

# The conditions for conditionality in cash transfers

by Luca Pellerano and Valentina Barca, Oxford Policy Management

While conditional cash transfers (CCTs) belong to a relatively new and expanding generation of social protection programmes, unconditional benefits (generally defined as unconditional cash transfer programmes—UCTs) have long occupied the social protection scene. Evidence shows that both transfers have a positive impact on fundamental dimensions of human capital accumulation such as nutrition, cognitive development and education.

If CCTs have been successful in achieving some of their desired objectives, have the conditionalities played a central role? Moreover, if CCTs do offer advantages, can we expect them to work in any context? What pre-conditions are necessary to guarantee effective CCTs, and in which situations should other policy options be pursued?

## The blurred line between conditionality and un-conditionality

To answer these questions, it is important to distinguish between four means of conditioning the use of social (cash) transfers that are available to policymakers and are widely used:

**Conditioning on access:** eligibility criteria tend to target a set of beneficiaries who have particular needs and, therefore, display similar patterns in the use of their transfers.

**Implicit conditioning:** intrinsic characteristics of the subsidy design (e.g. the nature of the transfer, delivery mechanisms, name etc.) may act as a conditioning mechanism to influence the use of resources.

**Indirect conditioning:** the use of cash transfers can be further conditioned by complementary policy actions that are implemented in conjunction with the transfer (e.g. training/education sessions or case management).

**Explicit conditionality:** the payment of the cash subsidy is contingent upon the adoption of certain 'desirable' behaviours, which are explicitly monitored.

What defines the nature of CCTs is the presence of 'explicit conditionalities' within the 'contract' between provider and recipient. When trying to understand under what conditions CCTs are effective it is important to base the comparison with UCTs on the relative benefits—but also costs—of introducing, monitoring and enforcing this 'explicit contract'. For example:

- the direct, indirect and opportunity costs of adopting 'desirable'/enforced behaviours such as sending children to school (with potential negative impacts in terms of equity and inclusiveness); and
- the costs and administrative burden of monitoring and verifying compliance for the programme, recipients and other actors within the community.

## What are the conditions for (explicit) conditionality?

Countries wishing to adopt CCTs should carefully consider their feasibility based on overall priorities for policy design and institutional contexts. The success of CCTs in Latin America was precisely linked to an assessment of this type (i.e. a clear policy objective to address problems of low human capital and a thorough understanding of supply and demand for key services such as education), and was also grounded on a specific political economic environment where the co-responsibility argument had a receptive audience. If countries in sub-Saharan Africa and elsewhere want to reap the benefits of CCTs, they should first understand whether similar conditions apply. Table 1 summarises a framework for assessing the feasibility of explicit conditionalities.

Table 1 - The conditions for conditionality: a summary

	Dimension	When are CCTs useful?	When are UCTs and other policies more suitable?
Policy design	Clarity of policy	Clear policy objectives, set of 'desirable' and easily targetable behaviours associated with this objective	Unclear policy objectives, focus on relieving poverty in a broader sense
	Linkage between 'desirable' behaviours, public services and objectives	Clear and strong linkage between final objective (e.g. human capital accumulation) desirable behaviour encouraged (e.g. school attendance) and service provision system (public school system)	Unclear linkage between final objective (e.g. poverty reduction) and desirable behaviour encouraged (e.g. productive investment). Unclear link between behaviour and service provision system
	Consideration of other 'mild' forms of conditionality	Analysis of the relative effectiveness of the three 'mild' forms of conditioning (conditionality on access, implicit and indirect conditioning) as opposed to explicit conditionalities and realisation that they are ineffective	Analysis of the three forms of 'mild' conditioning and realisation that policy objectives can be reached through those alone
	Analysis of demand and supply of services	Detailed analysis of barriers to the demand of 'desirable' goods and services and the quality and effectiveness of supply. Existence of demand-side barriers to 'desirable' goods and services rooted in information, preferences and power structures	Lack of analysis or thorough understanding of country-level demand and supply of public services. Most demand-side barriers to 'desirable' goods and services do not depend on information, preferences and power structures
	Ability to fine-tune policy	Effective use of monitoring and evaluation to fine-tune the cash transfer's design to specific individual sets of constraints so as to maximise results	No ability or political scope for fine-tuning of the programme
Country context	Supply of services	Well-developed supply of public services; their equitable distribution, high quality and effectiveness	Undeveloped supply of services; their inequitable distribution, low quality and effectiveness
	Capacity for scaling up public services provision	Existing capacity for scaling up (due to increased demand for services)	No capacity for scaling up
	Poverty levels	Households live at a subsistence level and are generally capable of satisfying their basic needs. Spending additional money on desirable behaviours is, therefore, less of a burden	Households live below a subsistence level and are not capable of satisfying their basic needs. Spending money on desirable behaviours is an additional burden that detracts from the value of the benefit (effective exclusion of most vulnerable households)
	Implementation, infrastructure and monitoring costs constraints	Reasonable costs involved in monitoring explicit conditions. Presence of pre-existing infrastructure lowering the costs of monitoring compliance	Budget constraints. No pre-existing infrastructure
	Beneficiaries' compliance burden	Low burden on beneficiaries concerning monitoring their compliance (e.g. streamlined system for verifying attendance through schools etc.) No severe budget constraint (CCTs are more expensive to implement)	High burden on monitoring their compliance (e.g. families having to provide certificates and incur travel costs)
	Political feasibility	Middle class opposed to cash transfers to poor households except if some form of co-responsibility is ensured	Weak middle class and strong focus on creating a safety net for the poorest households

### Reference:

Pellerano, L., and V. Barca. 2014. "Does one size fit all? The Conditions for Conditionality in Cash Transfers." OPM Working Paper 2014-1. Oxford: Oxford Policy Management.

This One Pager is a partnership between the IPC-IG and Oxford Policy Management.