

Superfluous, Pernicious, Atrocious and Abominable? The Case Against Conditional Cash Transfers

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1 Introduction

In 1792, the first consumer boycott was organised to protest against the inhumane treatment of slaves in the production of sugar in the West Indies. In his comic novel of the time, *Melincourt*, Thomas Love Peacock (1817) wrote of the trade in sugar that it was 'economically superfluous, physically pernicious, morally atrocious and politically abominable'. Much the same could be said of 'Conditional Cash Transfers' (CCTs) today.

2 'Physically pernicious'

Semantically, the very label 'conditional' is imprecise. The definition of what constitutes a CCT is highly ambiguous. The World Bank (one of its champions) defines it as follows:

Conditional cash transfer (CCT) programs aim at reducing poverty in the short term through cash transfers while at the same time trying to encourage investments into the human capital of the next generation by making these transfers conditional upon regular school attendance or the regular use of preventive health care services.¹

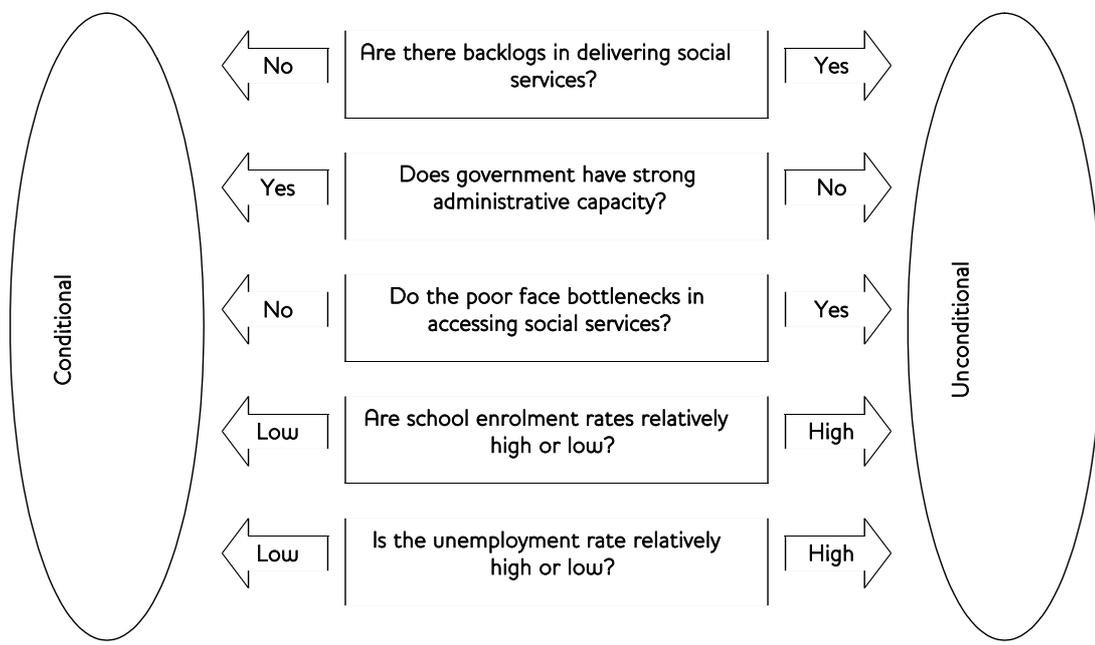
This attempts to limit CCTs to transfers that involve human capital conditionalities, such as access to health and education services. But a cash-for-work scheme is equally 'conditional' – the transfer is conditional upon the provision of labour. And many other transfers may also be considered 'conditional' – they depend upon a beneficiary turning up at a particular place at a particular time to collect a food ration, or they require a recipient to travel some distance to exchange a voucher for agricultural inputs in a particular retail outlet. Other transfers are conditional on 'passive' characteristics of the

beneficiary: being HIV-positive, owning land, being over 60 years old, being orphaned, having a disability. In reality, all social transfers are conditional on something. Even a universal fertiliser subsidy is conditional on the beneficiary buying fertiliser. And, taken to its logical extreme, a civil servant may be considered the recipient of a CCT in the sense that he or she receives a cash handout that is conditional on a work requirement – and indeed often makes the same complaints as any other public works welfare recipient: the sometimes irregular receipt of a below-market wage in exchange for a usually pointless occupation...

3 'Politically abominable'

Second, the term 'conditional' smacks of Bretton Woods paternalism. It is redolent of the 'conditionalities' imposed by IMF, World Bank and other donors when making loans or implementing budget support programmes, a perpetuation of the mind-set that imposed 'structural adjustment' and enforced 'poverty reduction strategies'. It fails to convey the sense of partnership or inclusion that should be the basis for social protection; and it presupposes that the nanny-state knows better than its citizens how best to use their scant resources – a highly dubious assumption. A much better term, based on the concept of a mutually-agreed partnership between beneficiaries and grant-giving governments would be 'compactual' (a neologism borrowed from the idea of a 'social compact', meaning 'an agreement ... within a society to work together for the benefit of all'.² This has the advantage of beginning with the letter 'c', thus preserving the acronym 'CCT'; and clearly distinguishes such transfers from labour-based transfers, and from other types of social transfer that

Figure 1 Criteria for choosing between conditional and unconditional transfers



do not require a reciprocal obligation on the part of the beneficiary.

4 ‘Economically superfluous’

But CCTs are highly questionable from a practical perspective in any case. Even if we accept that there is a justification for governments ‘insisting’ that welfare recipients fulfil certain ‘obligations’ (like attending schools or health clinics), does it actually work to try to force them to do so? It is true that there is some evidence, for example from central and south America,³ that school attendance and health indicators improve in households that receive CCTs – but who is to say whether this is a feature of the ‘conditionality’ rather than of the transfer itself (or simply the fact of a predictable source of regular income)? In the case of *Oportunidades* in Mexico, the jury is still out:

Oportunidades combines three key mechanisms: grants that increase the income of poor households, awareness promotion that emphasises the importance of human capital, and conditionalities that link the two – making the grants conditional on behaviours that reinforce human capital development. The evaluations have successfully demonstrated that all three of these

ingredients together can generate very positive results. However, the studies so far have been unable to identify which is most important – the income, the awareness or the conditionality. (Samson, van Niekerk and MacQuene 2006)

Another equally valid reason for observed improvements in school attendance and health indicators (in addition to the ‘demand-side’ effect of the cash transfer) may well be concurrent ‘supply-side’ measures to improve access to education and health services, where these are already under way, either linked to CCT programmes or independently. For example, an evaluation of PROGRESA (now *Oportunidades*) admits that:

Since these increased resources related to the quality of services are part of the overall PROGRESA benefit package provided, the evaluation of the program can provide little direct evidence on whether a demand-side intervention is more effective (in terms of impact and/or in terms of cost) relative to a supply-side intervention. (Skoufias 2005)

This uncertainty over the effectiveness of conditionality is reinforced by the fact that school

attendance and health indicators also improve where cash transfers are made unconditionally: evidence from such schemes in Zambia (MCDSS/GTZ 2006), Namibia (Devereux 2001) and Malawi (Devereux *et al.* 2006) all show significant increases in beneficiaries' expenditure on health and education, and in the indicators for resultant health and educational outcomes. In South Africa, where social grants are unconditional:

... extensive evaluations document the substantial impact of social grants – children (particularly girls) in households receiving grants demonstrate better weight-for-height indicators, improved nutrition, less hunger and better school attendance than children in comparable households that do not receive grants. Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants. (Samson, van Niekerk and MacQuene 2006)

5 So what is the benefit of attaching conditionality?

Again, even if such human capital conditionality were shown to work in some environments (such as in Latin America), it is highly unlikely that it would ever do so elsewhere (such as in much of Africa). A strong case can be made that CCTs only have a remote chance of success when certain structural conditions are met. Indeed it may be that such 'supply-side conditionality' is far more significant in delivering improved livelihood outcomes: if we want improved school and clinic attendance by the poor, then the best way would be to improve primary education and health services close to where poor people live.

For example, a recent analysis⁴ by the Economic Policy Research Institute in South Africa suggested five criteria for choosing between conditional and unconditional transfers (see Figure 1).

Most countries in sub-Saharan Africa would fall into the 'unconditional' category on every one of the five counts; and indeed there are few developing countries elsewhere in the world that could convincingly claim to meet a majority of the criteria for 'conditional' transfers. In Africa, for example:

- service delivery in health and education is already overstretched

- government administrative capacity is generally weak, such that imposing conditionalities will inevitably divert precious resources from the core objectives of delivering welfare transfers on the one hand, and health and education services on the other
- many of the poor and vulnerable find access to limited health and education services difficult and expensive (even when officially 'free'); conditionalities will drain their household resources as they seek to comply, but they will receive little in return
- because labour is abundant, and work opportunities scarce, there is little incentive for child employment, and school enrolment is already high (especially in countries where primary education is free)
- numbers in formal employment are very low – typically no more than 20 per cent of the workforce.

Conditional schemes are much more complex to administer than unconditional schemes, and the monitoring of compliance is near-impossible in many cases. There is also the consideration that, within countries, the areas typically inhabited by the most vulnerable groups are often those where health and education services are weakest, making them wholly unsuitable to this kind of approach. Similarly, it is typically the poorest and most vulnerable who will find it most costly to comply with any conditionalities, and are therefore the most likely to be deprived of benefits if they fail to do so – not the optimal model for a social protection programme. As the Most Reverend Desmond Tutu, Archbishop Emeritus of Cape Town stated in 2006:

Conditionalities attached to social transfers tend to prevent the poorest families – the very people who most desperately need income support – from accessing grants.' (Tutu 2006)

6 'Morally atrocious'

Finally, leading on from this, it is morally highly questionable whether a government (often encouraged by donors) can, on the one hand, proudly tell its citizens that social protection is their basic 'human right'; and then, on the other hand, threaten to deprive the neediest among them of that very 'right' if they fail to meet certain 'conditions'. The Universal Declaration of Human Rights, signed in 1948, states that 'everyone, as a member of society,

has the right to social security' (Art. 22), to 'social protection' (Art. 23), and to 'security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood' (Art. 25). Many governments since then have either enshrined a right to social protection in their constitutions, or have signed up to grandiose declarations such as the Livingstone *Call for Action*, agreed by 13 African governments in Zambia in 2006, which clearly accepts that 'social protection is a basic human right'.

Imagine substituting another such 'right', in the context of conditional cash transfers: what kind of international outcry would ensue if a government chose to deprive its citizens of water, or of shelter, or even of life, if they failed to send their children to school or attend a health clinic?

The message is clear: CCTs risk becoming the twenty-first century equivalent of the besmirched sugar trade!

Notes

- 1 World Bank website: www.worldbank.org
- 2 Chambers 21st Century Dictionary.
- 3 For example, the oft-cited *Oportunidades and Bolsa Familia* programmes in Mexico and Brazil, respectively.

- 4 Samson, M. (2006) Presentation to the Third International Conditional Cash Transfers Conference, Istanbul. Available at http://info.worldbank.org/etools/icct06/DOCS/English/Day2/Samson_CCTconferenceJune27EPRlzz.pdf

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