

What are the economic impacts of Conditional Cash Transfer Programmes: a Systematic Review of the Evidence

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Introduction

The growing attention to the question of social protection within the international agenda since the late 1990s reflects a number of factors. These include the failure of short term emergency responses to deal with structural food deficits, particularly in the African context, the periodic financial crises which have accompanied the increasing integration of the global economy as well as the growing informality of labour markets which means that increasing numbers of the working population are outside the formal social security system. The 2008 global economic crisis has given renewed emphasis to the importance of social protection as a ‘smart investment’ in an uncertain world (Lin and Phumaphi, 2009: p. xi).

The growing importance of social protection can be seen from their present scale: they are now estimated to reach over 150 million poor households in poor countries and benefit around half a billion people (Barrientos and Hulme, 2008). Social protection encompasses a variety of different instruments but it is the instruments grouped under the rubric of social transfers that have the greatest relevance for poor people in poor countries. These instruments are largely financed by taxes, whether the tax in question is paid by national citizens or, via international aid, by citizens of other countries. Given its concern with poverty reduction, social transfer instruments are likely to be of greatest interest to DFID. Social transfer instruments most frequently take the form of cash transfers. These are considered to be more flexible than in-kind transfers that restrict the value of the transfer to pre-determined commodities which may or may not be the most urgent priority for their recipients.

Cash transfers can vary considerably in their design features, for instance, between lump sum and periodic payments; between targeted and untargeted transfers; between conditional and unconditional transfers; between transfers to providers of services and to users. While cash transfers conditional on work, as in public works programmes, have been around for a while, a recent innovation is cash transfers conditional on pre-specified investment in household human capital, particularly that of children. It is argued that tying cash transfers to human capital investments in children will help to break the inter-generational transmission of poverty. This helps to counter the view that social transfers are unproductive and give rise to welfare dependency on the part of recipients. Whether such impacts on inter-generational poverty do indeed materialize will only be known when the current generation of children who have benefitted from CCTS grow up and join the labour force.

What motivates this review is more immediate evidence of the economic impacts that accrue to cash transfer programmes. Some of these are documented in a recent scoping study on the impacts of social transfer programmes carried out for DFID (Kabeer, 2009). The study pointed out that cash transfers are generally too small, and the contributions of poor people to their country’s per capita GNP too meagre to generate any direct impact on macro-economic growth or national poverty levels. However, the absence of economic impact at national levels did not rule out the possibility of such impacts at the level of households and communities. Examples of household-level impacts highlighted by the scoping study include changes in household savings, investment in productive assets, labour force participation, increased returns to economic activity, expansion and diversification of livelihood activities. Local economy impacts included positive impacts on commercial activity and labour markets as well as negative

impacts in the form of inflationary pressures. Along with the documentation of various impacts, the study also noted attempts in the literature to map out the causal pathways or transmission routes through which social transfers generate economic impacts (Barrientos and Scott, 2008; Devereux and Coll-Black, 2007; Samson,2009). These are summarised in Table 1.

Table 1: Cash transfers and pathways to economic impacts

Lift credit constraints (access to microcredit or informal loans)
Enable poor to protect assets in times of shock, defending long run productive potential
Mitigate risk, encourage (lumpy) investment and diversification into higher risk/higher return activities
Combat discrimination and unlock economic potential
Changes in labour market participation
Local economy effects: demand for local labour, goods and services
Local economy effects: infrastructure development (public works)

Objectives

If the economic impacts documented for social transfer programmes are found to be based on methodologically sound evidence, they would help to offset some of the costs of financing social protection, easing their fiscal burden and increasing their appeal to policy makers. This review explores this possibility. It carries out a methodological mapping of the evidence for the economic impacts of social transfer programmes, appraising these studies according to predefined standards of methodological rigour and synthesizing the findings of the selected studies with regard to the likelihood of economic returns to investments in social protection.

As noted earlier, cash transfer programmes can take a variety of forms, with the dominant categories being conditional and unconditional cash transfers and public works programmes. While each of these entails the transfer of cash, they are aimed at different sections of the population and offered on different terms. Systematic reviews work best if they focus on a relatively homogenous set of interventions so as to minimize the effects of programme heterogeneity on the impacts reported. Consequently, each of these transfer programmes would require a separate systematic review. This review confines itself to the economic impacts of conditional cash transfer programmes. Reviews of the economic impacts of unconditional cash transfers and public works programmes can be undertaken separately at a later stage.

The CCT wave: innovation and expansion

CCTs are a relatively recent innovation within the field of social protection but as Fiszbein and Schady (2009), they have spread at a rapid rate. In 1997, there were just three CCTS (Brazil, Mexico and Bangladesh). By 2008, there were around 30 such programmes across different regions of the developing world and they continue to multiply. CCTs vary in scope and design. Some are nationwide, some serve just a segment of the population while others are still small-scale pilot efforts. Differences in scale is evident from a comparison of their absolute coverage in Brazil (11 million families) and Kenya and Nicaragua (few thousands). In terms of relative coverage, they

vary from 40% of the population of Ecuador to 1% in Cambodia. Design features may vary in terms of which human capital investments are incorporated into the conditionality. Chile Solidario relies on social workers to work with targeted families to develop action plans to get them out of poverty. These become the conditions attached to the benefit. The generosity of the benefits varies from 20% of mean household consumption in Mexico to less than 1% in Bangladesh, Cambodia and Pakistan. Most CCTs transfer money to the mother within the household but some may target fathers or children.

A search of the literature in preparation for this proposal suggests that there have been a number of attempts to synthesize the impacts of CCTs, including both conventional and systematic reviews but they largely focus on their human development impacts. Examples of systematic reviews of CCTs include Leroy et al (2009); Gaarder et al (in draft form) and Haines et al (2009). This is not surprising since that is the primary objective of these programmes. To the best of our knowledge there has been no systematic review of the economic impacts of CCTS. This is the aim of the review. In the next section, we discuss a number of methodological issues which are relevant to the approach taken to the synthesis.

Methodological considerations

There are two different approaches to synthetic reviews, those concerned with the internal validity of the methodology and those concerned with the external validity of findings, the extent to which they can be replicated across different contexts. The first approach uses clear pre-determined methodological criteria to determine which impact assessments studies will be included. A widely used example is the Maryland Scientific Methods Scale, a five point scale which allows researchers to rank impact assessment studies according to their methodological quality, with the highest ranking given to those using experimental or quasi-experimental methods, with randomized control trials widely regarded as the 'gold standard' against which other methods are judged.

The use of ranking systems in systematic reviews of impact assessments allows a high level of confidence to be attached to their conclusions regarding the impacts of the interventions under study. This is clearly valuable from a policy perspective. However, there are a number of reasons why the policy usefulness of the proposed systematic review is likely to be curtailed by exclusive reliance on this kind of ranking system. First of all, while we anticipate that there may be a sizeable number of studies of a sufficiently high quality to meet the criteria of methodological rigour, many of them will not be focusing on economic impacts, given that these are not the primary objectives of CCTs. We therefore did not anticipate that a large number of studies would be included by SMS criteria.

Secondly, the policy utility of a systematic review is likely to be enhanced if it is also able to provide insights into specific aspects of interventions, or their setting, which explain why they worked well, partially or not at all. The search for external validity draws attention to these aspects and hence offers important insights into the causal processes through which interventions are translated into outcomes. However, (quasi) experimental studies very often treat the intervention in question as a 'black box', focus only on the relationship between the intervention and reported outcomes.

Realist synthesis, which focuses on the analysis of the *context-mechanism-outcome* (CMO) configurations associated with different programmes, offers a widely used approach for establishing external validity. The idea of CMO configurations is to capture the theory of change embedded within particular programmes and to examine how the change mechanisms in question operate in particular contexts to produce particular outcomes. As Pawson points out, its aim is to explanation building through the use of all evidence that is relevant to the question the review set out to answer. The selection of studies is made on the basis of their contribution to this explanatory challenge. Realist synthesis therefore draws on a much wider range of studies, both quantitative and qualitative, than does the systematic approach. Indeed, Pawson et al. recommend the inclusion of a wide range of studies within the remit of realist reviews, including those that may be methodologically weak, because of they can still add value to the explanation for reported outcomes.

However, to keep the exercise manageable, we opted for a more parsimonious approach. Following Van der Knapp et al. (2006) and Greenhalgh et al. (2007), we used systematic review standards to assess the effectiveness of interventions in generating economic impacts and then uses realist synthesis methods to extract additional information on context and mechanisms from those studies included in the systematic review.

The review team

Naila Kabeer was lead reviewer. The literature search and data extraction was carried out by Linnet Taylor and Caio Piza, and the final analysis was carried out jointly. Birte Snilstveit, Hugh Waddington and Martina Vojtkova provided technical advice.

Search strategy

Generalized search for studies on CCTs

The first stage of the review was a search of all published and unpublished studies likely to be relevant to our objectives. They had to meet all of the following criteria in order to be included:

- They report on CCTS viz. direct cash transfers to poor households conditional on their undertaking specified investments in human capital.
- The CCTs are located in low and middle income countries
- The studies were carried out after 1990 (when the first CCTs were started)

Search strategy for quantitative effectiveness review

The studies that met the round 1 selection criteria were subject to a number of additional criteria in order to qualify for the quantitative effectiveness review:

- The selected studies must report on at least one economic impact. For the purposes of this review, we will define economic impacts to refer to changes relating to productive resources and activities at level of the household or local economy. Only factual/objective measures on economic impacts will be included: subjective measures on beliefs and perceptions will be excluded.

- Studies selected must have controls for the endogeneity of programme placement or self-selection into the programme. This will include all studies which use experimental or quasi-experimental design, including RCTs, propensity-score matching for construction of control groups and regression models with instrumental variables.

We categorized the studies selected in this round into a number of categories, depending on the nature of the impacts reported: a) one or more positive economic impacts reported b) one or more negative economic impacts reported c) mixed economic impacts reported d) no economic impacts reported. In the studies selected, we then searched for any information on how and why interventions worked or did not work.

Search methods

The generalized search strategy aimed to cover as comprehensive a set of published and unpublished sources as feasible within the period allocated, including electronic searches, manual searches, reference snowballing and other relevant sources of information. The two research assistants carried out the search independently. Abstracts were used to decide whether a study was relevant by the generalized search criteria. Conflicts over whether or not a study qualifies for inclusion were resolved through discussion within the team. Below we list some of the data bases covered. The keyword/topic combinations to be used in the electronic search included both ‘conditional cash transfers’ and ‘cash transfers, in order to access the widest possible range of studies at the first level of the search.

EconLit
 ABI/INFORM Global (ProQuest)
 International Bibliography of the Social Sciences (EBSCO)
 EconPapers
 informaworld Taylor & Francis Journals Complete
 ingentaconnect.com (Ingenta)
 JSTOR (All Collections)
 NBER Working Papers
 IDEAS
 Periodicals Archive Online (ProQuest)
 Royal Society Journals
 SAGE Journals Online
 ScienceDirect
 SpringerLink (MetaPress)
 Wiley InterScience
 Social Science Citation Index
 International bibliography of social sciences
 Networked digital library of Theses and Dissertations
 DAC (OECD)

BLDS: <http://blds.ids.ac.uk>
 Google Scholar: <http://scholar.google.nl>
 JOLIS: <http://jolis.worldbankimflib.org/e-nljolis.htm>

Portals

World Bank: <http://www.worldbank.org/html/extdr/thematic.htm>

IDB: www.iadb.org

UNDP: <http://www.undp-povertycentre.org/>

DFID: <http://www.3ieimpact.org>

Along with database searches, the research assistants carried out manual back searches in bibliographies of studies and journals identified as relevant to the topic. If necessary, we planned to contact authors of selected studies to obtain fuller information on the interventions of interest – but this was not useful in the end because most of the studies came from a group of key datasets which provided the same background to each.

Data collection and analysis

For all studies included in the two stages of the review, the research assistants extracted information on different stages of the research process as well as of the program intervention. Once again, we found the approach to this taken by Waddington et al (2010) an extremely useful starting point for our own data collection

General information	Author, publication date, publication type, funding agency, author affiliation
Intervention design	Amount, time period and frequency of transfer, intended recipient, nature of conditions, governance structure, actors involved, capacity and management, additional interventions provided
Study design	Study type, methods used, description of sample selection, sample size, frequency and period of data collection, sample attrition
Study quality	For effectiveness review, use of SMS ranking. For modified realist review, qualitative criteria adopted
Context	Country location(s), confounding variables, community characteristics, macro-level influences, local economy
Causal mechanisms	Cognitive change, behavioral change, information dissemination, attitudes of providers, presence of intermediaries
Findings on economic impacts	Individual, household and local economy
Barriers/facilitators of impact	Additional information from selected studies

Data synthesis

The data synthesis proceeded in three stages. The first stage synthesized the findings from the quantitative effectiveness review to produce a final list of studies that fulfill the criteria listed above. The web-based software application Refworks was used to collate

the studies found, since it allowed both researchers to input titles into the same list and keep track of each other's findings. It also allowed for the deletion of duplicates and the merging of lists. This initial search resulted in an list of 1,076 items.

The list was then edited to get rid of duplicate references, resulting in a new list of 624 studies, comprising all methodologies. We then went through this list to reduce it to those dealing with economic impact, and falling within the first three levels of the Maryland SMS criteria, which resulted in a list of 323 studies. . These eligible papers were then ranked according to the methodology noted above, with specific attention to those that offered findings on the causal impact of CCT (i.e. their internal validity as empirical studies). We discarded studies using social experimental and quasi-experimental techniques (approximately 60 papers). Given the high number of working papers and referred papers, and the fact that many of these papers were concise versions of reports that were also included in the initial search results, we decided to exclude these reports. We also excluded a small number of theses and dissertations for practical reasons, since those found were from Brazil and the US and thus inaccessible in their original form, and no version was available to download.

A spreadsheet was created, based on the Waddington criteria listed above, to record the results of these studies, categorising them according to the following variables:

- Article identifiers
- Type and location of study
- Treatment and control group
- Data collection method, frequency and period
- Outcome variable(s)
- Estimations, significance and confidence intervals
- Main findings
- Additional information on findings

The studies were all read by both research assistants. First, they were divided alphabetically into two groups, with each research assistant reading one set of papers in depth. Next, any doubts regarding inclusion or specific findings were discussed. Finally, the lists and corresponding spreadsheets were exchanged and each researcher checked the other's results.

The next stage involved aggregating the results of the studies into both qualitative and quantitative forms. These consisted of a meta-analysis to draw out the range of commonality in their estimates, and a synthesis of the findings that sought to note concurrences and disagreements between them, and to explore and if possible account for these differences where necessary. An accompanying report outlined the studies included in the final analysis, their characteristics and the overall direction of their findings. The meta-analysis could only be performed on those outcome variables which occurred in more than one study, and the dependent variables involved had to be comparable in terms of their operationalisation, i.e. the units used and groups included in the analysis. The first grouping of dependent variables was done according to those which occurred in more than one study, which produced this list:

- Consumption (proportions, type of consumption)

- Child labour
- Adult labour supply
- Receipt of transfers (inter-household/remittances)
- Migration (domestic and US)
- Household spending choices
- Poverty and inequality
- Insurance
- Loans
- Income generating activities, savings and investment
- Mitigation of shocks
- Spillover effects

The meta-analysis process resulted in a refined list of variables that were judged to be quantitatively comparable. However, the accompanying report focused on these categories as a way to provide an overview of the conclusions of the studies, given that some could not be included in the meta-analysis. Both these reports were then used to produce a final report of the review.

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