IFPRI Discussion Papers 757, International Food Policy Research Institute.
de Britto Feitosa, T. (2004). Conditional Cash Transfers: Why have they become so prominent in recent poverty reduction strategies in Latin America. Working Paper Series No. 390, Institute of Social Studies.
de Janvry, A., F. Finan, et al. (2009). Local Electoral Incentives and Decentralized Program Performance, University of California at Berkeley.
de Janvry, A. and E. Sadoulet (2005). Conditional cash transfer programs for child human capital development: Lessons derived from experience in Mexico and Brazil. GRADE 25th anniversary Conference, "Investigación, Politicas y Desarrollo". Lima, Peru.
de Janvry, A. and E. Sadoulet (2006). When to use a CCT versus a CT approach? Third International Conference on Conditional Cash Transfers. Istanbul, Turkey, The World Bank.
de Janvry, A., E. Sadoulet, et al. (2006). Uninsured risk and asset protection: Can conditional cash transfer programs serve as safety nets? Social Protection Discussion Paper No. 0604. Washington, USA, The World Bank.
de la Brière, B. and L. B. Rawlings (2006). Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion? Social Protection Discussion Paper No. 0603, The World Bank.
Deci, E. L., R. Koestner, et al. (1999). "A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation." Psychological Bulletin **125**(6): 627-668.
Devereux, S. (2001). Social pensions in Namibia and South Africa. Brighton, Institute of Development Studies.
Dohmen, T., A. Falk, et al. (2010). "Are Risk Aversion and Impatience Related to Cognitive Ability?" American Economic Review **100**(3): 1238-1260.
EPRI (2008). Quantitative Analysis of the Impact of the Child Support Grant, UNICEF.
Ezemenari, K., N. Chaudhury, et al. (2002). Gender and Risk in the Design of Social Protection Interventions. Social Protection Discussion Paper Series. Washington, The World Bank.
Fehr, E. and S. Gächter (2001). "Do Incentive Contracts Crowd Out Voluntary Cooperation?" SSRN eLibrary.
Fiszbein, A. and N. Schady (2009). Conditional Cash Transfers. Reducing Present and Future Poverty. A World Bank Policy Research Report. Washington, The World Bank.
Frederick, S., G. Loewenstein, et al. (2002). "Time Discounting and Time Preference: A Critical Review." Journal of Economic Literature **40**(2): 351-401.
Freeland, N. (2007). "Superfluous, Pernicious, Atrocious and Abominable? The Case Against Conditional Cash Transfers " IDS Bulletin **38**(3): 75-78.

Frey, B. S. (2008). Motivation Crowding Theory--A New Approach to Behaviour. Behavioural Economics and Public Policy: Roundtable Proceedings: Melbourne, 8-9 August 2007, Melbourne: Australian Productivity Commission**:** 37-54.
Garcia, M. and C. Moore (2010). Cash Transfer Programs: The Emerging Safety Net in Sub-Saharan Africa. Washington, Africa Human Development, The World Bank.
Gitter, S. R. and B. L. Barham (2008). "Women's Power, Conditional Cash Transfers, and Schooling in Nicaragua." World Bank Economic Review **22**(2): 271-290.
Glaeser, E. L. (2005). Paternalism and Psychology. Working Paper 11789. NBER Working Papers Series. Cambridge, National Bureau of Economic Research.
Graham, C. (2002). Public Attitudes Matter: A Conceptual Frame for Accounting for Political Economy in Safety Nets and Social Assistance Policies. Social Protection Discussion Paper, The World Bank.
Green, L., J. Myerson, et al. (1996). "Temporal discounting in choice between delayed rewards: The role of age and income." Psychology and Aging **11**(1): 79-84.
Grosh, M., C. d. Ninno, et al. (2008). For Protection & Promotion. The Design and Implementation of Effective Safety Nets. Washington, The World Bank.
Haddad, L., J. Hoddinott, et al. (1997). Intrahousehold resource allocation in developing countries: Models, methods, and policy, Baltimore and London: Johns Hopkins University Press for the International Food Policy Research Institute.
Hammitt, J. and K. Haninger (2010). "Valuing fatal risks to children and adults: Effects of disease, latency, and risk aversion." Journal of Risk and Uncertainty **40**(1): 57-83.
Handa, S. and B. Davis (2006). The Experience of Conditional Cash Transfers in Latin America and the Caribbean. ESA Working Paper No. 06-07, Agricultural and Development Economics Division. The Food and Agriculture Organization of the United Nations.
Handa, S. and et al. (2009). "Opening Up Pandora's Box: The Effect of Gender Targeting and Conditionality on Household Spending Behavior in Mexico's Progresa Program." World Development **37**(6): 1129 - 1142.
Heckman, J. (2000). "Policies to Foster Human Capital." Research in Economics **54**: 3-56.
Heinrich, C. J. (2007). "Demand and Supply-Side Determinants of Conditional Cash Transfer Program Effectiveness." World Development **35**(1): 121-143.
Hickey, S. (2006). The Politics of What Works in Reducing Chronic Poverty. A synthesis report for the Ministry of Foreign Affairs, The Netherlands. CPRC Working Paper 91, Chronic Poverty Research Centre.
Hoddinott, J. and E. Skoufias (2004). "The Impact of PROGRESA on Food Consumption." Economic Development and Cultural Change(53): 37-61.
Jensen, R. (2010). "The (Perceived) Returns to Education and the Demand for Schooling*." Quarterly Journal of Economics **125**(2): 515-548.
Kakwani, N., F. Veras Soares, et al. (2005). Conditional Cash Transfers in African Countries. Working Paper Brasilia, Brazil, International Poverty Centre, UNDP.
Kane, R. L., P. E. Johnson, et al. (2004). "A structured review of the effect of economic incentives on consumers' preventive behavior." American Journal of Preventive Medicine **27**(4): 327-352.
Kremer, M., E. Miguel, et al. (2004). Incentives to learn. NBER Working Paper No. 10971.
Kremer, M., E. Miguel, et al. (2009). "Incentives to learn." The Review of Economics and Statistics **91**(3): 437-456.
Künnemann, R. and R. Leonhard (2008). A human rights view of social cash transfers for achieving the millennium development goals. Stuttgart, Brot für die Welt, Evangelischer Entwicklungsdienst.
Laibson, D. (1998). "Life-Cycle Consumption and Hyperbolic Discount Functions." European Economic Review **42**(3-5): 861-871.
Lalive, R. and M. A. Cattaneo (2009). "Social Interactions and Schooling Decisions." Review of Economics and Statistics **91**(3): 457-477.
Lindert, K. and V. Vincensini (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. The World Bank. Washington.

Lipton, M. (1968). "The theory of the optimising peasant." Journal of Development Studies **4**: 327-351.
Loewenstein, G., C. F. Camerer, et al. (2004). Out of Control: Visceral Influences on Behavior. Advances in behavioral economics, Roundtable Series in Behavioral Economics. New York: Russell Sage Foundation; Princeton and Oxford: Princeton University Press**:** 689-723.
Lund, F., M. Noble, et al. (2008). Is there a rationale for conditional cash transfers for children in South Africa. Working Paper No 53. Durban, South Africa, School of Development Studies, University of Kwazulu-Natal.
Luttrell, C. and C. Moser (2004). Gender and Social Protection. DfID. London.
Martinelli, C. s. and S. W. Parker (2003). "Should Transfers To Poor Families Be Conditional On School Attendance? A Household Bargaining Perspective." International Economic Review **44**(2): 523-544.
Medlin, C. and D. de Walque (2008). Potential applications of conditional cash transfers for prevention of sexually transmitted infections and HIV in Sub-Saharan Africa, The World Bank, Policy Research Working Paper Series: 4673.
Miguel, E. and M. Kremer (2004). "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." Econometrica **72**(1).
Miller, C., M. Tsoka, et al. (2008). Impact Evaluation Report. External Evaluation of the Mchinji Social Cash Transfer Pilot. Boston, Center for International Health and Development, Boston University School of Public Health.
Molyneux, M. (2006). "Mothers at the Service of the New Poverty Agenda: Progresa/Oportunidades, Mexico's Conditional Transfer Programme." Social Policy & Administration **40**(4): 425-449.
Mosley, P. and A. Verschoor (2005). "Risk Attitudes and the 'Vicious Circle of Poverty'." The European Journal of Development Research **17**(1): 59-88.
Nguyen, T. (2008). Information, Role Models and Perceived Returns to Education: Experimental Evidence from Madagascar. MIT working Paper, MIT.
O'Donoghue, T., M. Rabin, et al. (2003). Self-awareness and self-control. Time and decision: Economic and psychological perspectives on intertemporal choice. New York, NY US, Russell Sage Foundation**:** 217-243.
Petry, N. M., I. Petrakis, et al. (2001). "Contingency management interventions: From research to practice." The American Journal of Psychiatry **158**(5): 694-702.
Regalia, F. (2006). Some thoughts about "conditionalities" in cash transfer programs. Lessons from Latin America and the Caribbean. Learning Workshop on Orphans and Vulnerable Children and Conditional Cash Transfers. Nairobi, Kenya, The World Bank.
Ribas, R. P., F. V. Soares, et al. (2010). Beyond cash: assessing externality and behavior effects of non-experimental cash transfers. Working Paper number 65. Brasilia, International Policy Center for Inclusive Growth.
Rubalcava, L., G. Teruel, et al. (2004). Spending, Saving and Public Transfers Paid to Women. On-Line Working Paper Series. Los Angeles, California Center for Population Research.
Samson, M., I. van Niekerk, et al. (2006). Designing and Implementing Social Transfer Programmes. Cape Town, Economic Policy Research Institute.
Schady, N. and M. C. Araujo (2008). "Cash Transfers, Conditions, and School Enrollment in Ecuador." Economia: Journal of the Latin American and Caribbean Economic Association **8**(2): 43.
Schubert, B. and R. Slater (2006). "Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?" Development Policy Review **24**(5): 571-578.
Schüring, E. (2010). Strings attached or loose ends? The role of conditionality in Zambia's social cash transfer scheme. Kiel, PEGNET.
Shaw, K. L. (1996). "An Empirical Analysis of Risk Aversion and Income Growth." Journal of Labor Economics **14**(4): 626-653.
Sliwka, D. (2007). "Trust as a Signal of a Social Norm and the Hidden Costs of Incentive Schemes." American Economic Review **97**(3): 999-1012.

Standing, G. (2007). Conditional Cash Transfers: Why Targeting and Conditionalities Could Fail. One Pager No. 47. Brasilia, Brazil, International Poverty Centre. United Nations Development Programme.
Stiglitz (2000). Economics of the Public Sector. New York / London, W.W. Norton & Company.
Tabor, S. R. (2002). Assisting the Poor with Cash: Design and Implementation of Social Transfer Programs. Social Protection Discussion Paper Series No. 0223, The World Bank.
Tanaka, T., C. F. Camerer, et al. (2010). "Risk and Time Preferences: Linking Experimental and Household Survey Data from Vietnam." American Economic Review **100**(1): 557-571.
Taylor-Gooby, P. (2001). "Sustaining state welfare in hard times: who will foot the bill?" Journal of European Social Policy **11**(2): 133-147.
Thaler, R. H. and C. R. Sunstein (2003). "Libertarian Paternalism." The American Economic Review **93**(2): 175-179.
Todd, P. E. and K. I. Wolpin (2006). "Assessing the Impact of a School Subsidy Program in Mexico: Using a Social Experiment to Validate a Dynamic Behavioral Model of Child Schooling and Fertility." American Economic Review **96**(5): 1384-1417.
Veit-Wilson, J. (2009). "Who Sets the Conditions? Conditionality, Reciprocity, Human Rights and Inclusion in Society." Global Social Policy **9**(2): 171-174.
Wik, M., T. A. Kebede, et al. (2004). "On the measurement of risk aversion from experimental data." Applied Economics **36**(21): 2443-2451.
World Bank (2001). World development report 2000/2001: Attacking poverty, Oxford and New York: Oxford University Press.
Yesuf, M. (2004). Risk, Time and Land Management under Market Imperfections: Applications to Ethiopia. PhD dissertation, Göteborg University.

Annex 1: Overview of conditional cash transfer programs reviewed

#	Country	Name of program	Type of conditionality			Amount affected	Performance
			Health	Education	Other		
Africa							
1	**Burkina Faso**	Orphans and Vulnerable Children	Regular attendance of a health center for children 0-6	90% school attendance in a term		Total	Output-related
2	**Eritrea**	Eritrea Results Based financing	• 4 pre-natal check-ups & birth in an institution • 1-2 year olds to complete 2 growth check-ups			Specific transfer	Output-related
3	**Ghana**	LEAP	• Registration with the National Health Insurance • Birth certificates, all vaccinations and post-natal care for 0-18	Enrolment and no drop-out of pupils in basic school	No child labor	Total	Output-related
4	**Kenya**	Cash Transfer for Orphans and Vulnerable Children	• 6 health facility visits for immunizations for children below 1 • 2 health facility visits for growth monitoring and vitamin A supplement for children aged 1-5	• 80% school attendance for children 6-17 • Awareness sessions for adult members once a year		Total	Output-related
5	**Malawi**	Zomba Cash Transfer		80% attendance		Specific transfer	Output-related
6	**Mali**	Bourse Maman		Enrolment & 80% attendance		Specific transfer	Output-related
7	**Niger**	Niger Pilot Cash Program	Awareness sessions			Total	Output-related
8	**Nigeria**	Care of the Poor	Antenatal care for pregnant women	• School enrolment of school-age children up to junior secondary education • 80% monthly school attendance		Total	Output-related
9	**Nigeria**	Nigeria Kano CCT for Girls' education	• Medical check-ups & immunization for under 5 • Pre & post-natal classes for mothers	80% school attendance; soft: passing grades	Soft: birth certificate; training for mothers	Total	Output / outcome related
10	**Senegal**	CCT for OVCs	School attendance & progression of beneficiary	Health care requirements		Total	Output / outcome related

11	**Tanzania**	Community-based CCT	0-2 check-ups and vaccinations; 3-5 check-ups 3 times a year; elderly once a year	Enrolment & 80% attendance		Total	Output related
12	**Tanzania**	HIV/AIDS CCT	STI-free; HIV negative, not having any unintended pregnancies			Specific transfer	Outcome related
Asia							
13	**Bangladesh**	Female Secondary School Assistance Program		• Regular school attendance of at least 75% of school days • Attainment of 45% of class-level test scores	Remain unmarried till passing secondary school	Specific transfer	Output & outcome related
14	**Bangladesh**	Primary Education Stipend Program		• Regular school attendance of at least 85% of school days • Attainment of 40% marks in the annual examination		Specific transfer	Output & outcome related
15	**Bangladesh**	Reaching Out-of-School children		• Regular school attendance of at least 75% • Performance in examinations of at least 75%		Specific transfer	Output & outcome related
16	**Cambodia**	Cambodia Education Sector Support Project		• School enrolment • Regular attendance (no more than 10 days per annum without 'good reason') • Passing grade		Specific transfer	Output & outcome related
17	**India**	Apni Beti Apna Dhan		Completion of grade 5 & grade 8	Birth certificate; girls unmarried at age 18	Specific transfer	Output & outcome related
18	**Indonesia**	Program Keluarga Harapan	• Regular visits to health clinics for children below 7 • Antenatal / postnatal examinations for pregnant and lactating mothers	• Enrolment and regular attendance of 85% of school days for children aged 7-15 • Enrolment in an education program for those children aged 15-18 who have not completed 9 years of basic education		Total	Output related
19	**Pakistan**	Punjab Education Sector Reform Program		• Enrolment in grades 6-8 in a government girl's school • Attendance of at least 80%		Specific transfer	Output related

20	**Philippines**	Pantawid Pamilyang Pilipino Program	Regular health checkups and immunizations for children and pregnant mothers	• Enrolment • Regular attendance of 85%		Separate transfer for each condition	Output related
Middle East							
21	**Turkey**	Social Risk Mitigation Project	• Monthly checkups for children aged 0-6 months • Bimonthly checkups for children aged 7-18 months • Checkups every 6 months for children aged 19-72 months • Monthly antenatal checkups, attended birth and postnatal checkups for pregnant and lactating mothers	• Regular school attendance of 80% each month • No more than one repetition per grade		Separate transfer for each condition	Output and outcome related
22	**Yemen**	Basic Education Development Project		• Regular school attendance of at least 80% of all classes in a 2 months period Completion of a grade level Passing score on achievement test		Specific transfer	Output and outcome related
Latin America / Pacific							
23	**Argentina**	Programa Familias	• Immunization plan for children below 20 • Bimonthly checkups for pregnant mothers	• School enrolment • Regular attendance of children aged 5-19 or completion of the secondary level		Total	Output related
24	**Bolivia**	Juancito Pinto		Regular attendance of at least 75% of the school year		Total	Output related
25	**Brazil**	Bolsa Familia	• Vaccinations, regular health checkups and growth monitoring for children below 5 • Prenatal and postnatal checkups and participation in trainings for pregnant and lactating women	• School enrolment • Regular school attendance of at least 85% each month for all children aged 6-17 • Participation in parent-teacher meetings		Unconditional core transfer	Output related
26	**Chile**	Chile Solidario	Personalized	Personalized	Personalized	Total	Output & outcome related
27	**Chile**	Subsidio Unitario Familiar	Regular medical controls for children less than 6	Regular school attendance for children aged 6-18		Total	Output related
28	**Colombia**	Familias en Accion	• Bimonthly health checkups for children below 1 • Quarterly health checkups for children aged 1-2	Regular school attendance of at least 80% in a 2-month cycle		Separate transfer for each condition	Output related

			• Biannual checkups for children aged 3-7				
29	**Dominican Republic**	Solidaridad	Regular health checks and immunization for children below 1 every 2 months and for children aged 1-5 every 4 months	• School enrolment • Regular attendance of last 85% on school days for children aged 6-16	Capacity-building sessions every 4 months; birth certificate & identification card	Unconditional core transfer	Output related
30	**Ecuador**	Bono de Desarrollo Humano	Bimonthly health checkups and immunization for all children below 6	• School enrolment • Regular attendance of at least 90% of school days for children aged 6-15		Total	Output related
31	**El Salvador**	Red Solidaria	Regular health check-ups and immunization for children under 5 and pregnant mothers	• School enrolment • Attendance of at least 80% for children aged 5-15 in primary school		Separate transfer for each condition	Output related
32	**Guatemala**	Mi Familia Progresa	Regular checkups for pregnant women and children 0-16	Regular school attendance of at least 90%		Separate transfer for each condition	Output related
33	**Honduras**	Programa de Asignacion Familiar	• Monthly checkup for children below 2 • Quarterly checkup for children aged 2-5 • At least 5 prenatal checkups and attended delivery for pregnant mothers	• School enrolment • Regular school attendance of at least 85%	Quarterly trainings	Separate transfer for each condition	Output related
34	**Jamaica**	Program of Advancement through Health and Education	• Quarterly checkups and immunizations for children below 1 • Biannual health checks for children aged 1-5 • Bimonthly health visits for pregnant women and 2 health checkups for lactating women • Biannual health checks for all adults	Regular school attendance of at least 85% for children aged 6-19		Unconditional core transfer	Output related
35	**Mexico**	Oportunidades	• Preventive health checkups • Health and nutrition lectures for everybody above 15	• School enrolment • Minimum attendance rate of 80% monthly and 93% annually • Completion of middle school and grade 12 before age 22		Separate transfer for each condition	Output & Outcome related

36	**Nicaragua**	Red de Proteccion Social	• Bimonthly health education workshops • Regular health checkups on a monthly basis for children below 3 and on a bimonthly basis for children aged 3-5 Adequate weight gain and vaccinations for children below 6	• Enrolment in grades 1-4 for children aged 7-13 • Regular attendance of 85% every two months		Separate transfer for each condition	Output & outcome related
37	**Panama**	Red de Oportunidades	• Immunization for children below 6 • Health checkups	• Regular school attendance Participation in parent-teacher conferences	Participation in capacity-building events	Total	Output related
38	**Paraguay**	Tekopora	Regular checkups and vaccinations for children below 15	School matriculation and regular attendance		Unconditional core transfer	Output related
39	**Peru**	Juntos	• Prenatal and postnatal checkups and attendance at trainings for pregnant women Health checkups, vaccinations, iron supplements and deworming for children below 6	School attendance of at least 85% for children 6-14	Participation in the mi nombre program	Total	Output related

Source: Adapted from Fiszbein & Schady (2009) & Garcia & Moore (2010)

Annex 2: Overview of studies carried out on the impact of conditionality

Author	Study	Year	Country program	Method	Results
Private & social efficiency					
Baird, McIntosh et al.	Cash or Condition? Evidence from a randomized cash transfer program	2010	Zomba experiment / Malawi	Experiment	No statistically significant impact of the conditionality
Ribas, Soares et al.	Beyond cash: assessing externality and behavior effects of non-experimental cash transfers	2010	Tekopora / Paraguay	Non-experimental/ econometric	• Conditionality cancels out the positive income-effect on consumption & reinforces the saving effects • Only conditionality changes the consumption composition
Handa et al.	Opening Up Pandora's Box: The Effect of Gender Targeting and Conditionality on Household Spending Behavior in Mexico's Progresa Program	2009	Oportunidades / Mexico	Non-experimental/ econometric	No effect of the conditionality on total or specific expenditure such as on schooling
Gitter & Barham	Women's Power, Conditional Cash Transfers, and Schooling in Nicaragua	2008	Red de Proteccion Social / Nicaragua	Non-experimental/ econometric	• Income effects are in the order of 25-33% of non-income effects with respect to school enrolment • With respect to expenditure, conditionality has a statistically significant effect on food and milk but not on school expenditure
Schady & Araujo	Cash Transfers, Conditions, and School Enrollment in Ecuador	2008	Bono de Desarrollo Humano / Ecuador	Quasi-experimental	Only conditional cash transfers lead to a statistically significant increase in enrolment with the non-income effect about 6 times larger than the income effect
De Brauw & Hoddinott	Must Conditional Cash Transfer Programs be conditioned to be effective? The impact of conditioning transfers on school enrollment in Mexico	2007	Oportunidades / Mexico	Quasi-experimental	• No impact of conditionality at primary level • Impact of 17-20% at the transition from primary to secondary
Heinrich	Demand and Supply-Side Determinants of Conditional Cash Transfer Program Effectiveness	2007	Beca / Argentina	Non-experimental	Conditionality improved school attendance and performance
De Janvry & Sadoulet	When to use a CCT versus a CT approach?	2006	Old age pension / South Africa	Non-experimental	Conditionality in South Africa would increase the impact 6 times
Todd & Wolpin	Assessing the Impact of a School Subsidy Program in Mexico: Using a Social Experiment to Validate a Dynamic Behavioral Model of Child Schooling and Fertility	2006	Oportunidades / Mexico	Simulation	• Income effect about 20% of non-income effects • Unconditional cash transfer preferable over conditional cash transfer when rewarding the completion of grade 9
De Janvry &	Conditional cash transfer programs for child	2005	Oportunidades /	Theoretical	• Model: conditional cash transfers are more effective if

Sadoulet	human capital development: Lessons derived from experience in Mexico and Brazil.		Mexico	model Non-experimental/ econometric	the increase in schooling is the main objective • Conditionality multiplies the effect by 16 times
Kakwani et al.	Conditional Cash Transfers in African Countries	2005	12 African countries	Simulation	Negligible income effect and assumption that conditionality would be important
Hoddinott & Skoufias	The Impact of PROGRESA on Food Consumption	2004	Oportunidades / Mexico	Non-experimental/ econometric	The non-income effect on caloric availability only remains statistically significant for fruits and vegetables
Rubalca et al.	Spending, Saving and Public Transfers Paid to Women	2004	Oportunidades / Mexico	Non-experimental/ econometric	Non-income effects might be a result of allocating the transfer to women as budget allocations among single-headed households remain the same
Bourguignon, Ferreira et al.	Ex-ante evaluation of conditional cash transfer programs: The Case of Bolsa Escola	2002	Bolsa Escola / Brazil	Simulation	No education impact without conditionality
Davis et al.	Conditionality and the impact of program design on household welfare: Comparing two diverse cash transfer programs in rural Mexico	2002	Oportunidades & Procampo / Mexico	Non-experimental/ econometric	Conditionality has improved outcomes in school and health outcomes (Oportunidades) and agricultural investment (Procampo)
Political economy					
Schüring	Strings attached or loose ends? The role of conditionality in Zambia's social cash transfer scheme	2010	Social Cash Transfer Scheme / Zambia	Survey, qualitative	Conditionality has the potential to increase the attractiveness of social cash transfers but only when the program is well implemented
Lindert & Vincensini	Bolsa Família in the Spotlight of Public Opinion: Some Observations and Theories on the Political Economy of CCTs.	2009	Bolsa Familia / Brazil	Media analysis	Strong belief among politicians in the importance of conditionality
De Janvry et al.	Local Electoral Incentives and Decentralized Program Performance	2009	Bolsa Familia / Brazil	Non-experimental/ econometric	Negative effect of close monitoring of conditionality on the re-election chances of mayors
Taylor-Gooby	Sustaining state welfare in hard times: who will foot the bill?	2001	Europe	Attitude survey	Rising popularity of activation / conditionality across different welfare states
Empowerment					
Schüring	Strings attached or loose ends? The role of conditionality in Zambia's social cash transfer scheme	2010	Social Cash Transfer Scheme / Zambia	Beneficiary survey	Conditionality was perceived as empowering and as a negotiation tool with the spouse
Bradshaw	From Structural Adjustment to Social Adjustment. A Gendered Analysis of Conditional Cash Transfer Programmes in	2008	Oportunidades / Mexico Red de Proteccion	Qualitative	Courses on better parenting can be perceived as disempowering, not only by beneficiaries but also by non-beneficiaries

	Mexico and Nicaragua		Social / Nicaragua		
Molyneux	Mothers at the Service of the New Poverty Agenda: Progresa / Oportunidades, Mexico's Conditional Transfer Programme	2006	Oportunidades / Mexico	Qualitative	Conditionality reinforces traditional gender roles and responsibilities
Adato	The impact of Progresa on women's status and intrahousehold relations	2002	Oportunidades / Mexico	Qualitative	Monthly meetings increased women's confidence, awareness and knowledge
Equity					
Schüring	Strings attached or loose ends? The role of conditionality in Zambia's social cash transfer scheme	2010	Social Cash Transfer Scheme / Zambia	Qualitative, administrative data, survey	Conditionality would rather screen out the poor than the non-qualifying households
Alvarez, Devoto et al.	Why Do Beneficiaries Leave the Safety Net in Mexico? A Study of the Effects of Conditionality on Dropouts	2008	Oportunidades / Mexico	Non-experimental/ econometric	Conditionality served as a screening mechanism

Maastricht Graduate School of Governance
Working Paper Series

List of publications

2010		
No.	*Author(s)*	*Title*
001	Hercog, M. and A. Wiesbrock	The Legal Framework for Highly-Skilled Migration to the EU: EU and US Labour Migration Policies Compared
002	Salanauskaite, L. and G. Verbist	The 2004 Law on Allowances to Children in Lithuania: What do Microsimulations tell us about its Distributional Impacts?
003	Salanauskaite, L.	Microsimulation Modelling in Transition Countries: Review of Needs, Obstacles and Achievements
004	Ahmed, M, Gassmann, F.	Measuring Multidimensional Vulnerability in Afghanistan
005	Atamanov, A. and M. van den Berg	Rural non-farm activities in Central Asia: a regional analysis of magnitude, structure, evolution and drivers in the Kyrgyz Republic
006	Tirivayi, N., J. Koethe and W. Groot	Food Assistance and its effect on the Weight and Antiretroviral Therapy Adherence of HIV Infected Adults: Evidence from Zambia
007	Atamanov, A. and M. van den Bergs	Determinants of remittances in Central Asia: evidence based on the household budget survey in the Kyrgyz Republic
008	Tomini, F. and L. Borghans	Between Children and Friends
009	Tirivayi, N. and W. Groot	In Kind Transfers, Household Spending Behaviour and Consumption Responses in HIV-affected Households: Evidence from Zambia
010	Tomini, F. and L. Borghans	Interdependent transfers and individual needs: Parental support to children in the Netherlands
011	Kwanpadh Suddhi-Dhamakit	You, Me, or Us? Conjugal Separation and Parent-Child Separation in Family Migration: a Case of Rural Thailand
012	Florian Tomini	Transferring to family and friends: A review of the Motives, Evidence, and the role of Economics

013	Keetie Roelen	Girls in Transition – How to build evidence and gain insight?
014 **A**	Eshter Schüring	Conditions, conditionality, conditionalities, responsibilities – finding common ground
014 **B**	Esther Schüring	Conditions, conditionnalité, conditionnalités, responsabilités – vers un terrain d'entente ?
2009		
No.	Author(s)	*Title*
001	Roelen, K., Gassmann, F. and C. de Neubourg	Child Poverty in Vietnam - providing insights using a country-specific and multidimensional model
002	Siegel, M. and Lücke, M.	What Determines the Choice of Transfer Channel for Migrant Remittances? The Case of Moldova
003	Sologon, D. and O'Donoghue, C.	Earnings Dynamics and Inequality in EU 1994 - 2001
004	Sologon, D. and O'Donoghue, C.	Policy, Institutional Factors and Earnings Mobility
005	Muñiz Castillo, M.R. and D. Gasper	Looking for long-run development effectiveness: An autonomy-centered framework for project evaluation
006	Muñiz Castillo, M.R. and D. Gasper	Exploring human autonomy effectiveness: Project logic and its effects on individual autonomy
007	Tirivayi, N and W. Groot	The Welfare Effects of Integrating HIV/AIDS Treatment with Cash or In Kind Transfers
008	Tomini, S., Groot, W. and Milena Pavlova	Paying Informally in the Albanian Health Care Sector: A Two-Tiered Stochastic Frontier Bargaining Model
009	Wu, T., and Lex Borghans	Children Working and Attending School Simultaneously: Tradeoffs in a Financial Crisis
010	Wu, T., Borghans, L. and Arnaud Dupuy	No School Left Behind: Do Schools in Underdeveloped Areas Have Adequate Electricity for Learning?
011	Muñiz Castillo, M.R.	Autonomy as Foundation for Human Development: A Conceptual Model to Study Individual Autonomy

012	Petrovic, M.	Social Assistance, activation policy, and social exclusion: Addressing Causal Complexity
013	Tomini, F. and J. Hagen-Zanker	How has internal migration in Albania affected the receipt of transfers from kinship members?
014	Tomini, S. and H. Maarse	How do patient characteristics influence informal payments for inpatient and outpatient health care in Albania
015	Sologon, D. M. and C. O'Donoghue	Equalizing or disequalizing lifetime earnings differentials? Earnings mobility in the EU:1994-2001
016	Henning, F. and Dr. Gar Yein Ng	Steering collaborative e-justice. An exploratory case study of legitimization processes in judicial videoconferencing in the Netherlands
017	Sologon, D. M. and C. O'Donoghue	Increased Opportunity to Move up the Economic Ladder? Earnings Mobility in EU: 1994-2001
018	Sologon, D. M. and C. O'Donoghue	Lifetime Earnings Differentials? Earnings Mobility in the EU: 1994-2001
019	Sologon, D.M.	Earnings Dynamics and Inequality among men in Luxembourg, 1988-2004: Evidence from Administrative Data
020	Sologon, D. M. and C. O'Donoghue	Earnings Dynamics and Inequality in EU, 1994-2001
021	Sologon, D. M. and C. O'Donoghue	Policy, Institutional Factors and Earnings Mobility
022	Ahmed, M., Gassmann F.,	Defining Vulnerability in Post Conflict Environments
2008		
No.	Author(s)	*Title*
001	Roelen, K. and Gassmann, F.	Measuring Child Poverty and Well-Being: a literature review
002	Hagen-Zanker, J.	Why do people migrate? A review of the theoretical literature
003	Arndt, C. and C. Omar	The Politics of Governance Ratings
004	Roelen, K., Gassmann, F. and C. de Neubourg	A global measurement approach versus a country-specific measurement approach. Do they draw the same picture of child poverty? The case of Vietnam
005	Hagen-Zanker, J., M. Siegel and C. de	Strings Attached: The impediments to Migration

	Neubourg	
006	Bauchmüller, R.	Evaluating causal effects of Early Childhood Care and Education Investments: A discussion of the researcher's toolkit
007	Wu, T., Borghans, L. and A. Dupuy	Aggregate Shocks and How Parents Protect the Human Capital Accumulation Process: An Empirical Study of Indonesia
008	Hagen-Zanker, J. and Azzarri, C.	Are internal migrants in Albania leaving for the better?
009	Rosaura Muñiz Castillo, M.	Una propuesta para analizar proyectos con ayuda internacional: De la autonomía individual al desarrollo humano
010	Wu, T.	Circular Migration and Social Protection in Indonesia
2007		
No.	Author(s)	*Title*
001	Notten, G. and C. de Neubourg	Relative or absolute poverty in the US and EU? The battle of the rates
002	Hodges, A. A. Dufay, K. Dashdorj, K.Y. Jong, T. Mungun and U. Budragchaa	Child benefits and poverty reduction: Evidence from Mongolia's Child Money Programme
003	Hagen-Zanker, J. and Siegel, M.	The determinants of remittances: A review of the literature
004	Notten, G.	Managing risks: What Russian households do to smooth consumption
005	Notten, G. and C. de Neubourg	Poverty in Europe and the USA: Exchanging official measurement methods
006	Notten, G and C. de Neubourg	The policy relevance of absolute and relative poverty headcounts: Whats in a number?
007	Hagen-Zanker, J. and M. Siegel	A critical discussion of the motivation to remit in Albania and Moldova
008	Wu, Treena	Types of Households most vulnerable to physical and economic threats: Case studies in Aceh after the Tsunami
009	Siegel, M.	Immigrant Integration and Remittance Channel Choice
010	Muñiz Castillo, M.	Autonomy and aid projects: Why do we care?

2006

No.	Author(s)	*Title*
001	Gassmann, F. and G. Notten	Size matters: Poverty reduction effects of means-tested and universal child benefits in Russia
002	Hagen-Zanker, J. and M.R. Muñiz Castillo	Exploring multi-dimensional wellbeing and remittances in El Salvador
003	Augsburg, B.	Econometric evaluation of the SEWA Bank in India: Applying matching techniques based on the propensity score
004	Notten, G. and D. de Crombrugghe	Poverty and consumption smoothing in Russia

2005

No.	Author(s)	*Title*
001	Gassmann, F.	An Evaluation of the Welfare Impacts of Electricity Tariff Reforms And Alternative Compensating Mechanisms In Tajikistan
002	Gassmann, F.	How to Improve Access to Social Protection for the Poor? Lessons from the Social Assistance Reform in Latvia