The World Bank's New Social Protection Model: Conspirational Cash Transfers

18 January 2010

Author:

Sissy Teese

Targeting Social Cash Transfers

Is there a conspiracy afoot? Practitioners of social protection have long debated the relative merits of conditional and unconditional cash transfers. Now the World Bank appears to have introduced a third category. We label these "Conspirational" Cash Transfers: cash transfer programmes about which the evidence is either suppressed or massaged in a conspiracy to support the case for conditional cash transfers!

Before looking at two examples of such schemes (or schemings), let us take stock. Conditional cash transfers (CCT) require beneficiaries to meet one or more conditions in order to receive their transfer: for example, to ensure their children are enrolled in, or attend, school, or to have their children inoculated or regularly visit health clinics. Unconditional cash transfers (UCT) do not: they provide the transfer to everyone eligible, regardless of their behaviour.

CCTs fit much better with the World Bank's philosophy of seeing social protection in dispassionate economic terms. As a recent publication by the Brooks World Poverty Institute puts it:

*The World Bank conceptualizes social protection as social risk management and proposes policies that seek 'to assist individuals, households and communities in better managing **income** risks' (Holzmann and Jorgensen, 1999: 4). It moves beyond what it sees as 'traditional' social protection by adding the goals of **macroeconomic** stability and **financial** market development. The emphasis on risk assumes that vulnerability to hazards is a significant constraint on economic and human development, and that efforts to reduce the likelihood of hazards, or to ameliorate their effects on living standards, are essential for **economic growth and development*** [emphasis added].

At a less lofty, more practical level, too, the World Bank may have a motivation to push CCTs rather than UCTs. It is, after all, a Bank, so, in order to survive, it has to make loans … and its staff, in order to get rewarded, have to arrange such loans. Selling CCTs as educational (or health) programmes makes it more likely that governments will take loans: they are much less likely to take them for unconditional transfers (who on earth would take a loan to pay a pension or disability grant?). There are thus major institutional incentives in place for the World Bank to do all it can - *per fas et nefas* - to promote CCTs.

This it has been doing assiduously all over the world, and has recently published a 383-page eulogy on CCTs[**1**], which catalogues no fewer than forty such schemes in nearly thirty countries. There can be no doubt in the reader's mind after perusing this tome (or even its 28-page "Overview") that CCTs have been remarkably successful in achieving their objectives of better education, nutrition and health outcomes for their recipients.

But - and this is the nub of the Bank's problem - UCTs have done exactly the same. Unconditional programmes, for example in South Africa, Namibia and Malawi, have been every bit as successful in improving health and education indicators among their beneficiaries as have CCTs. So there is a legitimate question to be asked of the World Bank: why bother with the moral hazard, additional cost and complexity of imposing, monitoring and enforcing conditionalities, when unconditional programmes appear to have the same effects?

Answering this question is difficult, because it is almost impossible to unpick the reasons why a CCT programme works: is it because of the conditionality, because of the attendant awareness-raising, or simply because of the cash transfer itself. As Samson et al explain when discussing Mexico's *Oportunidades* programme:

*[CCTs] combine 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[**2**].*

But, just occasionally, the opportunity arises for the Bank to try to demonstrate that it is the impact of conditionality that determines the beneficial impact. And we document here two examples of the lengths to which it will go to take full advantage of these opportunities - two Conspirational Cash Transfer schemes in Ecuador and Malawi.

The first, less flagrant but still revealing, comes from an evaluation of the impact of Ecuador's *Bono de Desarrollo Humano* (BDH) cash transfer programme on school enrolment and child work among poor children. The unusual thing about this programme was that (unlike most other such programmes in Latin America) it was not in fact conditional … though, as a result of a misleading television campaign, a number of its beneficiaries were under the impression that it was. This allowed a comparison of impact between recipients who were "conditioned" (i.e. who thought there were conditions attached) and those who were "unconditioned" (i.e. who thought there were no such conditions), which is discussed in a paper by Schady and Araujo[**3**].

What is interesting here is the marked difference in the conclusions between a first version of the report dated November 27, 2005 (now virtually unobtainable), and the version published officially as World Bank Policy Research Working Paper 3930 in June

2006. The respective abstracts are already instructive. The earlier version reads as follows:

We conclude that the program had positive effects on enrolment, and negative effects on child work. Enrollment effects are concentrated among the poorest children in our sample. We also show that the impact of the BDH program was largest among households who believed that transfers were conditional on school enrolment, ***although the effect of the (unenforced) condition appears to have interacted in important ways with baseline socioeconomic status*** [emphasis added].

The published version reads very differently:

The main results in the paper are two. First, the BDH program had a large, positive impact on school enrollment, about 10 percentage points, and a large, negative impact on child work, about 17 percentage points. Second, the fact that some households believed that there was a school enrollment requirement attached to the transfers, even though such a requirement was never enforced or monitored in Ecuador, helps explain the magnitude of program effects.

What has happened to the caveat about "interaction with baseline socio-economic status"? In the body of the first report, it is clear that - even at baseline - there are marked, observable differences between the "conditioned" and "unconditioned" samples:

Conditioned households had significantly higher levels of both paternal and maternal education, children in these households were significantly more likely to be enrolled in school, and conditioned households were significantly more likely to have a television.

Such differences may well explain any differences in subsequent impact between the two groups. Indeed it is entirely logical that households with higher existing levels of education and with greater access to information would be more likely than poorly-educated, inward-looking households to prioritise the use of any additional cash income to educate more of their children, with or without the influence of conditionality. [There is also the obvious consideration, that, since the evaluation was based on self-reported school attendance and not on objective evidence such as school records, it is far more likely that respondents who believed the transfer to be conditional upon school enrolment would lie about it, compared with those who knew that telling the truth would have no impact on their entitlement to a transfer. This would greatly inflate the apparent impact on enrolment for "conditioned" households.]

Overall, the findings in the earlier version are hedged around with provisos, recognising that:

… enrolment regressions at baseline suggest that observable rather than unobservable differences between conditioned and unconditioned households explain differences in

their enrolment decisions. ***We do not have the data to conclusively rule out this possibility*** [emphasis added].

… we ***believe*** *that it is most* ***likely*** *that the perceived, although unenforced conditions played* ***some*** *causal role explaining the large program effects among better-off, conditioned households* [emphasis added].

And the conclusion is correspondingly circumspect:

It would not be wise to conclude from our results that simply announcing that households have to comply with certain conditions, without enforcing them, will substantially affect household behavior in the long run, in Ecuador or elsewhere.

In the published Working Paper (only six months later) such doubts are swept away:

Although the comparison of lottery effects for conditioned and unconditioned is not experimental, we conclude that the general pattern of results is most consistent with the (unenforced) BDH schooling requirement having a causal effect on outcomes;

and the same paper ends now with a ringing endorsement of conditionality:

In Ecuador, significant program effects on enrolment are only found among households who believed that there was an enrollment requirement associated with the program; this suggests that this unenforced condition was important.

Interestingly, another contemporary study of the same programme in Ecuador[**4**] finds *"no significant impact of the program on school enrolment"* and concludes that *"the enforcement of conditionality has not any significant effect on school enrolment among the less poor"*. This further underlines the need to retain the important caveats of the first version of the World Bank report.

The second egregious example of a Conspirational Cash Transfer is more recent, and comes from a World Bank experiment in Malawi. This was an evaluation of the impact of a randomized conditional/unconditional cash transfer intervention targeting young women in Zomba district that provides incentives (in the form of school fees and cash transfers) to current schoolgirls to stay in school, and to young women who have recently dropped out of school to return to school. Splitting the sample - between some that received a transfer conditionally, some that received it unconditionally and some that received no transfer at all - allowed a comparison of different impacts between the three different groups.

Incidentally, this design is exactly the one proposed in the World Bank's magnum opus on CCTs, which suggests:

Ideally, to disentangle the effect of conditions from the income effect inherent in the transfer, an experiment would be designed whereby a first group of households or *villages receives a UCT, a second group receives a CCT, and a third group serves as a control group.*

From the Bank's perspective, a lot was therefore riding on this study: would the conditional transfers outperform the unconditional, thereby proving their case?

The short answer is no. And here again we can observe an unexpected trajectory in the published results. The first set of findings is drawn from a publicly available PowerPoint presentation[**5**] of the study. This concludes unequivocally that:

We don't find any evidence that the conditional transfers are more effective in improving schooling.

Moreover it suggests that the best way to design a cost-effective program, based on the lessons learned, would be "possibly foregoing the conditionality"! This is decidedly not a conclusion that the World Bank would have wanted!

Indeed, looking at the data presented (which unfortunately appears on slides in the PowerPoint that cannot be cited), it is clear that there is no significant difference at all between the conditioned and unconditioned groups in terms of school enrolment or literacy in English; and that it is the unconditioned group that performs better in terms of avoiding early marriage. Altogether, on this basis, the study - in "ideal" circumstances, remember! - would not appear to present a strong argument in favour of CCTs!

Yet what do we find when the same study is published as official World Bank Policy Research Working Paper 5089[**6**]? Miraculously the selfsame findings are used to proclaim:

Overall, these results suggest that conditional (sic) cash transfer programs not only serve as useful tools for improving school attendance, but may also reduce sexual activity, teen pregnancy, and early marriage.

How has this come about? First of all by ignoring entirely the set of data from the unconditional sample. Tucked away in an unobtrusive footnote on page 11 is the following:

283 of these girls resided in EAs where the offers for baseline schoolgirls were not conditional on school attendance, and, as such, are not part of the analysis for this paper.

How convenient! Secondly by arrogating to conditionality all of the benefits that should rightly be ascribed to the cash transfers themselves. Another footnote on page 12 brushes this aside:

Finally, baseline schoolgirls in a randomly selected small percentage of the EAs received ***unconditional*** *offers, meaning that the transfers were not conditional on school* *attendance, or any other behavior other than showing up to collect monthly payments, for these beneficiaries in those EAs. The analysis of the heterogeneity of the impacts with respect to each of these design features is beyond the scope of this paper. Here, we aim to establish the average effect of the conditional treatment arms,* ***which may not equal the treatment effect of the average treatment if these impacts are nonlinear*** [emphasis added].

Quite so! The result is that an experiment which has actually demonstrated that unconditional transfers are every bit as effective as conditional transfers has now been manipulated to support a claim that:

schooling CCTs (sic) for young women in the context of poor Sub-Saharan countries with high HIV rates seem like "win-win" programs, as they may not only increase schooling for young women, but also significantly reduce their risk of HIV infection.

Yes, the Zomba programme does appear to have extremely promising impacts: large increases in self-reported school enrolment, and declines in early marriage, teenage pregnancy, sexual activity, and risky sexual behaviour. But to claim that this has anything to do with conditionality per se is highly disingenuous. It is self-evidently the cash transfer and not the conditionality that is the cause.

Here we have an important debate, but it is one that should be aired openly and honestly. Policy-makers should be aware of both sides of the argument, and should not allow themselves to be pushed into Conditional - and still less into Conspirational - Cash Transfer programmes!

[**1**] Fiszbein, A., and Schady, N., "Conditional Cash Transfers: reducing Present and Future Poverty", World Bank Policy Research Report, 2009.

[**2**] Samson, M., van Niekerk, I., and MacQuene, K. (2006) 'Designing and Implementing Social Transfer Programmes', Economic and Policy Research Institute Press, Cape Town

[**3**] Schady, N., and Araujo, M. 'Cash transfers, conditions, school enrollment, and child work: Evidence from a randomized experiment in Ecuador'

[**4**] Ponce, J., 'The Impact of a Conditional Cash Transfer on School Enrollment: the Bono de Desarrollo Humano of Ecuador', FLACSO Documento de Trabajo 06/302, April 2006

[**5**] Available at **http://www.fundp.ac.be/eco/recherche/cred/SUMMERSCHOOL/amid/ozler2.pdf**, June 2009

[**6**] Baird, S., Chirwa, E., McIntosh, C. and Özler, B., 'The Short-Term Impacts of a Schooling Conditional Cash Transfer Program on the Sexual Behavior of Young Women', World Bank, October 2009

The World Bank responds to Sissy Teese's 'Conspirational' claims

27 January 2010

Author:
Ariel Fiszbein - Berk Özler - Norbert Schady
Organisation:
The World Bank

In “The World Bank’s New Social Protection Model: Conspirational Cash Transfers”, Sissy Teese accuses us of being part of a conspiracy to promote CCT (as opposed to unconditional transfers, UCT) and manipulating evidence for that purpose. The reality is that it is her note that follows a conspirational approach… none of us believe that CCT are necessarily superior to UCT...

In “The World Bank’s New Social Protection Model: Conspirational Cash Transfers”, Sissy Teese accuses us of being part of a conspiracy to promote CCT (as opposed to unconditional transfers, UCT) and manipulating evidence for that purpose. The reality is that it is her note that follows a conspirational approach whereby she distorts and manipulates evidence to, we can only assume, pursue an ideological agenda (promote UCT). The reality is that none of us believe that CCT are necessarily superior to UCT: as is often the case with public policies, the choice of instrument is dependent on the goals being pursued and the conditions under which those policies are implemented. What we firmly believe in is the importance of basing those choices on solid evidence and, consequently, consistently seek to generate and disseminate such evidence.

In Conditional Cash Transfers: Reducing Present and Future Poverty, **www.worldbank.org/ccts-report** [2] (of which two of us were the leading authors) we devote significant efforts to address the question of conditions. In Chapter 2 we review the theoretical arguments as well as the (limited) empirical evidence on the subject. In Chapter 6 we approach the question from a policy perspective and explicitly state the potential trade-offs between conditioned transfers (higher impacts on service utilization, though not necessarily on final impacts; maybe better political economy) and unconditioned transfers (likely better for the purpose of redistribution). We encourage those interested in the subject to read the book and judge by themselves the quality of our analysis. It is worth mentioning that the book (a product of the World Bank’s Research Department and not an official policy document) was thoroughly reviewed by an external panel of academic experts of the highest reputation in the field.

Sissy Teese also questions in an unwarranted way research on Ecuador by Schady and Araujo and on Malawi by Baird, Chirwa, McIntosh and Özler. Her main critique of the Ecuador paper is that the 11/05 version the abstract is explicit about the fact that the program effect on the conditioned households could be related to baseline socioeconomic differences between the conditioned and the unconditioned while in the abstract of the 6/06 Working Paper version there is no mention of this caveat. This is true. However, the caveat is not absent from the paper. Indeed, in pages 18-19 of the published Working Paper, there is a discussion of these baseline differences. One whole paragraph is devoted to discussing and describing the differences and their implications. More importantly, the second version of the paper introduces standard econometric techniques to explore further whether observable differences between conditioned and unconditioned households explain the differences in impact (they don’t). This is the version that was published in the journal Economia.

Sissy Teese also refers to a different study on the Ecuador program that shows no impacts on enrollment for either conditioned or unconditioned households. We are aware of that paper (which is quoted in the book). Moreover, one of us was a co-author of the revised version of that paper, which is also available as a World Bank Working Paper! The interpretation we had of that finding, both in the paper and in the book, is that it is due to differences in the samples used. Notably, the sample in this second paper was substantially less poor than the sample used in the Schady-Araujo paper. Given that enrollment rates among these less poor households were higher to begin with, and given that the transfer represented a much smaller fraction of total expenditures for them, it is perhaps not surprising that there was no significant impact of the BDH on these households.

The Malawi paper deals with the effects of CCT programs on the sexual behavior of adolescent girls, a topic that had not been explored before. The paper takes a policy tool that is common in many parts of the world, i.e. a CCT, and then examines its effect on an outcome previously ignored – even though there is reason to believe that these programs may have an effect on the risky behavior of their young beneficiaries. It does not aim to disentangle the channel through which this impact occurs. All the quotations from the paper that have been selected by the author of the piece in Wahenga.net are entirely consistent with the evidence the authors have: that CCT programs had significant impacts on pregnancy, marriage and onset of sexual activity. The author of the Wahenga piece, says that: "...to claim that this has anything to do with conditionality per se is highly disingenuous." However, nowhere in the paper one can find a sentence that suggests that the impacts are attributable to the condition or that unconditional cash transfers would not have had the same impact.

A working paper that actually DOES disentangle the effect of the cash from the conditionality is Working Paper 5090. It is nearly impossible for anyone to search for material on the Malawi project on the Policy Research Working Paper Series website and not come across WP 5090 by three of the same authors, which unequivocally states in its abstract (referring to schooling outcomes) that "These impacts were, on average, similar in the conditional and unconditional treatment arms". The concluding section in that same working paper states that "We cannot reject the hypothesis that, among baseline schoolgirls, the price (or substitution) effect is zero, even though we find relatively large income effects." Incidentally, a story based on this working paper appeared recently on the World Bank's website [**link** [3]].

So, it seems that by quoting only the paper that seemingly suits her purpose and selectively leaving out another (citable) paper that would essentially destroy her argument, it is Ms. Teese who is being disingenuous, and not the authors of the study. It should be remembered that equal co-authors of the two working papers on the Malawi study are three respected faculty members at George Washington University, University of Malawi, and UC San Diego, who are also being accused of being dishonest researchers.

We believe in the importance of debate and recognize that, in many cases, reasonable researchers can disagree on the interpretation of results. This, however, is not what transpires in Sissy Teese's piece. We sincerely hope that readers of the Wahenga website genuinely interested in an evidence-based approach to social protection policies will not get distracted by such attacks and will remain focused on the growing evidence that effective social protection through cash transfers (conditional and unconditional) can indeed work in the developing world.

Ariel Fiszbein, Berk Özler and Norbert Schady

wahenga (*Swahili*) = people you can trust to give good advice