

Helpdesk Research Report

Theories of change for cash transfers

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Question

Please identify any theories of change developed for cash transfer (CT) programmes in low income countries.

Contents

1. Overview
2. Theories of Change for Cash Transfers
3. Theories of Change in specific Cash Transfer Programmes
4. References

1. Overview

While there is a large body of literature examining social protection and cash transfers' (CT) impacts on poverty reduction and development, there is much less on understanding the mechanisms and pathways by which this happens. This report gathers together examples from the literature which attempt to explain how and why change happens as a result of CTs. It adopts a broad understanding of the concept of 'Theory of Change' (ToC) as including pathways, causal relationships, and underlying assumptions about how change happens. Most programme documentation does not use the term 'theory of change' to describe planning, and few programmes express an understanding of this conceptual area at all. A detailed literature review might be able to pick out the fragmented evidence on understandings of change, but this rapid response report has focused on the literature which has well-developed ToCs. Examples are mostly drawn from academic and theoretical literature rather than programme documentation, and often they look retrospectively or conceptually at existing programmes to analyse how change occurred. Most literature acknowledges the need for more in-depth research specifically looking at ToCs and pathways of change.

The literature reviewed for this report shows that:

- There is a **broad variety of theories of change models for CTs**, depending on the context and type of intervention. There is no particular consensus on pathways of change, although most literature pulls in the same direction.
- ToCs are **hypothetical and retrospective**, applied to existing CT programmes. The most rigorous literature comes from academic bodies. This implies that ToCs are at present a **concept not yet widely adopted for programming**, but that this might happen at some point in the near future. Most programmes do not currently justify why they have chosen this model of intervention or why and how it will work in this context.
- Most ToCs take a **holistic approach**, and include macro-micro levels and contextual factors. Most ToCs draw on either **human capital investment and productive assets** theory, or **vulnerability/risk reduction**. Some groups argue that CTs can play a **transformative social role** as well as reducing poverty, particularly but not exclusively in **fragile states** where they can be used to enhance state-citizen relations and state legitimacy. This is a particularly weak area of the literature as there is very little evidence to support this, but there is strong conceptual support for this idea.

This report first presents a selection of theories of change about how cash transfers are expected to work in general, and then a selection of theories as used in a few specific cash transfer programmes.

2. Theories of Change for Cash Transfers

Some academic and analytical work has aggregated analysis of different CT programmes to compare their approaches. As few programmes are explicit about their ToCs, this work is helpful for understanding the implicit assumptions and reasoning behind the impact of CTs on development.

Conditions

A theory of change for imposing conditions on CTs is summarised in Bastagli (2009). The broad aim of conditionality is to improve human capital outcomes and promote resilience through impacts on behaviour. By adding conditions, CTs aim to incentivise investment in mid- to long-term human capital accumulation, which can be under-served by poor people making short-term coping decisions. Conditions also aim to increase intra-household bargaining power of weaker individuals, and increase human capital across society. Most Latin American CTs are entirely conditional. There are few rigorous comparisons of conditional versus unconditional transfers (UCT), but the evidence base points towards positive impacts on human capital outcomes through improved resilience. This is variable depending on programme design and implementation.

Growth

Armando Barrientos has published a recent paper examining the micro level impacts of CTs on growth (Barrientos, 2012). His ToC is that transfers improve human capital and productive capacity, which leads to economic growth.

Figure 1:

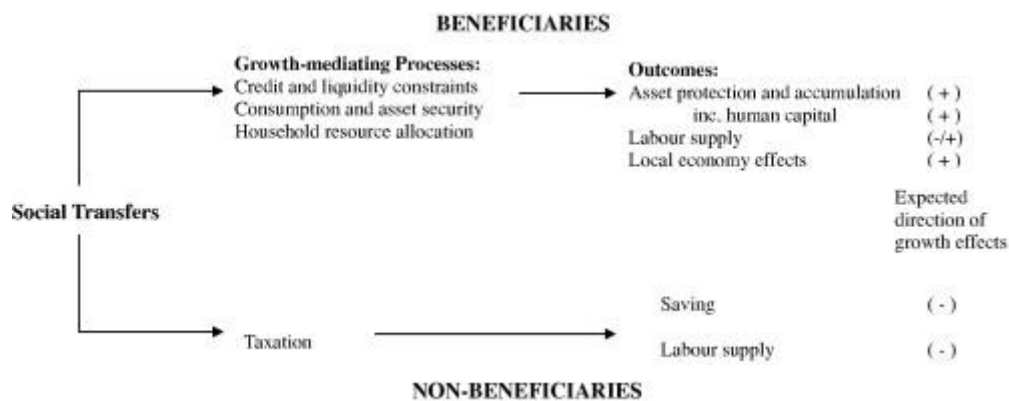


Figure 1 from Barrientos, 2012: 12

This framework suggests that transfers influence growth by lifting restrictions on household productive capacity. It suggests that cash transfers mediate growth by facilitating access to credit, providing more certainty and security in consumption, and helping overcome cost restrictions, which can influence household decision-making. CTs are expected to have positive impacts on human capital, physical and financial asset accumulation, and the local economy; and positive or negative effects on labour supply. The remainder of the paper examines the evidence for these concepts, drawing from a broad range of CT programmes. The conclusion is that CTs do have effects on the productive capacities of households in poverty, and that they do influence micro-level growth through these proposed channels.

Social Justice

A forthcoming Background Note from ODI (Jones and Shahrokh, forthcoming April 2013) draws together analysis on social protection pathways beyond vulnerability and risk reduction, towards using social protection to promote broad social inclusion and social justice. The paper has developed a theory of change for social justice-oriented social protection programming, focusing on CTs. It is informed by a literature synthesis and empirical examples.

The framework (Fig. 2) traces the macro-micro sources of risk and vulnerability. Devereux and Sabates-Wheeler's concept of transformative social protection is key to this approach. In order to achieve social justice outcomes, social protection must engage with structural influences, including fiscal space, the labour market structure, the care economy, social institutions, and international laws and norms. All these influences can constrain and/or enable transformative outcomes, and it is essential that programming considers how best to link into these factors. Political economy factors also influence social protection programming, including institutions, interests and ideas. Institutional dynamics, especially of the state, include budgetary constraints, political decisions on spending, decentralisation, state-citizen relations, and monitoring and evaluation. Different actors across government, development partners and civil society also have different mediating interests, and different ideas about the causes of poverty and social protection's role and state responsibility in poverty reduction and/or social transformation.

Figure 2:

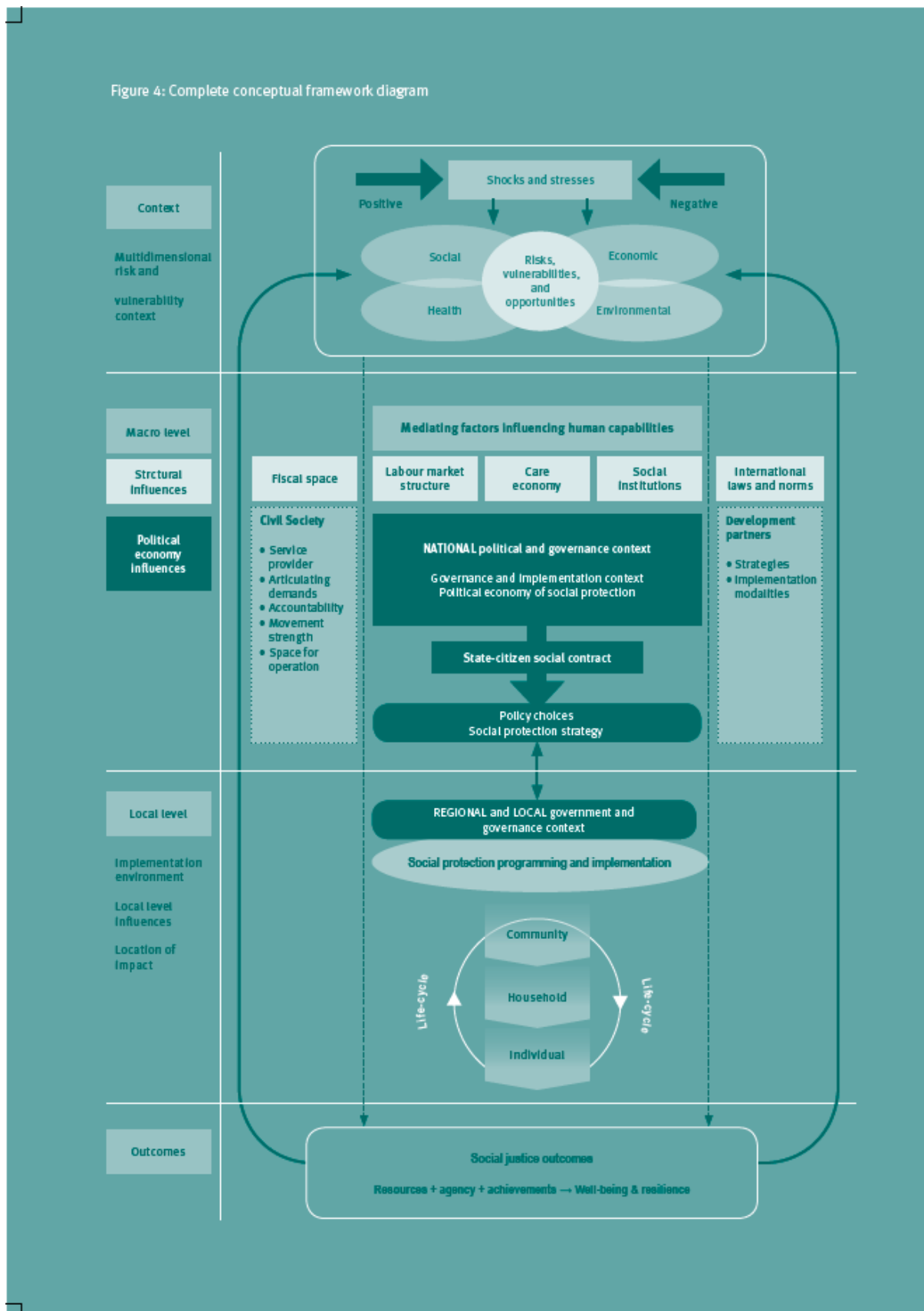


Figure 4 from Jones and Shahrokh, forthcoming April 2013:12

Health and Nutrition

Gaarder, Glassman, and Todd (2010) provide a useful analysis of health conditional cash transfers (CCT) across 11 programmes and four regions. They assessed the underlying assumptions found in programme documentation and developed their own ToC drawn from these. While this is not a ToC used directly to plan programmes, it is in line with wider academic thought on anti-poverty ToCs (see for example Sabates-Wheeler and Devereux, 2011 for a similar ToC on broad social protection), and helps assess the change processes implicit in CTs. The assumptions in the theory of change are:

1. CCT interventions lead to an increase in the use of preventive health services among the poor who are currently under-utilising these.
2. An increase in utilisation of healthcare services will improve health status, and in particular an increase in public health services will have this effect.
3. Cash affects health primarily by ensuring service utilisation and improved food consumption.
4. Poor women lack sufficient health knowledge and that a transfer of information to them will induce behaviour changes.
5. Imposing conditions and monitoring compliance are necessary to increase utilisation of services to the desired level.
6. Some programmes have assumed that the cash transfer and the conditions are not sufficient to ensure optimal child nutritional investment, and have added a food supplement.
7. The existing supply of services is sufficient or will increase following increases in demand.
8. Programme beneficiaries and programme staff are correctly informed about the programme.
9. The evaluation methods chosen implicitly assume that the outcomes impacted by the programme are those that are measured.

The authors examine these assumptions in some detail and conclude that they are broadly correct, but nuances of context, social groups, and needs will also affect how successful a CCT is. They also note that CCTs in this review were successful at incentivising public clinic visits (the desired outcome), but that the actual health outcomes of the CCT were less clear. Where the quality of services is poor, the CCT may not produce the expected effects.

A second paper from Glassman, Duran and Koblinsky (forthcoming 2013) is a systematic review of maternal and newborn health CCTs in 8 countries (all Latin America, with the addition of India and Nepal). The authors propose that CCT impacts arise from one or more of the following channels:

- Income effect: Household income increases and/or share of income that women control increases, thus there is more disposable income to spend on health
- Conditioning cash specifically on the usage of maternal health services
- Removal of costs associated with service utilization via subsidies for defined health benefit plans that include maternal care
- Knowledge effects resulting from health or nutrition training/talks, especially in Latin American programs

Most evaluations do not currently measure the effects of these channels, nor contain a specific ToC. The authors point out that while there is good evidence to suggest that CCTs improve utilisation of health services, there is less evidence for actual outcomes, and that successful implementation depends on a range of contextual factors. Thus this ToC remains hypothetical, as there is little evidence to be able to assess whether these channels are correct, although they do appear to be important.

Leroy, Ruel, and Verhofstadt (2009) present a programme theory framework to review the pathways through which CCTs improve nutrition outcomes.

Figure 3:

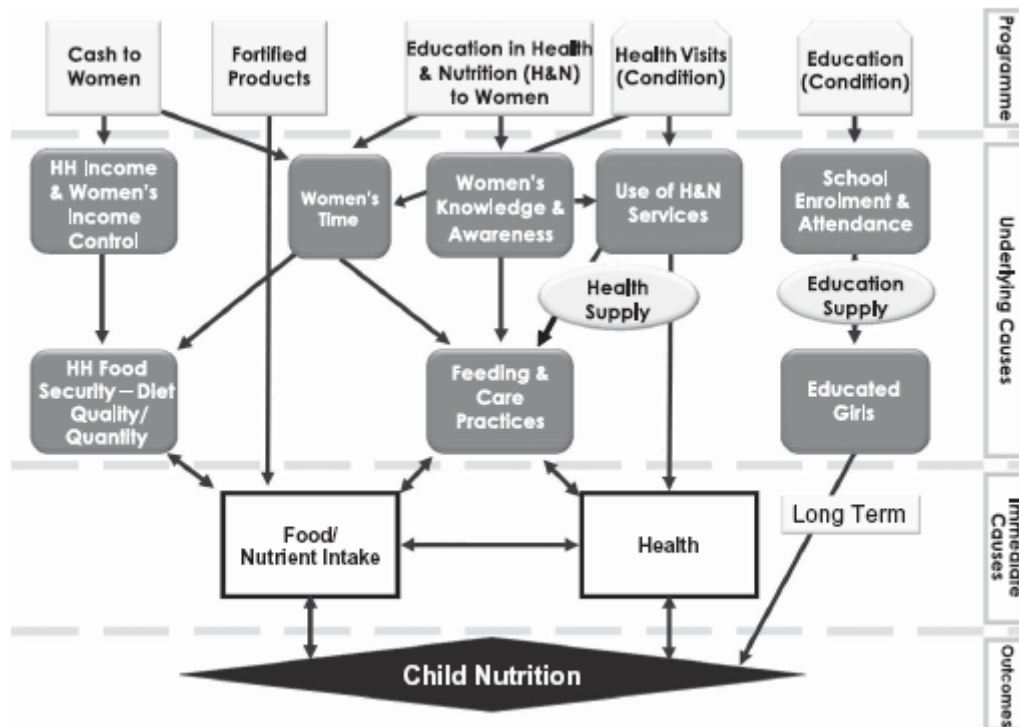


Figure 1. Mechanisms by which CCT programmes might affect nutritional status. HH = household.

Figure 1 from Leroy et al. 2009:105

Their model suggests that (on the left) cash increases income, which allows purchase of better quality food, leading to increased food security and diet quality. On the left and in the middle, the distribution of cash to women may directly increase women's control over resources, empowerment and decision-making power. The condition to receive nutrition education may change household preferences to nutrient-rich food, better hygiene and sanitation practices, and improved feeding and caregiving practices through raising women's knowledge and awareness. Fortified products may directly increase nutritional status. On the right, the condition of receiving health visits may increase overall use of health services, depending on contextual factors such as quality and distance of health services. The final education pathway can provide a long-term positive effect on child nutrition. The paper reviews 5 CCT programmes in Latin America using these pathways where there was enough evidence, and showing that CCTs had positive effects on the hypothesised outcomes of the pathways described above. The authors highlight that there is still a dearth of information about how CCTs work and their pathways of impact.

An ODI paper on malnutrition in emergency contexts draws from a literature review of 54 evaluations and programme documents to develop a ToC on how CTs can impact on nutrition (Bailey and Hedlund 2012). The central part of this figure (Fig. 4), in light grey, is UNICEF's conceptual framework on causes of malnutrition, and the darker grey arrows are ODI's model of where and how CTs can impact on this. There is currently little rigorous evidence on CTs' impact in this area, so this is primarily theoretical although this paper does draw together the existing evidence to support this model. CTs can immediately improve household food intake and quality, and free up carers' time by reducing the need for income

Figure 4:

Figure 2: Potential ways that emergency cash transfers could impact upon causes of malnutrition

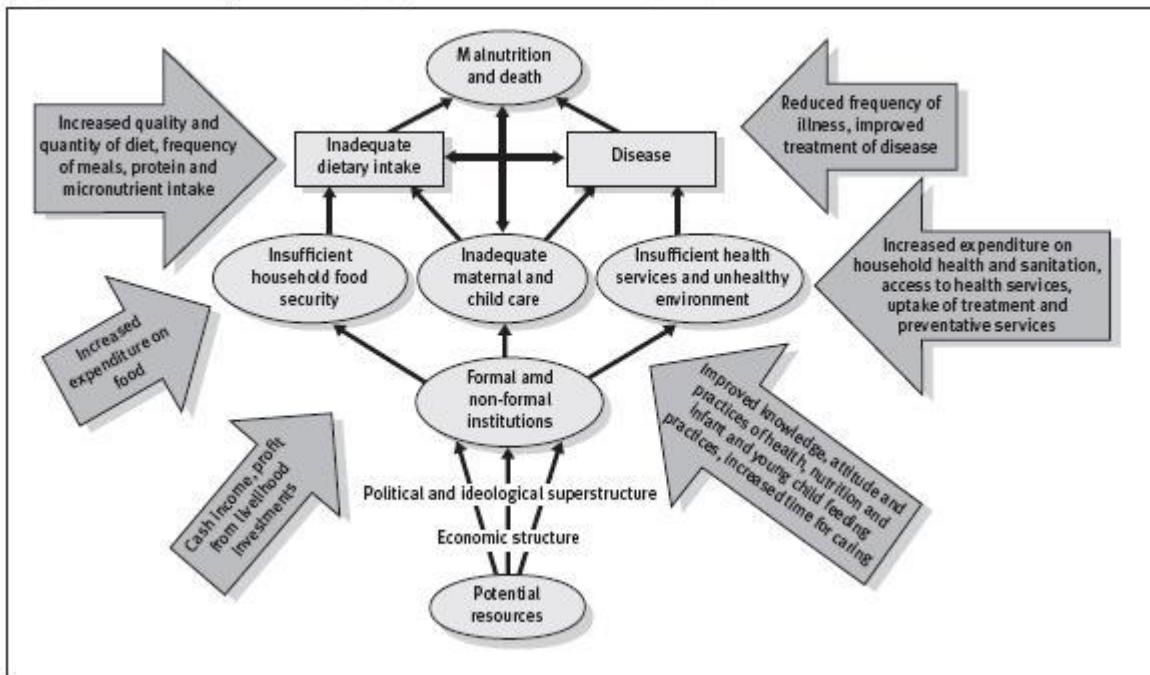


Figure 2 from Bailey and Hedlund, 2012:11

generating activities. CCTs have also been conditioned on attendance at nutrition education sessions, which improves knowledge and practices, and CTs might increase expenditure on hygiene and healthcare. However, there is little analytical work from interventions that assesses causality of outcomes and the paper stresses the need for pathways analysis as well as analysis of impacts and outcomes.

Education

Figure 1 from Baird, Ferreira, Özler, and Woolcock (2012) shows another ToC extracted from a proposed systematic review comparing UCTs and CCTs effects on schooling outcomes. The review has not yet been published, but this diagram in the project proposal is useful for showing how academics see CTs' change processes (Fig. 5). In this diagram, UCTs, CCTs and supply/quality of education all constitute educational inputs. Both CTs affect the demand for schooling, but UCTs do this only by raising incomes, and CCTs do so through raising incomes *and* lowering the opportunity cost (price) of schooling. The CTs both have impacts on the intermediate outcomes, and over time, on the final outcomes. The dashed lines from CTs to supply/quality indicate that CTs may increase households' ability to demand more from education providers.

Figure 5:

Figure 1: Theory of change for schooling conditional cash transfers and unconditional cash transfers on schooling outcomes

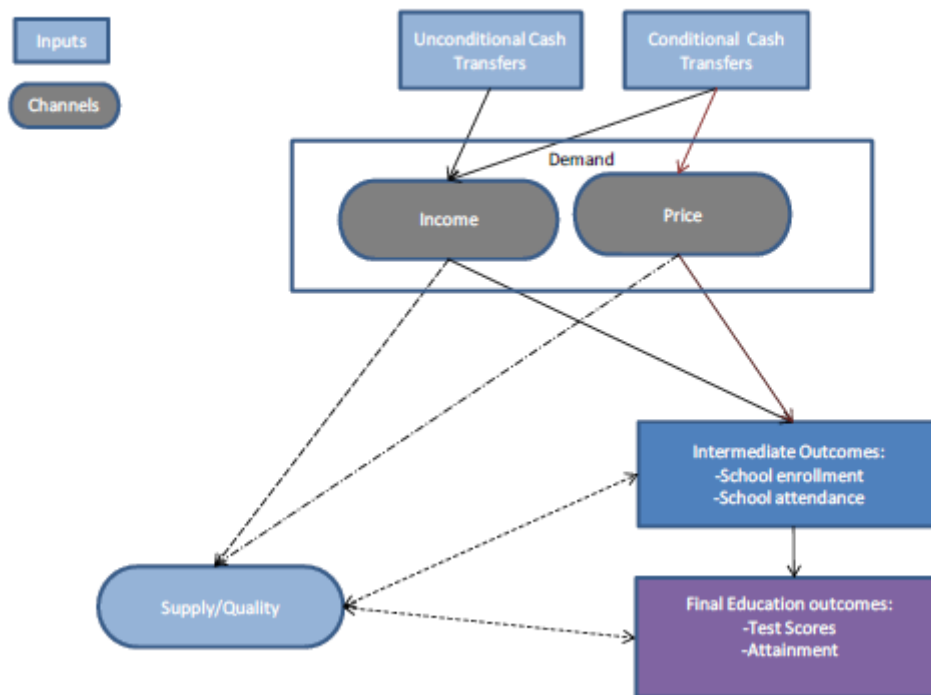


Figure 1 from Baird et al., 2012:6

State-Society Relations

HelpAge International (2011) examines the role of CTs in strengthening state-citizen relations in fragile states and situations. CTs can go beyond poverty reduction and vulnerability and risk, by being used as a tool to increase state legitimacy and support and to strengthen state institutions. HAI believes that CTs can play a vital role in both poverty and vulnerability reduction by tackling some of causes of fragility, and strengthening the state-citizen relationship. CTs provided by the state are generally effective at increasing poor people's demand for services and improving education and health outcomes. There is an evidence base which shows that CTs raise living standards of the poor and increase human development and human capital, and there is some evidence that CTs have a positive impact on economic growth. In Kenya, the Hunger Safety Net Programme has encouraged citizens to monitor programme delivery and demand their rights, for example, if payments are late. The programme is contributing to creating an accountability culture through the specific inclusion of a Social Protection Rights component, which is enhancing community relations with local government. Jones and Shahrokh (2013 forthcoming) also suggest that transformative social protection has a role to play in rebuilding trust in public institutions in fragile states, thus supporting the state-citizen social contract. A longer exploration of the above concepts in more detail (but without an explicit or concise ToC) can be found in McConnell, 2010.

3. Theories of Change in specific Cash Transfer Programmes

Mexico's *Oportunidades*

Ulrichs and Roelen (2012) provide a critical analysis of *Oportunidades*'s ToC, claiming that it is too individualistic and does not take enough account of structural factors, thereby keeping people in poverty. They describe that the programme's ToC is based on human capital, which, through access to health and education, incentivises the poor to invest in themselves and provides them with the necessary tools to lift themselves out of poverty. Investment in education is seen as key to breaking the cycle of the intergenerational transmission of poverty through increasing opportunities to better paid jobs. Human capital accumulation is seen as a route to poverty reduction, and is underlain with an individualistic concept of poverty as the result of personal deficiencies; in turn, escaping from poverty is possible through individual action. These authors argue that CCTs in general and *Oportunidades* in particular overlook the structural causes of poverty and inequality, which make it impossible for poor people to escape poverty through individual action. They use the example of indigenous people in Mexico. While the indigenous receive *Oportunidades* transfers, they are systematically discriminated against by inaccessible language of instruction in schools, distance to travel to health and education services, and a chronic lack of social mobility, all of which mean they are far less likely to acquire well-paid jobs. These structural factors mean that *Oportunidades*' ToC fails indigenous people because it is predicated on a too individualistic understanding of poverty.

South Africa's Child Support Grant

A large-scale mixed methods evaluation in 2011 of the well-established CSG in South Africa provides some insights into its theory of change (Department of Social Development, South African Social Security Agency and UNICEF 2011). The qualitative paper proposes a theory of change as follows, which the evaluation aims to test:

- Cash grants targeted on children directly reduce the poverty and vulnerability of children living in poor households.
- In addition to funding increased consumption, cash grants enable poor households and carers to participate in productive economic activity (e.g. to look for work).
- Cash grants address the underlying causes of poverty by enabling poor households to invest in physical, social and human capital assets (i.e. education, health, nutrition) that can generate future streams of income.
- Receipt of cash grants can reduce the adoption of risky behaviours, such as transactional sex, alcohol consumption or substance abuse.
- Specific features of the CSG – including that it is unconditional, that it targets caregivers, that it is delivered periodically and predictably, and that transaction costs are relatively low – all ensure that the overall net effectiveness of the programme is maximised.

There is no specific conclusion that the grant either meets or does not meet these criteria, but the above description shows how the South African government conceptualises the purpose of the grant. The quantitative component of the evaluation (DSD, SASSA and UNICEF 2012) further expands on the ToC to state that CTs directly reduce poverty and inequality, and increase consumption and living standards of the poor. In addition, CTs also address some underlying causes of poverty by allowing poor households to make different consumption decisions, participate in the economy and invest in the future productivity of household members.

Figure 6:

Figure 1.5 Developmental paths

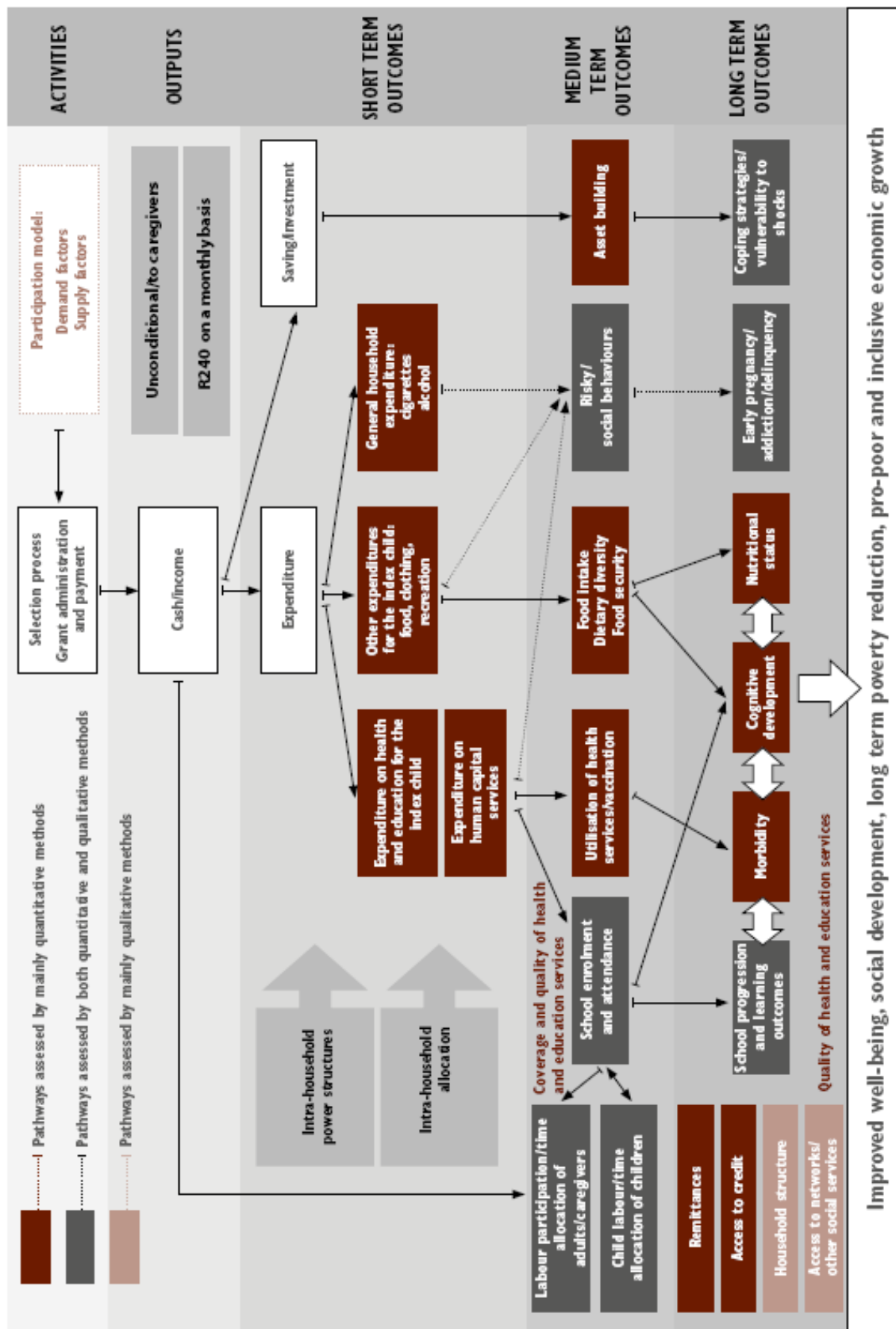


Figure 1.5 from DSD, SASSA and UNICEF, 2012:6

The figure above, from the quantitative paper, shows the factors that moderate the social and developmental impacts of the CSG. Policy environment, social context, transmission mechanisms and programme design all influence impact. In the social context, discrimination and intra-household decision-making moderate impact. This theory of change primarily draws on the concept of social protection building human capital.

Kenya's Social Protection Strategy

The Kenyan government has produced a 3-year social protection strategy document covering 2009-12 which provides a quite comprehensive theoretical background as well as practical considerations for implementation (Ministry of Gender, Children and Social Development 2009). CTs are part of a broader social protection strategy, which aims to tackle both immediate needs and create a more sustainable long-term social protection system. The approach to social protection is that CTs can provide support to poor households to manage risk and to allow investment in human capital and physical assets to increase resilience. The document cites the framework developed by Devereux and Sabates-Wheeler of social protection falling into four categories: protective, preventive, promotive and transformative, which informs the government's strategy. The final theoretical section reviews how social protection can enhance economic growth. Social protection increases human capital by improving health and education status, which can break the intergenerational transmission of poverty. Social protection can also alleviate inequality, which impacts negatively on growth. Finally, by providing a basic income, social protection can encourage greater labour market activity. Thus the government uses a risk and resilience theoretical framework coupled with human capital investment for poverty reduction.

Uganda's Social Protection Strategy

Uganda is currently scaling up its national social protection programmes as part of its national development (Government of Uganda, no date). As part of a broad social protection strategy, CTs are conceptualised as protecting the vulnerable from destitution, drawing on a risk and vulnerability discourse. The strategy responds to Uganda's priority areas of poverty, inequality and vulnerability and assumes that CTs directly reduce poverty, contribute to reducing inequality, and improve children's developmental outcomes through increased spending on nutrition. The income security CTs provide enables households to cope with shocks, pay for education and healthcare, stimulate the local economy, and increase social cohesion. Some of these assumptions are borne out by the assessment of evidence from Uganda's pilot schemes. The following list shows the assumed impacts of social transfers, which partially describe the implicit theory of change:

- Directly reducing poverty by providing a minimum level of income security;
- Providing resilience against shocks and enabling beneficiary households to avoid negative coping strategies such as selling assets or withdrawing children from school;
- Increasing access to health and education services;
- Improving adult and particularly child nutrition;
- Providing the necessary investments to start small businesses;
- Strengthening local economic growth through transfers being spent in invested back into the local community;
- Enhancing dignity, self-esteem and confidence;
- Strengthening social cohesion.

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Key websites

- 3ie: <http://www.3ieimpact.org/>
- Campbell Collaboration: <http://campbellcollaboration.org/>
- Cash Learning Partnership: <http://www.cashlearning.org/>
- Helpage International: <http://www.helpage.org>
- IDS Centre for Social Protection: <http://www.ids.ac.uk/idsresearch/centre-for-social-protection>
- R4D: <http://r4d.dfid.gov.uk/>

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