Study on Conditional cash transfers and their impact on children

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EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND TO THE STUDY

This study was commissioned by the European Commission DG EMPL from TÁRKI Social Research Institute to investigate how the EU can best promote better investment in children, and what policy instruments can help break the intergenerational transmission of poverty. In particular, the aim of the study is to explore the extent to which conditionality introduced into social systems can help improve the reach of human capital investment at an early phase of the life cycle, according to the practices of the various Member States.

A vast array of instruments is used by the EU Member States to invest in children. Traditional elements of the European welfare states include the provision of cash benefits (such as family allowances) and in-kind services (such as health and education); regulations supporting parents to combine work and family more easily; tax provisions to ease the financial burdens of bringing up a child; and many more. In most cases, the provisions are rights based, provision being conditional only on the demographic (like age) or on labour market characteristics of potential recipients.

European social policies are also tending to incorporate more and more behavioural incentives, in order to encourage specific behaviours – in particular as regards health and education. Conditional cash transfers (CCTs) can be defined as non-contributory cash subsidies to recipients who meet behavioural conditions related to human capital investment (such as going for health check-ups, attending school regularly or moving up a grade at school). These have been increasingly popular in low- and middle-income countries of Latin America, Africa and Asia, but programmes with different types of behavioural conditionality are also gaining ground in various EU Member States.

This study aims to collect evidence on how and to what extent are these types of programmes part of the welfare systems of certain selected European countries and what conclusions can be drawn about their operations to date. The terms of reference of this study required that it should:

- focus on CCTs aimed at reducing child and family income poverty, while improving investment in children's human capital;
- concentrate primarily (but not exclusively) on CCTs related to health, early childhood education, primary and secondary education, and parenting support; and
- look at both positive and negative (e.g. sanctions) forms of incentives on all children, but with special attention to children in vulnerable situations.[1]

Large-scale CCTs in low- and middle-income countries have been the subject of extensive evaluation, with varying results and policy lessons to be drawn. However, less is known about the impact of such

[1] Including children living in segregated and remote areas, Roma children, children from migrant families, children with a disability and children of families at risk of housing exclusion.

programmes in the context of developed countries[2]. As the institutional and policy context of these interventions is very different in EU Member States compared to low- and middle-income countries, where these programmes were first applied (in Latin-America and Asia), this study has also considered the potential transferability of existing approaches and the need to specify those conditions necessary for further development of CCTs related to children in EU Member States.

It is expected that the findings will assist in providing strategic advice to key stakeholders regarding the potential introduction or development of such interventions in Europe.

METHODS

This study builds on a literature review, an expert survey and case studies of five examples of CCT programmes in the EU member states[3].

We have reviewed legislation, academic literature and press articles related to existing CCT programmes, have looked at impact assessments of existing programmes, and have systematically collected and analysed new sources. The aim of our expert survey was to collect information on the characteristics and impacts of CCT programmes operating in different countries, and to study experts' normative assessment of these programmes.

Case studies provide in-depth analysis of programmes and highlight both transferable and less successful approaches. Case studies of the following programmes were carried out: *Kindergarten Allowance* (Hungary), *Education Maintenance Allowance* (UK), *School Allowance* (Belgium), *Child Allowance* (Bulgaria) and *the Social Risk Mitigation Project* (Turkey).

In what follows, we summarize the main conclusions regarding the operation and practice of the conditional cash transfer programmes; this is followed by an attempt to identify success factors and lessons for transferability between various institutional contexts.

MAIN CHARACTERISTICS OF CCT PROGRAMMES TARGETED TO CHILDREN

CCT programmes in general serve a dual aim: to reduce actual poverty by transferring cash to the poor, and to reduce future poverty by subsidizing human capital investment. Immediate poverty relief is attempted via focusing on the poor through the use of some targeting mechanism. Stimulating human capital investment among the poor is addressed by incentivizing demand for social services and/or by boosting efforts to invest in human capital.

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[2] The focus of the study is the EU (together with candidate countries) but other countries are also considered because evidence on CCTs from EU countries is relatively scarce. Examples of other OECD countries (especially high-income OECD countries) constitute a useful reference, because these countries are similar to EU member states in terms of economic development and institutional setup. Low and middle-income countries are also included, because CCT programmes in these countries were extensively evaluated. When reference is made to low and middle-income countries in the study, we refer to those low and middle-income countries where CCT programmes were first introduced (see countries included in Fiszbein and Schady 2009).

[3] The methods and respondents of the expert survey are detailed in the Annex of Volume I of this report. The case studies are summarized in Volume 2 of this report.

Design elements of conditional cash transfer programmes include specific **behavioural conditions** for access to transfers. These are usually based on **some behaviour related to human capital accumulation** (such as school enrolment and attendance, participation in health prevention, or some other behaviour, such as reading books) or on **certain specified outcomes** (for example, moving up a grade or achieving a minimum test score in education).

Incentives can be framed as gains or losses relative to a baseline case. Accordingly, an eligible person may receive a given transfer only if a behavioural requirement is satisfied (positive incentive), or, alternatively, payment may be suspended or reduced as a sanction in case of non-fulfilment of the behavioural condition (negative incentive). Programmes also differ in the method of targeting (means test, proxy means test, geographical targeting) and in the size, frequency and recipient of the transfer.

Given the fact that success in influencing people's behaviour depends to a large extent on an interplay of many factors (institutional and behavioural alike), **an extensive, evidence-based evaluation system** is also an essential part of properly functioning CCT schemes.

HOW WIDESPREAD ARE CCT PROGRAMMES IN EU AND HIGH-INCOME OECD COUNTRIES?

Altogether, we found that **CCT programmes appear to be gaining ground in various countries in Europe, EU Member States and non-members alike.** Within the range of countries observed, one may find **countries with very different welfare models**. **The range of existing CCT programmes operating in the countries under scrutiny is also uneven.** Several countries (e.g. Luxembourg, Finland, Hungary, France, the UK) provide incentive payments to pregnant mothers to encourage greater use of pre-natal health check-ups. Kindergarten allowances and other incentives related to early childhood education and care, though relatively rare, also exist in EU and OECD countries. These programmes support the use of kindergartens and crèches, helping with the accessibility and affordability of these day-care services. Examples include the *Kindergarten Allowance* in Hungary, the *School Allowance* in Belgium and NGO programmes, such as those operated by OvidiuRo in Romania or the Roma Education Fund operating in several countries.

Schooling-related criteria appear to be the most common requirements of conditional cash transfer programmes in countries surveyed in this report. These operate mostly with negative incentives, i.e. transfers being withdrawn or reduced in the case of non-compliance with conditions related to compulsory schooling. Several Central and Eastern European countries (Bulgaria, Slovakia, Romania and Hungary) have made child benefit conditional on school attendance. As regards high-income countries outside the EU, cash transfers with conditions attached to compulsory schooling are to be found in several states of the US (under *Temporary Assistance for Needy Families*) and Australia (*Education Maintenance Allowance*).

CCT programmes with positive incentives can be found mostly in relation to post-compulsory schooling. A common example is the extension of eligibility for family cash benefits to children in full-time education who are over the upper age limit of standard eligibility. EU and OECD countries with income-tested family cash benefit with an age extension include Australia, Bulgaria, the Czech Republic, Malta, Poland, Portugal and Slovenia. Countries that apply an age extension to the

universal child benefit include Austria, Germany, Belgium, Luxembourg, the UK, Ireland, Sweden, Greece, Estonia, Latvia, Slovakia and Hungary.

Several countries operate **scholarship programmes for students from disadvantaged families in post-compulsory education**. In the UK, the *16 to 19 Bursary Fund* supports school continuation of young people aged 16–19, with two elements: a base support for the primary target group (people with disabilities, young parents, care leavers and caregivers), and a complementary means-tested support available to other low-income applicants as well. Other countries operating scholarship programmes for disadvantaged social groups in secondary education include Austria, Sweden, Hungary, Romania and EU candidate country Macedonia.

CCT PROGRAMMES' IMPACTS

Routine government evaluation and monitoring of these programmes is in its infancy in many of the observed, mostly high income, countries. This appears in contrast with the practice of some Latin American countries which are characterized by solid data infrastructure, methods and intensive debate in the literature. This apparent contrast perhaps relates to the fact that in many low income country contexts the introduction of CCT programs were somehow linked to practices of international organizations with a strong requirement to carry out evaluations.

Our review of the evaluations of 24 studies of CCT programmes and field experiments in high-income countries showed varying results regarding the effect of CCT programmes on human capital investment. First and foremost, **programmes that are conditional on human capital-related behaviour (school enrolment, attendance) generally have positive effects on these behaviours,** while incentives that target school performance produce more mixed results. Second, positive effects and null effects of conditional cash transfer programmes were found among programmes that apply both positive and negative incentives. These results suggest that other programme-design features (such as targeting, transfer size, monitoring of conditions, sanctioning), implementation quality as well as social and policy context of the programmes are also important in determining impacts.

One crucial question is whether (and to what extent) the programme effects really depend on the condition (incentive) applied, or whether similar effects could have been obtained by an unconditional transfer of the same amount. In low- and middle-income countries, recent field experiments examining the effects of conditional and unconditional cash transfers show that CCTs have a greater impact. However, **most impact studies evaluate the effect of conditional transfers against no treatment, and do not permit the effect of the conditionality itself to be quantified.**

Financial incentives can, in principle, also have **adverse effects on behaviour**. As proposed by psychological literature, financial incentives can, in certain contexts crowd out intrinsic motivation. If this was the case, financial incentives would be unable to induce a persistent change in behaviour: after removal of the incentive, outcomes could be even worse than before. Another adverse effect might be lower take-up rates in the case of conditional transfers. Acquiring information and applying for a benefit is costly in terms of time and money. Moreover, being on welfare can carry a stigma which also might discourage people to take up the benefit. Unfortunately, the literature is rather weak on issues related to take-up and stigma in relation to conditional benefits, therefore we can only draw some very cautious conclusions on this.

IMPLEMENTATION OF CCT PROGRAMMES

The main distinctive feature in the implementation of CCT programmes compared to unconditional cash transfers (UCT) is **the monitoring of behavioural conditions and sanctioning/rewarding behaviour according to the programme rules**. Other steps of implementation, as targeting of beneficiaries or the organisation of benefit payments are similar. Both the monitoring of compliance with behavioural conditions and the enforcement of sanctions constitute major challenges for CCT programmes. Implementation requires extensive collection and processing of administrative data. Appropriate management of the information flow (which normally involves a wide range of actors) and timely transmission of compliance data to the programme operators who impose the sanctions are crucial elements in CCT programmes' effectiveness.

Available evidence shows that whether CCTs are cost-effective in increasing human capital investment depends largely on their programme design and implementation. Although **administering conditionality adds significantly to administrative costs, administrative costs of CCT programmes do not seem to be excessively high** in low and middle income countries. A comparison of cost-effectiveness of CCT programmes in low and middle-income countries suggests that targeting is important to enhance the cost-effectiveness of the programmes in increasing human capital investment. Adding social services to the programmes might increase their behavioural impact but also makes implementation of the programme even more complex, and raises further administrative costs.

POLICY TRANSFERABILITY

Although use of public services such as primary or secondary education and health care is generally high in EU member states and other high-income countries, there is evidence that **the poor in these countries tend to use social services less and tend to have worse outcomes** in terms of human capital accumulation. In light of this, CCT programmes in EU member states can have a potential to reduce disadvantage in the uptake of such services among the poor.

When engaging in policy transfer, **policy makers need to be careful in addressing differences in the institutional, cultural and policy context of these programmes** between the country of origin and the country of destination. EU member states, especially from the EU15, generally have an advantage in the supply of services and in administrative capacity compared to low- and middle-income countries, which were the first to apply CCT programmes. However, differences in the policy context and differences in the social acceptance of conditional transfers can cause difficulties in the transfer of such policies.

Depending on the maturity of the welfare state in EU member states CCT may already form part of a comprehensive package of welfare services and provisions. Thus **the interaction between the incentives of the CCT programme with incentives inherent in existing welfare schemes should be understood** before introducing such benefit schemes. An additional issue is whether CCTs will be accepted by the general public and experts in EU member states. There is no direct survey evidence on the acceptance of conditional transfers, but it is well known that **countries differ in the extent to which poverty is seen as a consequence of societal injustic**e (e.g. Nordic countries) or as a

consequence of low individual effort (eg. Eastern European countries). The support for CCTs is expected to be lower in the former countries and higher in the latter.

POLICY CONCLUSIONS

The place of CCT programmes in EU member states with a long tradition and a wide range of social policies may not be as large as in low and middle-income countries, where programmes like the *Oportunidades* programme in Mexico or *Bolsa Família* in Brazil are seen as major vehicles of anti-poverty policy. However, **CCTs could under specific circumstances be useful policy tools to promote investment in human capital among the poor also in countries with more sophisticated welfare systems and perhaps also with higher levels of incomes.**

BASIC CONDITIONS FOR CCTS

CCTs may, in specific circumstances, be viable policy tools also in EU countries, as a measure to promote human capital investment. **CCTs should be used to improve investment in human capital, when the reason for underinvestment is low demand for the given service related to lack of information or low motivation**, rather than just to lack of resources.

The development of social services is the most appropriate policy solution, however, when the major cause of low human capital investment (for example, dropout from school) lies on the supply side (the unavailability and/or poor-quality of services, etc.). Services must be made accessible to all strata of the population, infrastructure should be adapted to the number of potential users, and service quality should be assured for deprived and vulnerable groups as well.

IMPROVING THE DESIGN OF CONDITIONAL TRANSFERS

Incentive schemes should be simple and transparent. Incentives are most likely to produce behavioural change if the potential recipients are well informed about the goals of the programme and understand the incentives. The incentive structure is best kept simple and transparent: members of the target group should be able to determine easily the consequences of their decisions.

Incentives have to be tailored to the specific policy problem in the given country. The experience of past and existing programmes does not give precise guidance for the calibration of the incentive in a given context. This can only be done by conducting pilot projects of the planned intervention, preferably experimenting with different design alternatives.

To maximize the effect on human capital outcomes, **incentives should focus on behaviour that is closely related to long-term human capital development**. Incentives tied to performance at school should be applied with caution, especially when the transfer recipients are young children. Such incentives may have less impact because students do not know how to achieve better results; or they may be aware of what needs to be done but are unable to act accordingly.

CCTs should be directed to phases of the lifecycle when high impacts are likely to occur. Since investment in human capital produces the largest return when it is made at an early age, incentives related to maternal health, child health and early childhood development and care are likely to

produce the greatest improvements in long-term human capital. At later stages, incentives should target the school grade or transition period where there is a significant drop in demand for schooling.

Creating CCT programmes by the introduction of a behavioural condition into previously unconditional benefit should be avoided. In these cases the CCT reduces the consumption possibilities of households and is likely to be perceived by potential recipients as a punishment. Such approaches were heavily criticized for being paternalistic and stigmatizing.

If the aim of the programme is to reduce long term inequalities and to promote human capital investment among the poor, **targeting of transfers to those in need** is crucial. Means-testing could be combined with geographical targeting and targeting based on education level of parents. As misinformation or low aspirations with regard to human capital investment are more likely to occur among parents with a low education level, using information on parental education might be a way to reach those where a change in behaviour is the most likely.

Financial incentives are not likely to be sufficient to reduce substantially the disadvantages of the poor. In some cases the **effect of the intervention can be increased if financial incentives are combined with social services** (case management, mentoring) to facilitate behavioural change. If organized carefully, these services could have an important effect on human capital investment.

IMPLEMENTATION AND CONTEXT OF CCT PROGRAMMES

The efficient implementation of CCTs should be ensured. The most important task in implementation of CCT programmes is the monitoring of compliance with the behavioural conditions and the actual rewarding (or sanctioning). Administrative capacity should be strengthened to handle the procedure of verifying compliance with the behavioural condition. An adequate flow of information needs to be organised between different actors involved in the process (i.e. ministries and sub-national administrations).

Implementation of conditional benefits should be organized in a way that minimizes the possibility of stigmatization of benefit recipients. Information on noncompliance with behavioural conditions should be treated with discretion. The usual methods for reducing stigma in means-tested programmes –such as treating benefit claimants with trust and respect– should also be applied.

CCTs should be designed while taking into account other possible incentives inherent in other programmes and benefits. CCTs in EU member states are often part of sophisticated social protection systems, it is thus crucial to adapt CCT programmes to the set of existing programmes that address similar social problems and that could interfere with the CCT proposed. It is also important to take into account effects of the CCT programme on other decisions of the household – e.g. the possibility of disincentive effects on labour supply of other household members.

The success of policy transfer depends to a large extent on the corresponding beliefs and attitude structures of the countries in question. The attitude climate for the acceptance of CCTs can be more favourable in countries where people attribute poverty mainly to individual behaviour, whereas CCTs appear to be less welcome in countries where poverty is seen as a consequence of factors external to

the individual. This is also part of **the cultural context that should be taken into account when considering transferring CCT policies** between highly developed European welfare states.

The introduction of CCT measures can be regarded as a form of **social experimentation** to achieve a better investment in human capital in all sections of society. As such, it should be firmly based on evidence of success and reasons for failure. This motivates us to say that any introduction of new instruments should be backed up by a **properly designed randomized experimentation and evaluation**.

Whenever new policies are introduced, the short- and long-term effects need to be differentiated. For poverty alleviation, it is the short-term effects that are relevant; for human capital investment – especially for children – a longer-term perspective is needed for the evaluation. If properly designed, implemented and evaluated, CCT programs may turn to be a useful instrument in combining these two perspectives.

INTRODUCTION AND BACKGROUND

The policy context of this study is the increased importance of social investment in children within the EU agenda. The Europe 2020 Strategy for smart, sustainable and inclusive growth sets the target of reducing the number of those in the EU in poverty and social exclusion by 20 million by 2020. In order to support the achievement of this target, the European Commission put together a Social Investment Package for Growth and Cohesion, which provides a strategy for Member States to focus on investing in human capital and social cohesion. A key area of social investment is investment in children, as children growing up in poverty and social exclusion are less likely to be successful at school or to enjoy good health, and are more likely to become unemployed or poor and socially excluded during adulthood. In February 2013, the European Commission issued a recommendation on "Investing in children: breaking the cycle of disadvantage", which calls on countries to implement policies that address child poverty and social exclusion through multi-dimensional strategies based on access to adequate resources, access to affordable quality services and the right of children to participate.

As part of a more general shift from traditional welfare states to a "social investment state" or to an "active welfare policy", social policy measures are more often seen as incorporating behavioural incentives to steer individuals in the direction of appropriate behaviour. Conditional cash transfers (CCTs) also belong to this group of social interventions. These are non-contributory cash subsidies to recipients who meet a certain behavioural condition. CCTs have been increasingly popular in low- and middle-income countries of Latin America, Africa and Asia, but such programmes are also part of the welfare state of certain high-income countries, too. In high-income countries, such transfers most frequently relate to unemployment benefits, and the conditions attached require active labour market behaviour on the part of transfer recipients. But this type of social policy instrument is also increasingly applied in relation to families with children, with the aim of giving additional incentives to families to invest in the human capital of their children.

Large-scale CCTs in low- and middle-income countries have been the subject of extensive evaluation, which has shown that many programmes have significantly increased school enrolment and attendance of children; but the effects on educational outcomes (such as degree attainment, test scores or later earnings) have proved to be mixed. The studies have shown that impacts depend on the social context, specific features of the programme design, and the administrative capacity of the institutions. In the case of the EU Member States, the nature of child poverty and the institutional and policy context of these interventions differ substantially from the low- and middle-income countries where most of the evaluations were carried out. This raises the issue of potential transferability of existing approaches and the necessary conditions for further development of CCTs related to children in EU Member States. This study aims at expanding the limited research available on these questions.

It aims to assist policy makers by:

- presenting findings on CCT programmes and their impact on children in the EU which will feed into the monitoring of social policies through the Europe 2020 Strategy and the social Open Method of Coordination, and

- providing strategic advice to key stakeholders regarding the introduction or development of such interventions as a means of enhancing children's well-being and outcomes.

Methodology of the study

The research uses a variety of methods, including literature review, an expert survey and case studies. We have reviewed legislation, academic literature and press articles related to existing CCT programmes, and we have looked at the impact assessments of these programmes.

The aim of our expert survey was to collect information on the characteristics and impacts of CCT programmes operating in different countries, and to discover experts' normative assessment of these programmes. A survey guide was put together during the first months of the project, and experts were contacted during autumn 2013 and winter 2014. The starting point for the selection of country experts was the EU Social Protection Committee and the Network of Independent Experts on Social Inclusion, but also other experts were contacted as the project progressed (see details on the expert survey in the Annex of Volume I of the report).

The aim of the case studies is to provide an in-depth analysis of specific programmes, and to highlight transferable approaches and less successful approaches (case studies are included in Volume II of this report). We selected programmes for case studies carefully, in order to have a balance of various types of CCT programmes, and also to have a more or less balanced regional coverage. At the same time, preference was given to programmes that were subject to systematic impact assessments. We carried out case studies on the following programmes: *Kindergarten Allowance* (Hungary), *Education Maintenance Allowance* (UK), the *School Allowance* student support programme (Belgium), *Child Allowance* (Bulgaria) and the *Social Risk Mitigation Project* (Turkey). Case studies were based on desk research and interviews with the representatives of public authorities, civil society organizations and experts. The case studies cover in detail the design of the programme, implementation issues and a summary of impact studies (quantitative, qualitative) where available.

The focus of the study is the EU (together with candidate countries) but other countries are also considered because evidence on CCTs from EU countries is relatively scarce. Examples of other OECD countries (especially high-income OECD countries) constitute a useful reference, because these countries are similar to EU member states in terms of economic development and institutional setup. Low and middle-income countries are also included, because CCT programmes in these countries were extensively evaluated. When reference is made to low and middle-income countries in the study, we refer to those low and middle-income countries of Latin-America and Asia where CCT programmes were first introduced (see countries included in Fiszbein and Schady 2009).

Added value and limitations

The aim of the study is to summarize existing evidence on human capital-related CCT programmes in the EU Member States, candidate countries and other OECD countries, and to formulate policy recommendations based on the existing evidence. The novelty of the study is that, while reviews

summarizing programmes and their impacts exist in the case of low- and middle-income countries, there is a relative lack of literature on high-income countries, where existing reviews tend to focus on labour market-related conditional transfers. The limitations of the report are associated with the relative paucity of studies on the impacts of conditional transfers in the context of high-income countries. In contrast to low- and middle-income countries, where CCTs related to human capital investment have been extensively evaluated, the impacts of programmes in high-income countries have only rarely been measured. This is even more the case in EU countries, since the existing evidence is dominated by studies done in the US.

Structure of the Report

The structure of the report is as follows. Chapter 1 discusses the specific features of CCT programmes (as opposed to other policy tools) and proposes a definition that will be used throughout the study. Chapter 2 reviews existing and planned CCT schemes in EU Member States, candidate countries, EEA/EFTA countries, and other OECD countries (e.g. USA, Australia, Mexico and Chile).

Chapter 3 describes the intended and unintended consequences of CCTs, focusing on their effects on human capital accumulation. The chapter describes the results of mainly quantitative impact assessments (experimental or non-experimental) regarding the intended and unintended consequences of CCT programmes. The effects are compared to what happens when there is no intervention, as well as to the effects of unconditional cash transfers. The chapter devotes special attention to describing the heterogeneity of effects, and especially whether specific effects can be detected for low income families.

Chapter 4 discusses the costs associated with CCTs and the issue of cost-effectiveness. It describes the conceptual framework used in studies to assess cost-efficiency and cost-effectiveness, and reviews the results of CCT programmes in this regard. The underlying question is whether the behavioural effect of conditional programmes, as compared to unconditional programmes, justifies the additional costs related to the need to monitor behaviour and the sanctioning any violations.

Chapter 5 analyses the issues of policy transferability. It first presents a conceptual framework for the discussion of policy transferability and then discusses how general issues related to the transferability of policies manifest themselves in the case of CCT programmes. There are large differences in the social and institutional context of CCT programmes in the EU and high-income OECD countries when compared to programmes in Latin America, which raises the issue whether these policies can be successfully adapted. But differences between welfare state models within the EU also create barriers to a successful transferability.

Chapter 6 summarizes the policy lessons learned from the study. It reviews the policy implications of case studies, summarizes success factors of CCT programmes, and makes policy recommendations.

1. DEFINITION AND TYPES OF CCT PROGRAMMES

Here we will study conditional cash transfers, defined as non-contributory cash subsidies to recipients who meet a certain behavioural condition. We are interested in programmes that formulate a condition related to human capital investment, such as school attendance, school performance, or participation in health examinations by children under the age of 18.

1.1. AIMS OF CONDITIONAL CASH TRANSFERS

According to the comprehensive World Bank publication on CCT programmes in low- and middle-income countries (Fiszbein and Schady 2009), these programmes have a double aim: (1) immediate poverty relief, by targeting the poor through the use of a targeting mechanism, and (2) stimulating human capital investment among the poor, by increasing their demand for public services (e.g. schools, health care, parenting support services). Other interventions that have the aim of increasing demand for public services include, for example, vouchers or tax allowances (Patrinos 2007). Although these programmes are similar in many ways, they will not be reviewed here. Vouchers do stimulate demand for services, but more as an in-kind transfer, rather than as a cash transfer. Free school meal programmes will not be reviewed for the same reason, even though they alleviate poverty conditional on school attendance. And tax deductions for expenses related to service use will not be taken into account, since they generally represent non-targeted, regressive transfers that benefit the middle classes.

Actual CCT programmes represent a varied mixture of the aims of decreasing immediate poverty and of reducing future poverty. As described in Fiszbein and Schady (2009), programmes such as Mexico's *Oportunidades* programme target a very wide section of the population and distribute important transfers, and thus represent CCTs in which the aim of immediate poverty reduction is important. In other programmes – for example Bangladesh's *Female Stipend* programme – targeting is much narrower, and cash payments are relatively low. These programmes thus represent CCTs that are less concerned with decreasing actual poverty for a large proportion of the population, and more concerned with increasing demand for education in a certain segment of society.

In our view, needs-based scholarships and grants – widespread in high-income countries – also belong to the category of CCTs. Some authors treat conditional cash transfers and scholarships as separate types of interventions – for example, the comprehensive World Bank volume on social safety-net programmes (Grosh et al. 2008) regards them as separate categories of intervention, although the authors acknowledge that the boundary between CCTs and scholarships is fuzzy. By contrast, Hanlon et al. (2010) state that scholarships "in practice are conditional cash transfers. But instead of evoking the pejorative connotation of conditions, they recognize that secondary school students and college students are young adults old enough to take paid work and make some decisions for themselves" (Hanlon et al. 2010: 127). In this spirit, in our definition of CCTs we include scholarships and grants that are effectively paid out in cash.

1.2. DESIGN OF CCT PROGRAMMES

Important design elements of CCT programmes include the framing of the incentive, characteristics of the transfer (size, recipient, and frequency), characteristics of behavioural conditions (definition, monitoring and sanctioning) and targeting.

The most important design elements of conditional cash transfer programmes involve definition, monitoring and sanctioning of behavioural conditions. It is possible to make transfers conditional on some behaviour known to be related to human capital accumulation (such as school enrolment, attendance, medical examinations) or some outcome (e.g. passing a grade, achieving a specific test score).

Incentives can be framed as a gain or a loss relative to a baseline case. In the first case (positive incentive), the eligible person receives a certain amount of money only if a behavioural requirement is satisfied; in the second case (negative incentive), an eligible person receives a transfer, and the payment is suspended or reduced as a sanction in the case of non-fulfilment of the behavioural condition. An example of the first type is a scholarship, which offers low-income students a specified amount of money if they enrol in some form of post-compulsory schooling (e.g. the *Education Maintenance Allowance* in the UK), while the second type of transfer can be thought of as the *Learnfare* programme that operates in several US states, which applies sanctions (a reduction or suspension of welfare payments) if the school attendance of children living in the household of a welfare recipient falls below a prescribed level.

Monitoring of fulfilment of the behavioural conditions occurs with varying frequency in conditional cash transfer programmes. The trade-off here is between the effect on behaviour and cost: more frequent monitoring of the condition presumably results in a stronger effect on behaviour, but it is also more costly. Programmes with negative incentives sometimes involve severe sanctions, such as a substantial reduction in benefits or the suspension of benefits for a certain period. Sometimes these programmes apply softer sanctions, such as an obligatory meeting with a social worker in order to identify the reasons for non-use of the given service and to pinpoint possible remedies.

Targeting first of all means channelling subsidies to low-income people by applying some targeting method, (see more about these in section 4.1.). On the other hand, in the case of conditional transfers, targeting might also mean directing transfers to segments of the population where there is more likely to be behavioural change in response to transfers. This would involve targeting those sections of the population where investment is inefficiently low, and where this low level of investment is related to poor information or weak preference for the given service. For example, if dropping out from school is more frequent at a specific school grade or school type, CCTs might be targeted to students in these grades or school types. Programmes also differ in terms of the size, the frequency and the recipient of the transfer. The size of transfers can be evaluated relative to the direct and indirect costs of the schooling programme that it aims to promote, but also relative to the before-transfer income level of the family. Benefit structures also differ in terms of the flatness of the transfers: a CCT can either be a flat benefit or it can vary according to the number of children (or eligible children). Programmes might also differ in terms of the recipient of the benefit: in some cases, especially with programmes that contain conditions referring to primary schooling, the recipients are the parents of the child in question; in other cases, most often in programmes involving high-school or college students, the transfer is given to the student him/herself.

2. REVIEW OF EXISTING CCT SCHEMES IN EU AND OECD COUNTRIES

This section presents existing conditional cash transfer programmes related to human capital investment in EU Member States, candidate countries and other OECD member states. First we describe programmes that make their reward conditional on the use of healthcare services. Health-related conditions include regular check-ups or screening and infant health programmes (primarily compulsory immunization). Some programmes give financial incentives for participation in early childhood education and care, such as kindergarten. Programmes that make reward conditional on behaviour or performance in education include programmes related to compulsory schooling and post-compulsory schooling periods. Details of CCT programmes covered in the case studies are also summarised in the tables of the Annex of this chapter.

2.1. CCT PROGRAMMES RELATED TO INFANT HEALTH

Several EU countries provide incentive payments for pregnant mothers to motivate participation in pre-natal health check-ups, without specifically targeting the low-income population. The birth grants in Finland and Luxembourg have required regular pre-natal screening of pregnant women since the late 1990s (McQuide et al. 1998). Luxembourg's *Childbirth benefit* is composed of three separate payments of 580 EUR[4]. The prenatal benefit is paid after the pregnant woman has had five medical examinations and a dental check; the childbirth benefit, which is due on the day the child is born and the postnatal benefit, payable after the child has undergone six statutory health checks under the age of two. The Finnish *Maternity Grant* provides a single lump-sum benefit (140 EUR) for eligible women if the mother has undergone a medical examination before the end of the fourth month of the pregnancy[5]. Hungary has introduced measures to tie birth grants to health-related requirements. Hungary's *Birth Grant* (*Anyasági támogatás*, worth approximately 222 EUR) is paid directly to the mother within 180 days of giving birth. At least four pre-natal check-ups are required in order to qualify for the grant.[6]

The incentive payments described above are not means tested, and do not specifically target the poor. These programmes thus help narrow the gap between service use by low-income and high-income families only if the poor are more responsive to the transfers than are the better-off. Examples of similar means-tested transfers are also found. For example, the *Maternity Allowance* (*Kinderbetreuungsgeld*) in Austria is a means-tested benefit launched in 2001. Pregnant women or mothers with infants are entitled to a benefit which amounts to 14.53-33 EUR per day according to the modality chosen. The condition for receiving the full benefit is to undertake at least 5 pre-natal and 5 post-natal check-ups[7]. In case the required number of examinations is not met, the childcare

[4] http://www.guichet.public.lu/citoyens/fr/famille/parents/allocation-naissance/allocation naissance/index.html (23.07.2014)

[5] http://www.kela.fi/web/en/pregnancy_maternity-grant (25.07.2014)

[6] Information from expert survey and http://www.allamkincstar.gov.hu/maganszemelyek/anyasagi_tamogatas (24.07.2014).

[7] Information from expert survey and https://www.help.gv.at/Portal.Node/hlpd/public/content/143/Seite.1430500.html (25.07.2014)

benefit is cut by 50 per cent. In France three post-natal child examinations – in the week following birth and again at 9 months and 2 years – are required to benefit from the basic benefit of the *Prestation d'acceuil du jeune enfant (PAJE)*. This is a means-tested benefit paid up to the age of 3, with 184.6 EUR monthly amount[8]. Also in France, *Birth Grant* (*Prime a la naissance*, also part of the PAJE benefit) is a means-tested benefit (of 923 EUR) to women expecting a baby, on condition they turn up for the first obligatory medical examination. The *Sure Start Maternity Grant* in the United Kingdom is a one-off payment to individuals receiving income support (or other types of mean-tested benefits) to help towards the costs of maternity. The benefit can be up to £500 and is conditional on the parent showing a certificate (signed by a doctor or midwife) that she has been given advice on maternal health[9]. In Slovakia, under the minimum income scheme, pregnant women are entitled to higher benefit conditional upon visits at gynaecologist (*Rise of benefit for pregnant women -D príspevok pre tehotnú ženu*). Also under the minimum income scheme*, Benefit for Parents Who Care for a Child under One Year Old* (*E príspevok rodičovi starajúcemu sa o dieťa do 1 roku veku*) provides benefits to eligible low-income families if it is confirmed by a paediatrician that the child has been taken for preventive medical examinations (Kusá and Gerbery 2009). In Bulgaria, the amount of the minimum income benefit is reduced from 91 per cent of the guaranteed minimum income (GMI) to 30 per cent of the GMI if there is no certificate issued by the child's GP (or regional health inspectorate) to show that the child has received the required immunizations and screening[10].

Outside the EU, conditional transfers in OECD countries are more frequently found in the Anglo-Saxon countries and middle-income countries. In Australia, the *Child Care Benefit* is conditional on the immunisation status of the child. This is a means-tested benefit to help families with the cost of child care. Children under 7 years of age must meet all immunisation requirements to receive this benefit. In the United States, under the *Temporary Assistance for Needy Families* (TANF – a federal allowance programme) several state-run sub-programmes include various health conditions (Mofitt 2008). TANF was created under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, which introduced behavioural requirements into a traditional cash assistance programme called *Aid to Families with Dependent Children* (AFDC). In 2012 some 25 US states had welfare programmes that contained conditions related to the preventive healthcare of pregnant women, pre-natal care and infant health (Urban Institute 2013). The important difference between these and other programmes mentioned before is that these programmes incorporate negative rather than positive incentives: if health-related conditions are not met, sanctions are applied, ranging from a 25–50 per cent deduction or temporary suspension, to total withdrawal of the benefit.

Conditions related to the healthcare use of children are also part of major CCT programmes in middle-income OECD countries. One of the largest CCT programmes in the world is *Oportunidades* (former *PROGRESA*) in Mexico, which also carries health conditions. This large project, financed by the World Bank, covers 18 per cent of the total population and 35 per cent of the lowest income quintile. Benefit recipients are required to register at the local health care unit, participate at the

[8] https://www.caf.fr/aides-et-services/s-informer-sur-les-aides/petite-enfance/la-prestation-d-accueil-du-jeune-enfant-paje-0 (23.07.2014)

[9] https://www.gov.uk/sure-start-maternity-grant/overview (24.07.2014)

[10] Information from expert survey.

scheduled consultations and examinations and participate at health education meetings[11]. The programme includes a health education component, the aim of which is to prevent family and gang violence, early sexual activity and the spread of HIV among adolescents. The programme also incorporates training for young mothers that relates to their pregnancy, infant health, appropriate nutrition and child rearing (Molyneux 2009). Families who do not comply with health-related conditions will have their benefits suspended for a month and four months of consecutive noncompliance results in definitive suspension of benefits. Another major Latin American CCT programme is *Ethical Family Income (Ingreso Ético Familiar)* in Chile[12]. This antipoverty program combines unconditional and conditional transfers. Benefits with health-related conditions target households living in extreme poverty and have a maximum duration of 2 years (Cecchini et al. 2012). The programme transfers monthly 7000 CLP per each child below 6 to families under the condition that the children are vaccinated and turn up for regular health check-ups[13]. Another nationwide CCT programme is the *Social Risk Mitigation Project* in Turkey, which provides financial support for families in extreme poverty – covering the poorest 6 per cent of the population (see the case study in Volume II of the Report). The project encompasses monthly (20TL) health- and pregnancy-related grants, based on family status and the age of the children[14]. Child protection begins with consultations during pregnancy and continues with regular screening examinations, check-ups and counselling. When the pregnant woman visits the hospital for the first time, she receives a one-off payment to help with her immediate needs. A regular pregnancy grant is paid monthly for the duration of the pregnancy and for two months after the birth of the baby, during the initial period of breastfeeding.

2.2. CCT PROGRAMMES RELATED TO EARLY CHILDHOOD EDUCATION AND CARE

Kindergarten allowances and other pre-school incentives are relatively rare in OECD countries. These programmes support the use of services of kindergartens and crèches, helping with the accessibility and affordability of these day-care services.

School Allowance (Schooltoelage) in Flanders, Belgium, is a means-tested transfer to help families to cover expenses related to schooling. The programme covers kindergarten-age children and provides 90 EUR for eligible poor and middle-income families. If the programme's requirements regarding attendance are not met, the household is sanctioned, as described in the next section (for more details see the case study in Volume II of the Report)[15]. *Kindergarten Allowance* (*Óvodáztatási támogatás*) in Hungary provides incentives for low-income parents to enrol their children in kindergarten before the compulsory age of 5. The programme uses a means test, and an additional eligibility requirement is that the parents should themselves not have completed secondary school. Families receive a 20,000 HUF (70 EUR) lump-sum benefit at the time of first enrolment, and another

[11] Gobierno de Mexico: Diario Oficial de la Federación, 30/12/2013, www.dof.gob.mx

[12] This programme expands significantly the type and amounts of the cash transfers with respect to Chile Solidario, a complex antipoverty programme initiated in 2002. Chile Solidario continues to provide psychosocial and information support to those in extreme poverty.

[13] www.ingresoetico.gob.cl/control-nino-sano (25.07.2014)

[14] Information from expert survey.

[15] Information from expert survey.

10,000 HUF (35 EUR) at the start of each additional semester, on condition of regular attendance by the child.[16] According to the legal regulations, kindergarten attendance is regarded as regular if the child stays for at least six hours per day, and if the total number of days missed (certified and uncertified) does not exceed 25 per cent of available kindergarten days (for more details see the case study of this programme in Volume II). *Child Allowance* in Bulgaria is a means-tested child benefit, where conditions relate to attendance in compulsory schooling. Kindergarten is compulsory from the age of 4 until the beginning of primary school and the benefit is conditioned on kindergarten attendance in this age group[17].

There are examples of transfers conditional on participation in early childhood education in OECD countries outside the EU as well. In Australia the means-tested *Child Care Benefit* supports families with the costs of childcare. Families receive a benefit equal to 4.1 AUD per hour of childcare (205 AUD per week) if the care service is approved by the Australian Government[18]. Chile operates an early-childcare programme which encourages pre-school participation if the parents cannot take care of their children during the day. The demand-side incentives have been accompanied by supply-side developments. In recognition of the importance of female labour market participation, there was a vast improvement in the Chilean child welfare system between 1996 and 2006, when kindergarten and crèche participation among the 1–6-year age group increased from 42.7 per cent to 75.7 per cent. The development was especially significant in the 4–5-year-old group, almost all of whom now attend kindergarten (Paes de Barros et al. 2009).

Incentives to increase kindergarten enrolment and attendance also feature in programmes organized by NGOs. An example in Romania is the *Fiecare Copil in Gradinita* (*Every Child in Preschool and Kindergarten*) programme launched in 2010 by an NGO, Asociatia OvidiuRo, and the Romanian Ministry of Education (Seghedi et al. 2011). The project has several components: it promotes community action to increase the commitment to solving the problems of late enrolment and truancy; it promotes teacher training in kindergartens; and it also aims to increase parental engagement through incentives. Parents receive food coupons (12 EUR) each month if the child attends every day (or has an officially excused absence), and if the parents attend a monthly parent–teacher meeting (at which they are given the coupons). In the school year 2012/2013 the programme covered 1,300 children in 21 disadvantaged communities.

2.3. CCT PROGRAMMES RELATED TO COMPULSORY SCHOOLING

Schooling-related criteria are the most common requirements of conditional cash transfer programmes. Some include conditions related to schooling behaviour or the educational outcomes of children in compulsory schooling. In case of compulsory schooling, many conditional transfers apply negative incentives, transfers being reduced or cancelled if recipients do not comply with the requirements. Compulsory schooling age varies among the EU countries, but most commonly it is from 6–16 .

[16] Information from experts survey and http://csaladitudakozo/kormany.hu (25.07.2014).

[17] Information from expert survey.

[18] www.humanservices.gov.au/customer/services/centrelink/child-care-benefit (25.07.2014)

The *School Allowance* (*Schooltoelage)* in Belgium is designed to help families meet expenses related to schooling. The enrolment and attendance expectations of primary and secondary school-age children take account of the financial situation of their families. The allowance is designed to prevent non-attendance and early school leaving. If the child fails to attend school for more than 30 half-days a year in two consecutive years, or 15 consecutive days, parents must repay the whole of the previous year's allowance (for more details, see the case study on this programme in Volume II of this report). This financial discipline is also backed up by supportive efforts of social workers and pupil guidance centres (Cantillon and Van Lancker 2011). A benefit helping poor families with the cost of schooling is available in Greece, where the Ministry of Education provides an annual benefit of 300 EUR for very low income families (below 3000 EUR) for every child registered at school[19].

Also in several Eastern European countries, child benefit is conditional on school attendance. Slovakia introduced a school attendance condition into its *Child Benefit (Prídavok na dieta)* in 2003 (Friedman et al. 2009). If the child has more than 15 hours of unexcused absences during a month, the school is obliged to notify the municipality, which may then suspend payment of the benefit[20]. Back in 2002, before it even joined the EU, the Bulgarian government introduced conditions to its child benefit programme. *Child Allowance* in Bulgaria is automatically withdrawn for the month following any month in which the child exceeds five unexcused absences from school (for more details, see the case study on this programme in Volume II). In Romania, a family is eligible for the *Child Benefit* (Alocatia *de stat pentru copii*) if the school-age child attends some form of education without interruption and without receiving a mark of less than eight (out of ten) for attendance (European Commission 2013b). Hungary introduced conditionality into its most important family support programme *Schooling Allowance* (*Iskoláztatási támogatás*) in 2010, as part of a larger social policy reform package. Under the programme, the allowance may be cancelled if the student fails to comply with the school attendance requirement. After 10 hours of school missed in a single month without a good excuse, the local municipality warns the family; after 50 hours missed, the child is taken into the protection of the local authorities. A further sanction is that half of the programme benefit starts to be provided in kind, under the close supervision of a caseworker.[21]

In some countries, schooling-related conditions are also included in the minimum income protection scheme. In Bulgaria, the amount of the minimum income benefit is reduced if the family fails to comply with schooling- and health-related conditions. In the case of children aged 7–16, the benefit is reduced from 91 per cent to 30 per cent of the guaranteed minimum income (GMI) if the student has five or more unexcused absences in the course of a month, and to 20 per cent of GMI if he or she does not attend school at all[22]. In Slovakia, as an allowance part of the minimum income protection scheme, the *Benefit for a Child Meeting Compulsory School Attendance Requirements (Príspevok za školskú dochádzku)* provides a cash transfer for poor households with primary and secondary school-age minors. Built into the allowance are strong school-participation criteria, which require cooperation from both children and parents (Kusá and Gerbery 2009).

[19] Information from expert survey.

[20] Information from expert survey.

[21] http://www.allamkincstar.gov.hu/maganszemelyek/csaladi_potlek (25.07.2014).

[22] Information from expert survey.

Conditions relating to compulsory schooling are also part of Italy's newly introduced national minimum income programme, the Support *for Active Inclusion (Sostegno per l'Inclusione Attiva)*[23]. The programme provides income support via a social card that can be only used for the purchase of food and to pay electricity and gas bills. The transfer is conditional and is based on an agreement of mutual responsibilities between the social services and the household. Household members participate in the drafting of this agreement, but once it is accepted, the transfer is only paid if the behavioural requirements of the agreement are met. Behavioural requirements are not only related to job search but also to education and health care of the children. The programme has started in January 2014 as an experimental programme and will be gradually rolled out in the country.

In 2009, EU candidate country Macedonia launched a CCT programme for secondary-school students from disadvantaged families (Jovanovska and Stojmenov 2010). Eligible students are those who come from households that receive social assistance or whose parents participate in public works. The student must be of high-school age and enrolled full time in secondary education. The programme features a school attendance condition: students are required to attend at least 85 per cent of the hours offered by the school. Transfers are paid four times in the school year. The programme has two versions of transfer payments: one uses equal quarterly payments, with individual payments equivalent to 50 EUR; the other offers unequal quarterly payments – the first three payments are equivalent to 33 EUR, while the final payment (at the end of the school year) is 100 EUR.

In high-income countries outside the EU, cash transfers with conditions related to compulsory schooling are to be found primarily in the US and Australia. In the US, 32 states use behavioural conditions as part of the local TANF programmes related to compulsory schooling. All of them involve sanctions regarding the allowance, in an attempt to prevent non-attendance and early school leaving. The most common requirements (to avoid sanctions) are regular school attendance (80–95 per cent of teaching hours, depending on the state authorities) and enrolment. The majority of programmes require a minimum standard of school achievement as well, using education quality indicators (such as test scores, mandatory final exams under 18 years of age). Many states (Florida, Nebraska, Indiana, Wisconsin, etc.) encourage the active participation of parents in their children's school activity – for instance, by motivating them to attend parent–teacher meetings or individual counselling, to make development plans, etc. If the requirements are not met, parents face long-term sanctions. Sanctions also differ by state: the involvement of a caseworker is the least severe "penalty" to address temporary problems; the next level up is the partial suspension of benefits; in the most serious cases, the total amount is suspended and the family is removed indefinitely from the benefit rolls (Urban Institute 2013).

Oportunidades in Mexico provides stratified benefits for low-income households, which are required to undertake certain educational conditions, such as mandatory enrolment and school attendance. The programme targets households with resources below the official minimum income (868 MXN per capita for rural households, 1227MXN per capita for urban households in January 2014) who have household members below age 22 or women in reproductive age[24]. Educational grants are between 165-330MXN depending on the grade (equally for boys and girls) in primary school, while in

[23] http://www.conferenzainfanzia.info/images/allegati/Support_for_Active_Inclusion_ex_ante_exercise.pdf (25.07.2014)

[24] Gobierno de Mexico: Diario Oficial de la Federación, 30/12/2013, www.dof.gob.mx

secondary school boys can get between 480-535 MXN per month and girls between 510-620 MXN per month. The educational grants of the programme for primary and secondary students are suspended for the given month if the student cumulates four or more unexcused absences during the month, or if the certificate of attendance is not received by the authorities. If the student accumulates three suspensions or 12 unexcused absences during a schooling cycle, the benefits are suspended for the rest of the school cycle. Schooling benefits are suspended indefinitely if the student repeats the grade for the 3rd time.

Ethical Family Income in Chile is a complex antipoverty programme, which targets households with income below the extreme poverty line. The basic benefit is unconditional but the programme offers also various conditional bonuses. The *School Attendance Bonus (Bono por Asistencia Escolar)* is 7000CLP per month for students between the age of 6 and 18 in primary or secondary education under the condition of school enrolment and school attendance at 85 per cent of school classes. The *School Achievement Bonus (Bono por Logros Escolares)* is targeted to the most vulnerable 30 per cent of society. Students between 5th grade of elementary school to 4th grade of high school can earn an achievement award equal to 50000 CLP annual for being among the top 15 per cent of students in their grade and 30000 CLP for being in the second 15 per cent.

Turkey's *Social Risk Mitigation Project*, which covers primary and secondary-school students, has certain educational conditions and prescribes at least 80 per cent school attendance in every teaching month. The amount of benefit differs by gender and grade – like the Mexican programme (for more details, see the case study on the programme in Volume II). The goal of such differentiation is to prevent education-based gender disparity at school, in the workplace and in other areas of social relations, and to prevent early entry into the workforce.

2.4. CCT PROGRAMMES RELATED TO POST-COMPULSORY SCHOOLING OF CHILDREN UNDER 18 YEARS OF AGE

Post-compulsory schooling-related assistance and scholarship programmes with behavioural conditions are widespread in the developed world. Disproportionately high secondary-school dropout rates among young people from low-income households have prompted government social policies that facilitate the participation of vulnerable groups in secondary and tertiary education. In the case of post-compulsory schooling, most CCT programmes operate using positive incentives.

One form of conditional cash transfer for post-compulsory education is the extension of eligibility for family cash benefits to children in full-time education who are over the upper age limit for standard eligibility. This extension of eligibility is effectively a conditional cash transfer with a positive incentive, where the condition is enrolment in post-compulsory schooling. EU and OECD countries that have income-tested family cash benefits with an age extension include Australia, Bulgaria, the Czech Republic, Malta, Poland, Portugal and Slovenia (OECD 2011b). Countries that apply an age extension to the universal child benefit include Austria, Germany, Belgium, Luxembourg, the UK, Ireland, Sweden, Greece, Estonia, Latvia, Slovakia and Hungary. In Sweden the universal child benefit transforms into a student grant, the *Studiebidrag*, when the child reaches 16 years of age. This student grant is given to those (up to age 20) who participate in post-compulsory high-school education or other types of post-compulsory education (but not tertiary education). In this case,

there is also a negative incentive element to the programme, since the benefit is withdrawn if the child does not fulfil the requirements (e.g. attendance) of post-compulsory education.

Some countries operate scholarship programmes for students from disadvantaged families in post-compulsory education. In England the *16 to 19 Bursary Fund* is such a programme, which supports 16–19-year-olds to stay on at school after the compulsory schooling age. This post-compulsory school scholarship targets primarily the most vulnerable social groups, such as people with disabilities, young parents, care leavers and caregivers. The Bursary is made up of two elements: first, a base support for the main target group (£1,200 per year) and second, a complementary means-tested support that is available to other low-income applicants as well. Authorization and disbursement are carried out by the local schools, which can also introduce additional conditions relating to educational outcomes or school uniform.[25] This programme replaced a more generous programme called the *Educational Maintenance Allowance (EMA*) which was closed to new applicants in England in 2011, but remained in operation in Scotland, Wales and Northern Ireland.

In Northern Ireland, the family's income must be below £33,950 for the student to be eligible for the benefit. Students can receive payments of £10, £20 or £30 direct to their bank accounts every two weeks. Bonuses of £100 are also available to students who attended classes regularly and who performed sufficiently well. Scotland has phased out the two lower weekly EMA payments of £10 and £20, and EMA bonus payments were withdrawn from 2010/11. The family income threshold below which EMA is payable has been set at £20,351. The benefit structure is similar in Wales. The allowance is conditional on fulfilment of the requirements set out in a Learning Agreement and the certification of any absences (for more details, see the case study on this programme in Volume II).

Scholarship programmes for disadvantaged students in secondary education also operate in Austria, Finland, Romania and Hungary. The *Pupil Allowance* (*SchülerInnenbeihilfe*) in Austria represents a support for pupils from families with low incomes, so long as they continue at school beyond the general compulsory education. Those entitled are Austrian citizens who attend middle or higher school from the 10th level of education (15 years+) on, if they are in social need and can prove success in school. The *Study Grant* in Finland is a monthly benefit for students aged 17 or older. Its amount depends on the age, housing circumstances, marital status, school of the student and in some cases parental income. For those under 18 the base amount is 101.31 EUR monthly if the student is living alone, 38.5 EUR if living with parents, but this amount might increase or decrease with parental income. The condition for the study grant is enrolment in school (schooling is compulsory until the age of 16) and satisfactory study progress. Study progress is regarded as satisfactory if the period of full-time study does not substantially exceed the standard study time for the given course of study. Financial aid has to be paid back if it is discovered that study progress has been particularly slow.

In Hungary, the *Equal Opportunities Scholarship* (*Útravaló-MACIKA ösztöndíj*) provides monthly payments and mentoring for students in secondary education from disadvantaged families. In the school year 2012/2013, some 17,700 students participated in the programme. For students on

[25] http://www.direct.gov.uk/en/EducationAndLearning/14To19/MoneyToLearn/16to19bursary/DG_066955 (March 2012).

pathways leading to the matriculation exam, monthly payments are in the range 27–50 EUR, depending on the grade-point average of the previous school year. For students in vocational education, monthly payments are in the range 23–42 EUR, again depending on grade-point average. Teachers providing mentoring to participating students likewise receive a monthly payment, which is partly dependent on successful grade completion by the student. The *High-school Grant (Bani de Liceu)* in Romania is means-tested grant for students in high-school and vocational education. Eligible for the benefit are families where average per capita income is less than 150 lei (in the three months before the beginning of the school year). The monthly transfer is 180 lei. The conditions are enrolment in high school or vocational education, passing of all examinations and full attendance. The grant is suspended for the next academic year if the number of non-attended class hours led to a grade for behaviour that is below the maximum score of A.

In OECD countries outside the EU, such programmes can be found in Australia and the US. An important scholarship programme that facilitates social cohesion and the participation of indigenous young people is the *Aboriginal Study Assistance Scheme* (ABSTUDY), a financial incentive for indigenous people over 14 years of age (see above), whose attendance in higher school is still very low. It encompasses a basic benefit (*living allowance*) and three needs-based complementary allowance units (*school term allowance*, *school fee allowance*, and *incidental allowance*) which cover and compensate for the cost of accommodation, tuition fees and living costs[26]. The main target groups are secondary and high-school students, because it is at those levels that the educational disadvantages facing aboriginals are most important; but elementary-school pupils can apply as well. *Youth Allowance* – a relatively new initiative in Australian youth policy – provides income support for poor young people (16–24) whose household income is below a predetermined level and who are present for at least 75 per cent of teaching hours. The programme allows young people to work without losing the allowance.[27]

The TANF programme in the US covers several state-run programmes with post-compulsory school requirements. Such programmes emerged from recognition by decision makers of the low secondary-school retention rates among vulnerable groups. Effective interventions have been developed nationwide since the introduction of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. For example, *Cal-Learn* in California helps young parents to graduate from high school. Beneficiaries can receive $100 four times a year for successful school participation and exam results. An additional lump-sum award of $500 is granted for passing the final exam (Klerman et al. 2002). In Ohio, the *Learning, Earning, and Parenting* programme supports young parents (and their families) to finish secondary school, with counselling, case management and financial incentives. The target population is teen parents with custody of their child and pregnant girls under the age of 19 who have not obtained a high-school diploma or equivalent. Financial incentives include an enrolment bonus ($100) when enrolling in school, monthly attendance bonuses ($62) for satisfactory attendance (a penalty of $62 is paid for poor attendance), grade completion bonuses ($100), and a graduation bonus ($500).

[26] http://www.humanservices.gov.au/customer/services/centrelink/abstudy (24.07.2014).

[27] http://www.humanservices.gov.au/customer/services/centrelink/youth-allowance (24.07.2014)

In the US, several states have adopted financial incentives which aim at increasing the college readiness of high-school students, in order to aid the transition to college. The *Advanced Placement* programme was initiated in the 1950s to offer rigorous college-level courses in high school. Students earning a pass grade on an Advanced Placement exam were granted a college credit or obtained an exemption from class. This programme proved successful in providing advanced-level coursework for high-performing students and in increasing participants' academic success (Holstead et al. 2010). Statistics show, however, that programme participation among minority students remained lower than average. In order to increase the participation of such students, several states subsequently adopted financial incentives, such as cash bonuses for students who pass an Advanced Placement exam. In Texas, the *Advanced Placement Incentive Program* launched in 1996 offers students between $100 and $500 for each pass in an Advanced Placement exam. The programme targets low-income school districts with significant minority populations. It also offers cash bonuses for teachers and provides teacher training, advanced curricula, and improved communication on issues related to college studies and Advanced Placement exams. In New York, a similar programme – the *Rewarding Achievement* (REACH) scholar awards – offers financial rewards ranging from $500 to $1,000 for students who pass Advanced Placement exams. The programme also provides free Advanced Placement workshops and other resources, and rewards schools with performance-related financial incentives (Holstead et al. 2010).

2.5. SUMMARY

Overall, as Table 2.1 shows, our review indicates that some form of conditional transfer (where the condition is related to human capital accumulation of children under 18 years of age) exists in the majority of EU Member States. Extending coverage of child benefit over the normal age for children under 18 in full-time education is common practice among EU member states. Scholarships in post-compulsory education for students under the age of 18 and health-related conditional transfers were also found many countries, although countries applying such programmes are still in minority. Up to now only a few Eastern European countries have been applying school attendance conditions in their child benefit. Also minimum income protection programmes with school attendance conditions are mainly operating in Eastern European states. Other CCT programmes include diverse programmes such as support for schooling expenses with school attendance such as the *Schooling Allowance* in Flanders, Belgium or the *Kindergarten Allowance* in Hungary. In terms of design, the more frequent CCT programmes in EU member states are characterized by positive incentives such as pregnancy allowances and age extensions of child benefit for students. Scholarships in post-compulsory education combine in some cases positive incentives in school enrolment with negative incentives linked to school attendance. Programmes with clearly negative incentives (such as transfers linked to school attendance requirement) are less frequent and most of them operate in Eastern European countries. Most of the programmes reviewed here condition transfers on some type of behaviour related to human capital accumulation of children (such as medical examinations, school enrolment, school attendance) only few programmes contain conditions related to some positive outcome (e.g. as bonuses in the Educational Maintenance Allowance programme).

Table 2.1. CCTs related to human capital accumulation of children under 18 years of age in EU member states (y=the given type of transfer operates in the country)

	Health related	Child benefit, with attendance condition	Child benefit: extension[b]	Minimum income benefit with condition	Scholarship in post-compulsory education	Other
AT	y				y	
BE			y		y	y
BG	y	y	y	y		
CY						
CR						
CZ		y	y			
DE						
DK						
EE	y		y		y	
EL			y			y
ES					y	
FI	y[a]					
FR	y[a]					
HU	y	y	y		y	y
IE			y	y	y	
IT						
LT						
LU	y[a]		y			
LV			y			
MT			y	y	y	y
NL						
PL			y			
PT			y			y
RO		y		y	y	
SE			y		y	
SI			y			
SK	y	y	y	y	y	
UK	y[a]		y		y	

Sources: All information from expert survey except information marked [a] are from PF1.3: Family cash benefits, OECD Family Database; and [b] from OECD, Doing Better for Children; No response in expert survey in case of Germany, France, Poland, Finland, Denmark, Cyprus and Latvia.

ANNEX

Programme brief: Education Maintenance Allowance (United Kingdom)

Basic info: • Name of the programme • Year started • Status: active/inactive	 • Education Maintenance Allowance (EMA) • 1999 in 15 areas of England; 2004 for the UK as a whole • Active in Scotland, Wales and Northern Ireland; abolished in England in 2010 and replaced by the 16 to 19 Bursary Fund in 2011
Targeting: • Target population • Targeting method	 • Children from low-income families in secondary and tertiary education • Means-tested: children whose parents' income does not exceed £30,810 in the year before application
Benefit structure: • Benefit : • Duration • Additional benefits	 • Students received payments of £30 (if parental income is under £13,000 a year), £20 or £10 direct to their bank account every two weeks • The programme was open for three years to students aged 16–19 in full-time education (leading to GCEs, BTECs, NVQs, A or AS-levels, or on Basic Skills courses) • Bonuses of £100 (£150 in Scotland) were available to students who attended classes regularly and performed well enough; students could receive bonuses two or three times a year
Conditions: • Child education • Verification of compliance • Sanctioning of non-compliance	 • Students could participate in the programme if they signed a learning agreement with the school; allowances were conditional on a contract being signed, on the school's requirements being met, and on certification of any absence; bonuses were available if the educational goals of the learning agreement were reached by the student; while allowances were received for participation, bonuses were incentives for doing well • Schools had data on every student taking part in the programme (Individualized Learner Records), so they were able to monitor fulfilment of the requirements • Students who failed to participate did not receive the allowance; if they participated but failed to fulfil the conditions of the learning agreement, they received the allowance but no bonus
Institutional arrangement • Managing institutions	• Administered by the Student Loans Company in Northern Ireland and Wales, and local authorities in Scotland. In England EMA was managed by through Young People's Learning Agency (YPLA).

Programme brief: Kindergarten Allowance (Hungary)

Basic info: • Name of the programme • Year started • Status: active/inactive	 • Kindergarten Allowance (Óvodáztatási támogatás) • 2009 • Active
Targeting: • Target population • Targeting method • Coverage	 • Disadvantaged children aged 3 and 4 • Means testing at local municipality level • Families in which both parents have completed only elementary education at the time of their child's enrolment in the kindergarten
Benefit structure : • Benefits: • Payment frequency • Duration	 • The allowance is claimed from the notary • The first payment is 20,000 HUF (70 EUR) following the child's regular attendance for at least two months after enrolment in the kindergarten; second and all subsequent payments following enrolment – 10,000 HUF (35 EUR) every six months (June and December); another option is in-kind transfers, given to families within 21 days
Conditions: • Child education • Verification of compliance • Sanctioning of non-compliance	 • Kindergarten attendance is deemed regular if the child attends for at least six hours on the days the kindergarten is open, and if the number of days absent (certified and uncertified) does not exceed 25 per cent of the available days • Total withdrawal of the allowance if conditions are not met
Institutional arrangement • Managing institutions	 • Local municipalities – administration of the programme is decentralized

Programme brief: School Allowance (Belgium)

Basic info: • Name of the programme • Year started • Status: active/inactive	 • School Allowance (Schooltoelage) • For the secondary level from the 1970s, for the primary level from 2001, both without a conditional element. Condition was introduced in 2008 for both primary and secondary level • Active; available only in Flanders
Targeting: • Target population • Targeting method	 • Children aged 3 to 18 from low-income families in kindergarten, primary and secondary education • Means-tested: children whose household's income does not exceed the threshold of the respective household type based on the examination of the tax returns.
Benefit structure: • Benefits: • Payment frequency • Duration	 • The maximum amount of support varies by the pupils' age and school type. It is lowest for children at kindergarten (90 Euros/year) and highest for students in secondary (570 Euros/year). The actual amount of student support is calculated with phasing out when household income approaches the threshold of the given household type. • Payment frequency : once an academic year • Duration: one academic year; each year a new application should be submitted
Conditions: • Child education • Verification of compliance • Sanctioning of non-compliance	 • Condition is linked to school attendance: if a student misses school for 30 (or more) half-days in an academic year, and if this occurs in two consecutive academic years, that student (or rather the family of the student) must pay back one year's support • Truancy is monitored via electronic diaries: all schools are connected to the network, and information on the attendance records and the marks of students is collected by the Flemish Department of Education • Students who failed to meet the criteria of the condition must pay back the support of one year.
Institutional arrangement • Managing institutions	• Implementation of the student support programme is the responsibility of the Flemish Department of Education, and responsibility for its operation also rests with that agency. • The Strategy Council of Education (the schools are represented on this board) is responsible for helping schools to inform parents of the criteria

	and the deadline for applications.

Programme brief: Child Allowance (Bulgaria)

Basic info: • Name of the programme • Year started • Status: active/inacive	 • Child Allowance • Following a pilot project, the government extended the educational conditions of the child to the entire country in 2002 • Active
Targeting: • Target population • Targeting method • Coverage	 • Families with children (aged below 20) and monthly income less than 350 BGN; • Means tested • 23.1 per cent of all Bulgarian children received benefits, including a third (36.2 per cent) of poor children and two-thirds (61.6 per cent) of children from the lowest income decile. Probability of participation is much higher among rural families, families that have lower levels of education, belong to an ethnic minority or have a female head of household
Benefit structure: • Benefits: • Payment frequency • Duration • Additional benefits	 • Allowance: 35 BGN/child • Monthly • Up to the age of 20 (as long as the child is in public education) • Families are awarded a lump-sum amount of 150 BGN at the time of registration
Conditions: • Child health • Child education • Verification of compliance • Sanctioning of non-compliance	 • Requirement for a certificate from the child's GP for performed compulsory immunizations and screenings. • Mandatory attendance in kindergarten for those aged 4-6. Mandatory enrolment and regular school attendance of 6–20-year-olds • Benefits are paid only when schools verify annual enrolment and regular class attendance. Parents are responsible for presenting school attendance certification to the social authorities. • Benefits withdrawn in case of non-compliance.
Institutional arrangement • Managing institutions	• Verification: schools • Support activity: family centres • Financing and regulation: Bulgarian government

Programme brief: Social Risk Mitigation Project (Turkey)

Basic info: • Name of the programme • Year started • Status: active/inactive	 • Social Risk Mitigation Project • 2002
Targeting: • Target population • Targeting method • Coverage	 • Households with children aged 0–6 years, school-age children 6–17 years, and women of child-bearing age who belong to the poorest group in society (bottom 6 per cent of the population in terms of income distribution) • Proxy means testing • Some 6 per cent of the total number of households received benefits in 2012. The number of children receiving education benefits was 2017 thousand and 888 thousand received health support.
Benefits: • Benefit structure: • Payee • Payment frequency • Duration	 • Often facilitated through the distribution of ATM cards • Education support provided for nine months, with payments every two months (September, November, January, March and May); health support provided for 12 months, with payments every two months (September, November, January, March, May and July); pregnancy support provided from the second month of the pregnancy to the second month after birth
Conditions: • Health • Child education • Verification of compliance (method) • Verification of compliance (frequency)	 • For children who receive health support: children aged 0–6 months require a check-up every month; from 7–18 months every two months; from 19–72 months every six months • For women who receive pregnancy support: monthly check-up until birth; birth must be in hospital; check-ups required after birth • For children who receive education support: must attend 80 per cent of total school days; not have to repeat the same grade more than once • Random checks on at least 70 per cent of eligible applicant households by Social Solidarity Foundations staff in cooperation with relevant persons, such as the village head/local community leaders, teachers, medical personnel and security staff, Once a year
Institutional arrangement	

• Managing institutions	• Two main government institutions: Social Solidarity Fund (SYDTF) and affiliated Social Solidarity Foundations (SYDVs) located in each province, and the Social Services and Child Protection Organization

3. INTENDED AND UNINTENDED EFFECTS OF CCTS: IMPACTS ON HUMAN CAPITAL ACCUMULATION

In this section, we review the results of the evaluation of CCT programmes, based on their impact on decisions concerning human capital investments (enrolment, absenteeism from school, schooling outcomes, and attendance for health check-ups). The review focuses on the impacts on human capital investment, since the poverty-reduction effect of cash transfers is studied extensively in the literature. The poverty-reducing effect of cash transfers tends to be higher if – all else being equal – the transfer is better targeted (more concentrated on the poor) or provides a higher fraction of overall income (see e.g. OECD 2008). The poverty-reducing effect of CCTs could be different from those of unconditional transfers of similar magnitude if a sizeable proportion of households fail to meet the prescribed behavioural condition, or if take-up of the transfer is very different for the two types of transfers.

3.1. POTENTIAL EFFECTS: HOW DO CONDITIONAL TRANSFERS CHANGE BEHAVIOUR?

3.1.1. HOW CCTS PROMOTE HUMAN CAPITAL ACCUMULATION: AN INTERDISCIPLINARY PERSPECTIVE

Human behaviour is a subject for various disciplines, such as psychology, economics and sociology, which all provide important insights that help understand behavioural change. Here we summarize how the different disciplines approach the potential effect of financial incentives.

As an example, let us consider a programme which pays recipients a cash sum if their child enrols in some form of post-compulsory education. Families where the demand for schooling is high would enrol their child even without the transfer, and thus for them the impact of a CCT is similar to that of an unconditional cash transfer. By contrast, some households where the demand for schooling is lower would not enrol their children without the transfer. When the CCT is introduced, the parents may realize that they could be eligible for the transfer and could achieve a higher level of welfare if they enrolled their child in post-compulsory education. In such cases, the transfer effectively reduces the cost of further schooling, and thus provides a greater incentive for people to change their behaviour (Das et al. 2005). Consequently, the impact of the CCT is stronger for those families than it would have been in the case of an unconditional cash transfer, since unconditional transfers increase family income but do not change the price conditions. To sum up, according to the standard **economic model**, transfers conditional on a particular behaviour that can be regarded as an input into the education process (enrolment, attendance, reading a book, taking a test, etc.) act as a price subsidy for that particular input and will increase use of that input.

As discussed above (in section 1.1.2), transfers are sometimes conditional on educational outcomes, rather than on inputs into the education process. Educational outcome is most often measured as grade attainment or performance at school (testscores, grade averages). The economic model

assumes that students select the level of study effort so as to maximize their net expected benefit. If the student devotes more effort to learning activities, he/she will have a better chance of good performance; but study does not come without cost: it's tiring and takes time away from other interesting activities. A student may display poor performance because the marginal benefit is low, or because the cost of effort is relatively high. A transfer that is conditional on a certain level of performance increases the immediate financial rewards of effort, and thus will have an effort-increasing effect. Consequently, students participating in such an incentive programme are expected to devote more time to educationally productive activities.

As described in Chapter 1, incentives can be framed as gains or losses. Traditional microeconomics would predict similar effects of gains and losses of similar magnitude. Behavioural theories have, however, described cases where people respond differently to gains and losses of equal size. "Loss aversion" describes the situation where the decline in utility associated with the loss of a certain amount is greater than the utility gain that the same person experiences in case of a gain of similar magnitude (Mullainathan and Thaler 2000). If individuals are characterized by loss aversion, we would expect more important behavioural effects from policies that frame incentives as losses.

Psychological studies underline the fact that positive incentives can promote interest and self-motivation when they enhance belief in self-efficacy – that is the perceived ability to accomplish certain outcomes. Incentivizing more proximate goals (e.g. school grades) instead of only larger, more distant goals (e.g. degree attainment) can increase belief in self-efficacy and motivation. Low-achieving students might feel powerless and lose interest in the reward if the financial incentive is tied to a single, distant goal. In contrast, CCTs that incentivize more proximate goals that are monitored several times a year might induce students to make more of an effort, which could enhance feelings of self-efficacy and lead to higher levels of motivation (Wolf et al. 2013). Another related issue is the relationship between extrinsic and intrinsic motivation. Behaviour initially motivated by extrinsic rewards can become internalized, which is more likely to happen if the individual feels a greater degree of competence and autonomy, and also if other people value the given behaviour (Wolf et al. 2013).

3.1.2. ADVERSE EFFECTS OF CCTS ON BEHAVIOUR

Financial incentives can also have an adverse effect on behaviour. For example, the psychological literature discusses the question of whether financial incentives (or other types of extrinsic motivation) crowd out intrinsic motivation.[28] According to the cognitivist school of psychology, when individuals like what they do, they experience feelings of competence and self-determination. The cognitivists claim that when people are rewarded for performance in a certain activity, they begin to do the activity for the external reward rather than for intrinsic reasons, causing perceptions of motivation and self-determination to decline, and ultimately undermining intrinsic motivation (Cameron et al. 2001).

[28] Intrinsically motivated behaviours are those in which there is no apparent reward except the activity itself. Extrinsic motivation, on the other hand, is said to occur when an activity is rewarded by incentives not inherent in the task (Cameron et al. 2001).

Economic models might also be called upon to help identify the causal mechanisms at work. The review of Gneezy et al. (2011) points out that financial incentives might transmit some information that is interpreted as "bad news" by the individual (e.g. "the specific goal is too difficult") and might reduce intrinsic motivation. Extrinsic motivation can also reduce other motivations that contribute to the decision of the agent, such as following social norms or building up a certain reputation. Sandel (2009) also warns that financial incentives weaken non-market norms: in the case of paying people to read books, the financial incentive may get children used to thinking of reading books as a way to make money, rather than as being interesting in itself.

There can be cases when crowding-out takes place in the short run, while the incentives are still in place. However crowding-out can also manifest itself in the long term, when the incentives are removed (Rodriguez-Planas 2010). This latter case underlines the importance of investigating whether the incentive exerts a durable effect on recipients' behaviour, or if the effect fades away after removal of the incentive. In the case of a positive incentive programme, the consequence would be an increase in the demand for education while financial incentives are in place, but a fall in demand to below the initial level once the incentives are removed.

Another possible adverse effect is that, by conditioning rewards on certain indicators of educational performance, students behave in ways that help to maximize their gains according to the specified requirements, but that do not necessarily lead to higher levels of human capital. For example, if the condition is to earn a specific number of credits in college during a semester, students might choose less-demanding courses, so that they can meet the requirement with less effort.

A third adverse effect might be lower take-up rates in the case of conditional transfers. Standard cost-benefit logic suggests that individuals will take part in a programme if the prospective gains from collecting the benefits are big enough to compensate for the private costs of obtaining benefits, such as those related to acquiring and processing information about the programme (Stuber and Kronebusch 2004). Understanding and learning the details of the application procedure entail costs in relation to time and effort, which may induce individuals to refuse to participate if the expected return is low. If complying with behavioural requirements of the programme also entails important private costs, potential recipients might be less willing to take-up such transfers even if they are eligible for the benefit.

An additional factor that is related to non-take-up of welfare benefits is welfare stigma. Welfare receipt is said to be stigmatised if claiming and receiving benefit from a welfare programme is perceived as negative and discrediting in the given society (Stuber and Schlesinger 2006). If receiving welfare benefits is stigmatized, take-up of welfare benefits is expected to be lower (Stuber and Kronebusch, 2004). Baumberg et al. (2012) argue that welfare participation is stigmatized if benefit recipients are believed to be undeserving of aid. As a consequence, receipt of universal or contributory benefits are less likely to be stigmatised than receipt of means-tested benefits, since they are either based on former contributions (contributory benefits) or related to a sense of entitlement (universal benefits). Needs-based programmes on the other hand are selective and raise the question whether recipients are really in need and whether they are responsible for their situation (Baumberg et al. 2012).

According to experts such as Mead (2005) the imposition of behavioural conditions would decrease stigma in benefit programmes, as recipients would be restricted to those who comply with conditions and thus could be perceived as deserving of aid. Other experts argue against this and claim that conditional transfers are stigmatising since they are based on the presumption that some of the poor are not acting in a responsible way (Popay 2008). To our knowledge there is no convincing empirical evidence on how the imposition of behavioural conditions affects the perception of benefit recipients and whether stigma would be reduced or increased as a consequence.

3.2. CASH TRANSFERS AND LOW HUMAN CAPITAL INVESTMENT AMONG THE POOR

Conditional cash transfers most often target low-income people, with the aim of increasing demand among them for educational or health-related services.

Social sciences have identified a number of reasons for low human capital investment among the poor. Low investment can be the consequence of an effective income constraint. Since families typically cannot take out loans against the future earnings of their children (except in the case of tertiary education in some countries), the low income of poor families may represent a real constraint to financing human capital investment (Becker and Tomes 1986). This would result in poor families under-investing in their children because of their inability to meet the direct and indirect costs of investment.

The social science literature also underlines the fact that low investment in human capital might also be a consequence of lack of information, consumer impatience or low aspirations. Parents may underestimate the benefits of human capital investment, leading to a sub-optimal investment in their children. As investment entails current sacrifices in the hope of future benefits, more impatient individuals (those who apply a high discount rate) will invest less. It is also possible that the individual recognizes the importance of long-term investment, but due to a lack of willpower and insufficient self-discipline (s)he is unable to act in accordance with his/her long-term plans (Mullainathan and Thaler 2000).

According to research in sociology, lower level of investment among poor families might also be related to lower aspirations. For example, in the case of education, parents might moderate their children's feelings of frustration by placing less emphasis on the importance of success at school. Children who adopt these values will not consider success at school to be important either (Mayer 1997). Similar conclusions can be drawn on the basis of the reference-group theory (Boudon 2000), according to which families evaluate their own situation by comparing it to the conditions of a reference group. As the immediate environment of the household tends to consist of households with similar social status, these most often represent the majority in the reference group. This results in disadvantaged families having lower aspirations for the school performance of their children than higher-status families.

The policy conclusions of the above argumentation are that if the reason for low human capital investment is the low income level of the poor, demand should be promoted via *unconditional* cash transfers (Fiszbein and Schady 2009). In this case families know what an adequate level of investment is for their children, and if the transfer is sufficiently large, they are willing to sacrifice that much for

the future of their children.[29] If, however, the explanation for low demand also lies in the lack of information available to parents and children,[30] in their low level of aspiration, or in their impatience for consumption, a *conditional* transfer is better at promoting human capital investment. Conditional transfers will have a stronger effect since, by reducing the cost of human capital investment, they make it more attractive than other types of expenditure. However, if low investment is primarily a result of problems on the supply side of the market (insufficient or low-quality schools and health care services), demand incentives will not help. In this case, development of the institutional system and improvement in the quantity and quality of public services available to low-income strata may bring about the desired results.[31]

3.3. EVALUATION OF EFFECTS OF CONDITIONAL TRANSFERS

In the following, we shall review the results of programmes that have been investigated by methodologically well-founded impact studies. Measuring the impacts of a social policy programme involves comparing the results achieved by participants in the programme against what they would have achieved had they not participated. The inherent difficulty in impact assessment is that, in the case of non-participation, the actual outcome cannot be observed. According to the evaluation literature, the impacts of programmes can be examined most clearly in randomized experiments (Deming and Dynarski 2009). In such cases, programme participants are selected randomly from among an appropriate target group (randomization), while those individuals not selected form a control group. In principle, randomization guarantees that the composition of the treatment group is the same as that of the control group, according to all observable and non-observable characteristics. Thus the outcomes observed among members of the control group indicate what the members of the treatment group would have achieved had they not participated in the programme. The impacts of the programme can be estimated by comparing the outcomes of the treatment group and the control group.

If no randomized examination is performed, measurement of the programme effect becomes more difficult. A comparison of schooling decisions (or outcomes) between those who benefit from the transfer and those who do not is likely to yield biased results. The reason is that transfers are offered to students on the basis of characteristics that independently affect the schooling decision, and it is highly unlikely that the researcher will be able to control for all relevant factors (Deming and Dynarski 2009). One possibility is to look for exogenous variation in transfers that is not related to individual characteristics. In some cases, discrete shifts in policy can be observed, affecting one group of individuals but not another. Such cases are called natural or quasi-experiments. In the following we will review experimental and quasi-experimental evidence regarding the effects of conditional cash transfer programmes.

[29] In this case, conditional cash transfers are too strong an incentive: as a consequence of the condition, some will choose overly ambitious education for their children.

[30] The easiest way to remedy a lack of information is to launch an information campaign, and thus the use of cash transfers is not necessary. But passive information campaigns are not always sufficient, since it is not certain that people are even aware that they lack information.

[31] Other justifications for conditional cash transfers proposed by the literature include the positive external effects of education and the higher social acceptance of conditional (rather than unconditional) transfers for the “deserving” poor (Fiszbein and Schady 2009).

3.3.1. RESULTS OF IMPACT STUDIES IN LOW- AND MIDDLE-INCOME COUNTRIES

In this report we are most interested in the impact of CCT programmes in EU member states and other high-income countries. It does not follow, however, that no lessons can be learnt from the experiences of programmes implemented in low- and middle-income countries. A number of summary reports have been prepared on the results of CCT programmes launched in low- and middle-income countries (Parker et al. 2008; Lomelí 2008; Fiszbein and Schady 2009, Baird et al. 2013). In the majority of cases, systematic impact studies found that the programmes significantly increased the school enrolment rates of children, but the size of the impacts measured differed greatly in the various programmes.

Based on the summary of the World Bank (Fiszbein and Schady 2009), the most efficient programmes were the *Japan Fund for Poverty Reduction Girl Scholarship Programme* (JFPP) and the *Cambodia Education Sector Support Project* (CESSP), both launched in Cambodia to promote the secondary school education of students in grades 7–9. The JFPP programme (which targeted only girls) increased the proportion of those who continued with their studies by 31 percentage points, while the CESSP programme (which targeted both girls and boys) achieved a 21 percentage point increase. In Nicaragua, the *Red de Proteccion Social* programme increased the likelihood of 7–13-year-olds attending school by 13 percentage points. Thanks to Ecuador's *Bono de Desarrollo Humano* programme, the proportion of children aged 6–17 attending school increased by 10 percentage points, while the Mexican *Oportunidades* programme saw a 9 percentage point increase in the continued education of pupils in grade 6. *The Social Risk Mitigation Project in Turkey* proved to be successful in increasing secondary school enrolment rates (increase by 10.7 per cent points) and attendance in secondary schools for girls. Enrolment and attendance at primary school level have not improved however (for more details on results see the case study on Volume II of the Report).

On the other hand, the results of the studies show less impact with regard to educational outcomes, such as degree attainment, test scores or later earnings. The CCT programmes in Ecuador and Mexico did not succeed in improving test scores, for example. Despite the strong effect on enrolment, beneficiaries of the CESSP programme in Cambodia showed no greater improvement in mathematics or language tests than the control group. One possible explanation for these weaker impacts is that the schools are not capable of providing programmes of education that are adapted to less-talented students. On the other hand, even if the test results are no better, the extra years of schooling might contribute positively to well-being by promoting the development of a number of non-cognitive talents, and by contributing to delayed marriage and later childbirth.

This first wave of randomized experiments had a major drawback, however. These studies compared CCT beneficiaries against a control group that received no treatment, and thus the results provided no information on whether an unconditional transfer would have had similar effects. A randomized experiment that could answer such a question would need to have a randomly selected group treated with a CCT, another randomly selected group that received a similar amount of unconditional transfer (UCT), and a third untreated control group. Such experimental designs have recently been applied in Malawi (Baird et al. 2011) and Burkina Faso (Akresh et al. 2013). In these two studies, CCTs had a greater effect than unconditional transfers. In the *Zomba Cash Transfer* experiment in Malawi, both types of transfer resulted in a decline in the dropout rate, but the effects were twice as large in the case of the CCT than the UCT. Educational performance (as measured by English reading

performance) also improved as a result of the cash transfers, but again the effect of the conditional treatment proved stronger. The programme in Burkina Faso showed that the CCT had a greater effect on school enrolment than an unconditional transfer.

Another way to compare CCTs with UCTs is to compare published results on the effects of different programmes. Baird et al. (2013) provide a systematic review and meta-analysis of the evidence regarding the impacts of cash transfers on school enrolment and attendance in low- and middle-income countries.[32] Their results show that cash transfers in general increase enrolment and attendance. Positive effects were found for both conditional and unconditional transfers. Programmes were grouped into three categories according to the intensity of conditionality: first UCT programmes; then a category that included programmes with some schooling conditions that were not monitored or enforced; and finally CCTs with conditions enforced. Comparison of programme impacts across this grouping shows clearly that an increase in the intensity of conditionality is associated with a larger effect on school enrolment and attendance. The difference between the extreme cases (clear UCT and CCT) did prove to be statistically significant. According to Baird et al. (2013), other design features of programmes – transfer size, frequency of transfer, recipient of transfer, level of school enrolment in the control group – were not associated with the impact on school enrolment or attendance.

On the other hand, some results show that less than fully enforced conditional transfers can also have an impact. An interesting study in Morocco (Benhassine et al. 2013) compared a conditional treatment (a small cash transfer to households with children aged 6–15, conditional on enrolment and school attendance) with a "labelled" cash transfer (the transfer was not conditional, but the government effectively communicated that it was part of its efforts to promote education and it was administered through the schools). Both transfers had a strong impact on enrolment and dropout, and larger impacts were found for the "labelled" transfer than for the conditional transfer.

Similar conclusions can be drawn from the *Bono de Desarrollo Humano* programme launched in Ecuador. Households there have never been truly accountable for school attendance (as a condition); however, it turned out from survey questions that some of the participants believed it was a condition of the programme (Fiszbein and Schady 2009). The impacts of the programme were bigger among those who thought that school attendance was a requirement than among those who did not. These studies show that cash transfers may work in part by changing the way in which parents perceive education.

3.3.2. RESULTS OF IMPACT STUDIES IN EU AND HIGH-INCOME OECD COUNTRIES

Experience of CCTs in low- and middle-income countries provides a great deal of information on how these programmes affect human capital development; however, their findings may not necessarily apply to high-income countries, since in the developed welfare systems of high-income countries both the need for CCTs and the context of these programmes are different. These issues will be explored further in chapter 5 when dealing with the issue of transferability of CCTs.

[32] In the case of school enrolment, 32 studies were used and 35 effect sizes were measured; in the case of school attendance, 16 studies were used and 20 effect sizes were analysed.

Here we review impact evaluations of 24 CCT programmes in high-income countries. Most of these programmes were pilot programmes or field experiments, and only a few of them are scaled-up national programmes. The majority of the impact evaluations used randomized experiment design to measure impact. The exceptions are the few scaled-up programmes that we have reviewed: the *Kindergarten Allowance* (Hungary), the *Education Maintenance Allowance* (UK) and the *Advanced Placement Incentive Program* (Texas, US).

Table 3.1 summarizes the main features of the programmes and experiments reviewed. More details of programme design and a summary of the estimated impacts can be found in Table 3.A.1 in the annex to this chapter. In the following we summarize the results of impact studies in every major category of programme design.

Table 3.1. A rough categorization of experiments and programmes reviewed

	Conditioning on behaviour (e.g. enrolment, attendance, homework)		**Conditioning on performance** (e.g. grades, credits, test scores, graduation)	
	Negative incentive	**Positive incentive**	**Negative incentive**	**Positive incentive**
Health	PPI (Maryland) PIP (Georgia)	Opportunity NYC		
Early Childhood Education and Care		Kindergarten Allowance (HU)		
Primary schooling	Learnfare (Ohio) Achieving Change for Texans (ACT) (Texas) ABC (Delaware)	Opportunity NYC Earning by Learning (Dallas)		Opportunity NYC Coshocton experiment (Ohio) Levitt et al. experiment (Chicago)
Secondary schooling	Learnfare (Wisconsin) Learnfare (Ohio) ACT (Texas) ABC (Delaware) SADP (San Diego) Cal-Learn* (California) LEAP* (Ohio) TPDP* (New J., Chicago)	Opportunity NYC EMA (UK) LEAP* (Ohio) Cal-Learn* (California) Quantum Opportunity*	Cal-Learn* (California)	Opportunity NYC Cal-Learn* (California) EMA (UK) The Paper Project (Chicago) Achievement Awards (Israel) Monthly Grade Stipend (US^{+}) Quantum Opportunity* TELS (Tennessee)

Note: programmes marked with an asterisk include an important service element, not only financial incentives. +:State or city not reported in Spencer et al. (2005).

RESULTS OF CCT PROGRAMMES RELATED TO INFANT HEALTH

In the case of programmes that apply **negative incentives,** the results of impact studies are mixed, with the *Primary Prevention Initiative* (PPI) programme in Maryland (USA) showing no effect on immunization rates, but the *Preschool Immunization Project* (PIP), in Georgia (USA) showing significant improvement in vaccination.

In the *Primary Prevention Initiative* programme, welfare recipients incurred a penalty of $25 a month if they failed to confirm that they had taken their pre-school children (3–24 months) to preventive healthcare services, including for vaccination. The programme evaluation showed that at baseline the vaccination coverage of children was low: less than 70 per cent of children were up to date for their age for vaccination against polio and measles–mumps–rubella (MMR); only slightly above 50 per cent were up to date for the diphtheria and tetanus toxoids and pertussis vaccine. There was little difference between the experimental and control groups in terms of the percentage with up-to-date immunization. Eventually, missed vaccination opportunities did decline, and more children did pay at least one visit to the doctor; however, neither development led to a change in immunization status (Minkovitz et al. 1999).

A large-scale immunization initiative, the *Preschool Immunization Project*, in Georgia (USA), required parents to prove at six-monthly intervals that their children (under the age of 6) were up to date with their vaccinations; otherwise, they lost their *Aid to Families with Dependent Children* (AFDC) benefits. The impact evaluation showed that, although vaccination coverage rates were virtually identical at baseline, they increased in the intervention group after one year and remained level for the rest of the study. The intervention group had higher coverage rates (about 6–7 percentage points, so statistically significant and clinically meaningful) for all five of the vaccines throughout the four-year project. This study shows that financial sanctions against a population in receipt of welfare benefits triggered a significant increase in childhood immunization rates; thus when welfare recipients are given the incentive to keep their children's immunization up to date, most do so (Kerpelman et al. 2000; Grogger and Karoly 2005).

Other programmes applied **positive incentives** to promote the use of healthcare services. *Opportunity New York City* (ONYC) was a privately funded pilot programme that used a complex reward structure containing both health and education-related rewards. The programme targeted families with children who lived in selected (poor) community districts and had income below 130 per cent of the federal poverty level. A randomized evaluation was carried out, with volunteers randomly assigned to a study group and a control group. ONYC contained several rewards for fulfilling conditions related to health (Riccio et al. 2010): keeping up with public or private health insurance could earn a $20 a month reward for each parent covered, and $50 if all the children were covered; $200 a year could be earned if family members participated in an annual medical check-up; while a doctor-recommended follow-up visit was rewarded with $100. Families earned a $200 reward (once a year) if they went for an early-intervention evaluation for children aged below 30 months. And $100 rewards could be earned for going for preventive dental care twice a year.

The 18-month evaluation of the programme showed statistically significant, but modest effects in the case of health-related behaviour (Riccio et al. 2010). The programme did not increase the proportion of those randomly assigned to the study group who went for health check-ups,[33] but it did change their habits in terms of medical visits: programme participants were 4 percentage points more likely to have consulted a personal doctor within a year, and were 2 percentage points less likely to have used a hospital emergency room for routine healthcare. The programme also reduced the percentage of those in the study group who had a period without insurance coverage (by 3

[33] It has to be said that this percentage was quite high (92 per cent) in the control group as well.

percentage points). The largest effect was seen in the case of preventive dental care: the percentage of those in the study group who paid at least two dental visits increased by 10 percentage points.

RESULTS OF CCT PROGRAMMES RELATED TO EARLY CHILDHOOD EDUCATION, CARE AND PARENTING SUPPORT

In Hungary, *Kindergarten Allowance* (*Óvodáztatási támogatás*) provides an incentive for low-income families to enrol their children in kindergarten before the compulsory school age (see details in chapter 2 above). Kertesi and Kézdi (2014) carried out a quasi-experimental impact evaluation of this programme. They compared pre-reform and post-reform kindergarten attendance rates in treatment and control zones, in an aggregate-level (kindergarten zone level) analysis. Although the kindergarten attendance programme was launched country-wide in 2009, there were zones where no one applied for this form of assistance, and these could serve as a non-experimental control group. According to the researchers' results, a sixth of the children newly enrolled within the framework of the programme enrolled as a consequence of the financial incentive. The remaining five-sixths of the subsidized children would have been enrolled in kindergarten at the age of 3–4, even if the programme had not existed. The effect of the programme is also proved by results showing that kindergarten attendance increased most in precisely those zones where uptake of the *Kindergarten Allowance* was highest.

Results from studies that discuss the effects of monetary incentives on engagement in different parenting programmes have been mixed. Snow et al. (2002) examined the rate of attrition in a parenting programme as a function of a modest monetary incentive. The 10-week long programme was free, except for $16 to purchase the parenting handbook. In the intervention group, parents received the price of the book back at the end of the course; in the control group, no financial incentive was provided. The study found that the monetary incentive had no significant effect in reducing attrition. However, it was found that parents with higher educational background or higher income level were more likely to complete the programme.

Heinrichs (2006) analysed the effects of monetary incentives on the recruitment and retention of families on a parenting programme in Germany[34]. Payments depended on the number of sessions attended: parents could receive up to 110 EUR if they attended the whole programme. The financial incentive proved an effective way of increasing enrolment: more parents enrolled and more parents attended at least one session in the intervention group than in the control group (46 per cent vs. 26 per cent). Despite this, subsequent attendance did not increase as a result of the incentive: the percentage of those attending at least 75 per cent of the sessions was the same in the two groups. This finding demonstrates that financial incentives might have a positive effect on recruitment to the programme but have at the same time no effect on retention. (Dumas et al. 2010). The study of retention is crucial if the aim is to quantify the effect of the incentive on engagement of parents in the seminars.

[34] Name and location of the experiment not disclosed in the study.

Dumas et al. (2010) evaluated the effects of a monetary incentive on parental engagement in the eight-week PACE[35] parenting programme in the US. The programme was free for parents in both the intervention and the control group. Parents received $3 in cash to cover transport costs, free childcare was assured, and children got a free meal. In the intervention group, the compensation increased slightly during the programme: from $3 per session for the first two sessions, up to $15 a session for the last two. So those who attended all eight sessions received $68. Monetary incentives were found to motivate some parents to enrol in the programme; however their attendance was not affected by the incentive. The composition of those enrolled was altered by the incentive: parents who enrolled when incentives were offered were younger, more often African American, and more often single, with less family income.

Gross et al. (2011) examined the effect a discount on childcare could have on parents' enrolment, attendance and engagement in parenting training. Attendance was measured by the number of parenting training sessions attended; engagement was measured through the quality of participation. The discount differed depending on the size of the weekly childcare bill, but the average was $9. It was found that parents in the discount group were 15.4 per cent more likely to enrol than parents in the control group; however, that difference was not statistically significant. Furthermore, the discount did not affect attendance or engagement. Gross et al. (2011) argue that a possible reason why the discount was inadequate to encourage greater enrolment or attendance is that it did not cover the parents' opportunity cost of attending.

RESULTS OF CCT PROGRAMMES RELATED TO COMPULSORY SCHOOLING

One rich source of information on the impact of transfers that are conditional on attendance in compulsory schooling is provided by experiments on modifications of the AFDC programme in the United States. Probably the best-known programme of this type is the *Learnfare* programme, initiated in 1989 in the state of Wisconsin. If a student had more than two unexcused, full-day absences in a month, the family's AFDC cheque was reduced. This is thus an example of a programme applying a **negative incentive**. The non-compliant member of the AFDC family was ignored in calculating the amount of welfare to be paid, which resulted in a reduction of about $100 on average. A study carefully reanalysing the data from the *Learnfare* (Wisconsin) impact evaluation reports that as a result of the intervention, enrolment increased on average by 0.13 months per semester (3.7 per cent of the control group mean) and school attendance increased by 3.4 percentage points (4.5 per cent of the control group mean) (Dee 2011). Significant results were also highlighted in the impact study of the Ohio *Children of Opportunity* (*Learnfare*) programme,[36] where sanctions improved attendance in the short run at both sites of the evaluation; one site also recorded long-term improvements (Greenberg and Schroeder 2003).[37] On the other hand, similar

[35] PACE stands for Playfulness, Acceptance, Curiosity and Empathy.

[36] Sanction: reduction in the student's benefit if they had two unexcused absences in a month on two or more occasions during the school year.

[37] Australia is also conducting a trial *Learnfare*-type programme: *School Enrolment and Attendance through Welfare Reform Measure* (SEAM) is a programme that operates in two pilot regions and 44 schools in the Northern Territories of Australia. The programme is built on general social security benefits and allowances, and incorporates monetary deductions if school attendance and enrolment requirements are violated. No randomized evaluation has been performed.

programmes that sanctioned families for non-fulfilment of the school attendance requirement by reducing or suspending welfare benefits, like the *Primary Prevention Initiative* (PPI, Maryland) or *A Better Chance* (ABC, Delaware) had no effect on school enrolment or attendance (Campbell and Wright 2005).

Non-experimental studies into the impact of similar requirements inherent in TANF in the United States (see programme details in chapter 2) also found mixed results. Offner (2005) and Koball (2007) used difference-in-differences methods to study the effect of welfare reform on teenage parents. As TANF schooling requirements pertain to teenage mothers only, there is a chance to compare them with teens who are not parents, in order to evaluate the effects of the programme. These studies conclude that after the introduction of TANF, school dropout decreased more strongly among teenage mothers than in the comparison group. On the other hand, Hao and Cherlin (2004) and Dave et al. (2008) found no significant difference in school dropout between the pre-reform and post-reform cohort of girls aged 14–16 in the National Longitudinal Survey of Youth 1997.

In the US, several programmes have combined negative incentives with social services and positive financial incentives. Such programmes have included *Cal-Learn* (California), *Learning, Earning, and Parenting* (LEAP, Ohio), San Diego County's *School Attendance Demonstration Project* (SADP) and the *Teenage Parent Demonstration Project* (TPDP) in New Jersey and Chicago. According to Campbell and Wright (2005), these programmes had consistently positive impacts on school enrolment. For example, the *TPDP* programme increased school enrolment from 29 per cent to 41 per cent and enrolment of those in the *LEAP* programme was 14 per cent points higher compared to the control group. The effect of the programmes on longer-term outcomes was less clear however. For example graduation rates did not improve in the case of the *SADP* and *LEAP* programmes, while in case of *Cal-Learn* graduation rates were higher (32 per cent compared to 24 per cent in the control group) among those treated with sanctions and services (Campbell and Wright 2005).

Other programmes applied **positive incentives** while still making transfers conditional on schooling-related **behaviour**. The *Opportunity New York City* programme targeted low-income families with at least one dependent child in grades 4, 7 or 9. The programme offered rewards for a wide range of health- and education-related behaviour and educational outcomes (see below). For elementary and middle-school students, attendance on at least 95 per cent of school days earned the family $25 per month, while high-school students were rewarded with $50 per month. The randomized impact analysis showed that the programme had no effect on the attendance rates of 4th and 7th graders (Riccio et al. 2010). On the other hand, positive effects on attendance were found among 9th graders, where the proportion of those attending on at least 95 per cent of school days was 5 percentage points higher in the programme group than in the control group.

One experiment that rewarded human capital-related behaviour other than enrolment or attendance was the *Earning by Learning* experiment in Dallas carried out by the Education Laboratory of Harvard University. In the experiment Grade 2 pupils in the treated group received $2 for each English language book read, while no financial incentive was applied in the control group. The experiment showed no overall effect of the treatment on test scores, but this hided an important heterogeneity: reading scores for native English speaker students improved significantly (by 0.221 standard deviation), while those for non-native speakers declined (Fryer 2011).

Some of the programmes reviewed here make cash transfers conditional on **performance** at school, rather than on some behaviour related to human capital accumulation. Most are **positive incentive** programmes – the transfer is paid after the specified outcome has been achieved by the participant. The results of such programmes were also mixed, according to the impact studies reviewed. For example, performance-related transfers had no effect, according to two experiments conducted by the Harvard Education Laboratory, as reported in Fryer (2011). In New York's *Spark* programme, grade 4 pupils were rewarded with $5 for completing tests (10 during the year) and $25 for a perfect score, while rewards were doubled for grade 7 students. In *The Paper Project* (Chicago), rewards for grade 9 students were dependent on marks in the five most important school subjects (rewards decreased gradually from $50 for an A to $0 for a D).

The effects of transfers linked to schooling outcomes were also weak in the *Opportunity New York City* programme. It offered several rewards for satisfactory school performance. Proficiency-level scores in annual mathematics and English language tests were rewarded with $300–350. A student who accumulated 11 course credits per year could earn $600. Students could earn $600 each time they passed a Regents exam (up to five exams) and high-school graduation was rewarded with a $400 bonus. According to the evaluation results, the proportion of those earning at least 11 credits was 8 percentage points higher in the programme group, while the proportion of those passing at least two Regents exams was 6 percentage points higher; but overall the programme had no effect on the test scores of 4th and 7th graders (Riccio et al. 2010).

In other experiments, positive incentives proved to have a positive effect on student achievement. Bettinger (2012) presents an analysis of an experiment carried out in the city of Coshocton (Ohio), a poor, disadvantaged community. Each year, half of all the students in grades 3–6 became eligible for a financial incentive, which could be up to $100 for the successful completion of standardized testing. The randomized impact evaluation of the experiment shows that mathematics scores improved by 0.13 standard deviations, but the estimated effect in other subjects (reading, social sciences, science) were small and imprecisely estimated.

Levitt et al. (2012) analysed experiments in three low-performing school districts around Chicago, where participants were elementary school students (grades 2–8) and high-school sophomores. This study investigated the effect of short-term incentives: rewards for any improvement on the baseline scores were announced immediately before the regularly scheduled sessions of standardized tests. Thus students could improve their performance through concentration and effort while writing the test, rather than by preparing better for it. The results of randomized impact evaluation show that both financial and non-financial incentives have a significant impact on performance, improving test scores by about a tenth of a standard deviation.

RESULTS OF CCT PROGRAMMES RELATED TO POST-COMPULSORY SCHOOLING

A positive effect of financial incentives for **enrolment** after the age of 16 was seen in the evaluation of the UK's *Education Maintenance Allowance* (see programme details in chapter 2), which rewarded students from low-income families who remained in full-time education after the school leaving age. Dearden et al. (2009) analysed the effects of the pilot programme, which was launched in 1999 in a

non-experimental setting.[38] Multivariate statistical analysis shows that the programme increased the probability of students staying on in education after the age of 16 by 4.5 percentage points, while the share of those who studied for two additional years increased by 6.7 percentage points.

The *Quantum Opportunity* experiment in the US[39] paid high-school students a stipend for every hour of educational activity, developmental activity and community service. They could also earn a matching amount when they obtained their high-school diploma or General Educational Development certificate and enrolled in post-secondary education or training. It was found that female programme participants got through high school to post-secondary education quicker than their counterparts in the control group, while the programme had no positive effect on male students (Rodriguez-Planas 2010).

In other experiments, financial incentives were tied to **performance** at school. One example was the *Monthly Grade Stipend* experiment, in which high-school pupils from low-income families could earn a monthly payment if they maintained A's and B's in the major subjects. Students in grade 9 received $50 if they had the required marks, while in grade 10 it was $55, and $60 in grade 11 (Spencer et al. 2005). A year after randomization, students in the programme group were 10 percentage points more likely to meet the performance requirement (61 per cent in the programme group vs. 51 per cent in the control group), but graduation rates were similar for the two groups.

Jackson (2010) investigated the impacts of the *Advanced Placement Incentive Program* (APIP) in Texas (see details in chapter 2), which includes cash incentives for both teachers and students for each pass obtained in an Advanced Placement exam. The programme targets low-income school districts with minority students, with the aim of improving college readiness. In this quasi-experimental study, the author uses aggregate school-level data and compares changes in outcome for cohorts in the same school before and after APIP to changes in outcome for cohorts in comparison schools. The finding was that cohorts in programme schools had more students taking the Advanced Placement exam, and by the second year programme schools had more students with high test scores and more students who had enrolled at a college in Texas.

Some programmes offer rewards for obtaining a high-school diploma. Angrist and Lavy (2009) evaluated the effectiveness of financial incentives that reward enrolment in secondary education in Israel in an experimental setting. Students in low-performing secondary schools were eligible for relatively small payments if they successfully passed from year 11 to year 12 and if they sat component tests of the secondary education matriculation exam, and they could receive a payment of $1,150 (max.) if they passed the exam. The researchers found that the intervention led to an increase in enrolment rates among girls (though the effect sizes were quite small).

Pallais (2009) investigated the effect of the *Tennessee Education Lottery Scholarship* (TELS) programme, which is a merit-aid programme, though a less-stringent eligibility requirement makes it

[38] The evaluation featured nine urban zones where the programme was introduced. These zones were usually characterized by relatively high deprivation rates, low rates of further education, and poor results at the end of the school year. As control groups, the authors of the evaluation selected nine educational districts that were similar to the experimental districts in terms of their observable characteristics.

[39] The demonstration was run at seven sites in the following cities: Cleveland; Fort Worth; Houston; Memphis; Philadelphia; Washington, DC; and Yakima, Washington.

more open to students from disadvantaged families than other merit-aid programmes. The programme gives $3,000 a year to students who enrol in four-year state colleges if they have a final high-school grade-point average (GPA) of 3.0 or above or if they have scored at least 19 in the American College Testing (ACT) exam. The eligibility requirement substantially expands the group of eligible students relative to other merit-based aid programmes, and the TELS programme is more inclusive of minority and low-income students (Ness and Noland 2007). This scholarship increases the return of scoring 19 or higher on ACT for students who cannot qualify with their GPA average. The result is that students do increase their ACT scores from below 19 to 19 or just above, but there is little change in the rest of the distribution. The scholarship seems to have had no effect on college preferences.

HETEROGENEITY OF PROGRAMME EFFECTS

The effects of conditional cash transfers are not always homogeneous across the targeted population. Several studies show differential effects by gender of the student. In the experiments in Israel, girls seemed to be more responsive than boys to financial incentives conditional on high-school or college performance (Angrist and Lavy 2009). Also in the *Quantum Opportunity* experiment, which employed incentives for both behaviour and outcomes, there was a larger effect in the case of girls. Rodriguez-Planas (2010) mentions as an explanation the possibility that young women may have more self-discipline, may be more likely to delay gratification, or may have lower discount rates than young men. There is also some evidence of differential effects by age. In the Levitt et al. (2012) study, older students were more responsive to financial incentives than to non-financial ones, while the monetary nature of rewards had no effect on the behaviour of younger students.

In some cases, effects varied by social status. In the case of the EMA programme in the UK, the effect of the transfer was found to be larger among students who came from families with few assets (who lived in rented housing).

Also, several studies show heterogeneous effects according to the level of school ability; but the direction of the effect varies from programme to programme. In the cases of the *Learnfare* programme in Wisconsin and the UK's EMA programme, the effect of the financial incentive was higher among low-ability students. In the case of the *Opportunity New York City* programme, on the other hand, effects were higher among students with better ability. Bettinger (2012) reports that in the Coshocton (Ohio) experiment, the effect of financial incentives on maths scores was U-shaped: there was a positive impact among students at the bottom and the top quarters of the ability distribution, while the effects in the middle of the distribution were insignificant.[40]

3.4. PROGRAMME DESIGN AND IMPACT

[40] Positive effects at the bottom of the distribution did not seem to push students over the proficiency threshold, while positive effects at the top of the distribution did help students move from scoring "proficient" to scoring "advanced" or "accelerated" in the mathematics test.

The previous section showed that impact studies have found mixed results in every broad category of CCT programmes considered. Positive effects and null effects of conditional cash transfer programmes were found among programmes that are conditional both on behaviour and on performance, and among programmes that apply both positive and negative incentives. These results suggest that other programme-design details (such as targeting, transfer size, monitoring of condition, sanctioning) and implementation quality are also important in determining impacts. Some experiments allow more insight to be gained into the way in which different design options affect programme impacts, by randomly assigning study participants to groups that receive different treatments and a control group with no transfer.

One crucial question in the case of CCT programmes is whether programme effects are really a result of the condition (incentive) applied, or whether a similar effect could be obtained by an unconditional transfer of the same amount. So far there has been no experimental testing of this crucial question in the developed-country context. Even in the case of low- and middle-income countries, only a few recent impact studies have examined the effect of CCTs versus UCTs (see Baird et al. 2011;[41] Akresh et al. 2013). In high-income countries, the closest to this ideal are probably experiments that have been conducted into the effect of different modifications to the AFDC in the United States. In these experiments, families in the treatment group were subject to the "new" rules (conditions related to child school attendance, for example), while control-group families received transfers according to the "old" AFDC rules. The majority of the impact studies evaluate the effect of conditional transfers against no treatment, and do not allow the effect of the conditionality itself to be quantified.

Other experiments vary some design parameter – for example, the amount or the timing of the transfer. A rich study in this respect is the Levitt et al. (2012) study of short-term incentives in three low-performing school districts around Chicago. Several types of incentives were tested (low financial, high financial, non-financial), which were framed as either gains or losses and were distributed either immediately after the standardized test or delayed (by a month). The results of randomized impact evaluation show that the incentives did have an effect on test scores, but there was substantial variation in effects according to the design and student characteristics. Incentives framed as losses had a consistently large effect, while incentives framed as gains had a large effect in two districts, but no effect in the third. Financial and non-financial incentives had the same effect among younger students, but older students were more responsive to financial incentives. Immediate incentives had a strong effect, while delayed incentives had no effect on student test scores. Thus it is important to make sure that any sanction or reward follows the behaviour in question with only a short time-lag. This is a crucial issue of programme-design implementation.

The Levitt et al. (2012) experiment also showed that higher financial rewards resulted in greater impact. This is in contrast to an analysis of the impacts of the *Advanced Placement Incentive Program* (APIP) by Jackson (2010), who concluded that the results were no better in schools that offered higher incentives. According to him, empirical evidence suggests that the APIP worked not because

[41] Results of this study show that participants in the CCT group were enrolled in school, on average, for 0.54 trimesters longer than the members of the control group (significant). The effect measured in the CCT group is twice as high as in the UCT group.

of some simple cost-benefit calculation by students. Rather, the programme succeeded in changing peer norms and teacher norms, increased emphasis on Advanced Placement courses, and increased the information given to students on the benefits of taking Advanced Placement courses. The programme was successful because it managed to change both attitudes towards achievement and the culture of schools (Sandel 2009).

Other experiments allow the effect of financial incentives and social services to be compared. The evaluation of the *Cal-Learn* programme offers a chance to investigate whether financial incentives or the effects of social services (case management) were more important in changing recipients' behaviour. In this study, young people entitled to social provisions were randomly assigned to four groups: a group receiving full provision (case management services and the financial awards and sanctions), a group receiving only case management services, a group benefiting only from financial awards and sanctions, and a control group (Mauldon 2000). Among those who received full provisions, the proportion of secondary-school graduates was 7 percentage points higher than in the control group (31 per cent compared to 24 per cent). Financial incentives and case management, investigated separately, had a similar impact on graduation, though the impact was significant only in the case of the financial incentives (3.7 percentage points); for case management it was not significant (3.2 percentage points). In summary, we can conclude that the two components of the transfer contributed almost equally to the overall impact of the programme. Since the complex impact of the transfer was more or less equal to the sum total of the two programme components, we can also conclude that there was no significant synergic impact (interaction).

3.5. RESULTS ON ADVERSE EFFECTS OF CCTS

3.5.1. CROWDING OUT OF INTRINSIC MOTIVATION

An important question is whether financial incentives are capable of generating a persistent change in behaviour, or if effects are short term and fade away when the incentive is removed. According to standard economic models and behavioural psychology, financial incentives can have long-term effects that persist after the removal of the incentive, especially if they create a studying habit, if they reduce distaste for learning, or if they increase human capital and thus reduce the costs of learning (Rodriguez-Planas 2010). On the other hand psychological studies emphasise that financial incentives can also have a negative effect on educational outcomes in the long-run if incentives crowd-out intrinsic motivation.

Empirical studies attempt to measure crowding out in two ways: a negative effect of the financial incentive for educational outcomes is often regarded as a sign of crowding-out, and direct survey questions are also used to measure this phenomenon. An empirical implication of crowding-out in the long term would be to see a negative effect of the financial incentive of an educational outcome when the incentive is removed. For example, Bettinger (2012) concludes that there is no sign of crowding-out in the Coshocton experiment, since the long-term effect – despite being lower than the

short-term effect – is non-negative (zero). Bettinger (2012) and Fryer (2011) find no sign of crowding-out on the basis of survey questions either.[42]

In general, results are mixed in terms of the persistence of the effects of financial incentives. In the *Quantum Opportunity* experiment, the large positive short-term effects on high-school graduation rates and college attendance proved to be short-lived. Five years after the end of the programme, it had no statistically significant educational or employment impacts on participants. Control-group members eventually caught up with the treatment group in terms of high-school completion and post-secondary enrolment (Rodriguez-Planas 2010). Bettinger (2012) also reports that positive effects on maths test scores in the Coshocton (Ohio) experiment did not persist into the following year.

In contrast, several studies do find positive effects to persist. A study by Dee (2011) on the Wisconsin *Learnfare* experiment reanalysed the results of a previous analysis of the data, which had concluded that the effects of *Learnfare* were short term, if indeed there were any at all. Dee (2011) argues that there is no evidence that the longer-term effects were significantly lower than the short-term effects. Persistent effects were also shown in the *Advanced Placement Incentive Program* in Texas, which included cash incentives for students for each pass mark obtained in an Advanced Placement exam. Students treated in the programme had higher college attendance rates, higher college grade-point averages, and were less likely to drop out of college (Jackson 2010).

3.5.2. NON TAKE-UP IN CASE OF CONDITIONAL TRANSFERS

Unfortunately experimental and quasi-experimental studies reviewed so far do not address the issue of the effect of behavioural conditions on non-take-up of cash benefits. A lack of knowledge about the programmes and significant private costs of welfare participation could discourage eligible families to participate. Private costs of participation can be related to the costs (time and money) of the application process, and also to stigma associated with welfare participation.

Quantitative results regarding this issue are generally also scarce in the literature. One related study that addresses the issue of take-up of a conditional benefit (although not with conditions related to children) is Stuber and Kronebusch (2004) who study determinants of take-up of *TANF* in 10 states of the US in a survey of community health centre patients. They study different individual determinants of non-participation such as stigma, misinformation, enrolment barriers and also look at whether state welfare policies affect the decision to take up the benefit. According to the hypothesis, take up depends on an overall index of TANF "stringency" which includes the existence of behavioural conditions (job search requirement), the severity of sanctioning and other welfare policies (time limit, welfare diversion) in the given state. The analysis finds that stricter *TANF* policies are indeed associated with lower enrolment in the programme. The analysis also shows that non take-up is associated with stigma but not with other private costs of enrolment.

[42] On the other hand, in the Amsterdam University experiment, Leuven et al. (2010) found evidence of external rewards crowding out intrinsic motivation among the least-able students. While the effects remain positive among the high-ability students after the incentive is removed, the study finds a negative effect in the case of low-ability students. This is interpreted as a sign of loss of internal motivation as a result of poor performance and negative feedback during the experiment.

In general there is little evidence on the issue of welfare stigma and non-take-up in the case of conditional benefits. Among the programmes covered in our case studies, the issue of non-take-up is the most severe in case of the *Child Allowance* in Bulgaria. According to estimates, 30 per cent of eligible households do not claim the transfer (Tasseva 2012). The reasons for non-take-up and in particular, the role of conditionality were not studied in this analysis.

3.6. SUMMARY

As underlined in Chapter 1 CCT programmes aim at fostering human capital accumulation by conditioning transfers on the use of public services or by linking transfers to some human capital outcome. Financial incentives are expected to motivate targeted families to increase service use or efforts to improve human capital outcomes. The literature also draws attention to possible unintended effects of CCTs. These are crowding out of intrinsic motivation when using financial incentives and lower take-up of transfer programmes as a result of the conditions and stigma related to conditional transfers.

In this section we have reviewed published evidence regarding impacts of CCTs. According to reviews of impacts of CCT programmes on human capital accumulation in low and middle-income countries, CCTs have a positive impact on the use of health and education services. Utilization of preventive health services, school enrolment and school attendance have generally improved as a result of CCTs. Effects on longer-term human capital indicators (e.g. cognitive development in early childhood, learning outcomes, competed schooling) were weak however. Our review of impact studies from EU and high-income OECD countries show broadly similar results: indicators of service use improved but there was less effect on longer-term human capital indicators. Programme impacts frequently show considerable heterogeneity according to age, gender, income status.

One major drawback of the existing literature that most of the studies reviewed compare CCT to no treatment and does not tell much about the very effect of the conditionality. To study this experiments specifically designed to compare CCTs versus UCTs are needed. The few such experiments that have been carried out (in low-income countries) show a stronger effect in case of conditional transfers. This corresponds to the finding of a meta-analysis of earlier evaluation results, which also show a stronger effect of CCTs compared to unconditional transfers on behaviour that was conditioned.

The review of impact evaluation studies in EU and other high-income countries show that programmes conditional on human capital-related behaviour (school enrolment, attendance) generally have positive effects on these behaviours, while incentives that target school performance have mixed results. Results were not conclusive whether positive or negative incentives lead to stronger impacts: positive effects and null effects of conditional cash transfer programmes were found among both types of programmes. These results suggest that other programme-design features (such as targeting, transfer size, monitoring of conditions, sanctioning) and implementation quality are also important in determining impacts.

After reviewing existing impact studies it seems clear that the actual state of research is incomplete in several aspects. More research is needed on the very effect of conditionality, separate from other programme elements, especially in the context of high-income countries. More research is needed

on programme design in the form of experiments where the impacts of differently designed treatments can be tested in a uniform framework. There is also a need for more research on potential adverse effects of conditionality in transfer programmes such as the link between conditionality, stigma and programme take-up.

Table 3.A.1. Summary of randomized evaluation studies reviewed

Intervention and study	Treatment	Targeting	Financial award/penalty with condition	C	Effect
Health					
Opportunity NYC, New York (Riccio et al. 2010)	Financial incentive	Families with children and income below 130% of the federal poverty level	**Reward:** • $20/month for keeping health insurance coverage and $50 if children remain covered • $200 for annual check-ups, evaluation of children under 30 months • $100 for preventive dental care, follow-up visit	B-H	• No effect on percentage who had a health check-up overall • +4 percentage points in percentage visiting a personal doctor • -3 percentage points in proportion having period without health insurance coverage • +10 percentage points having at least two dental visits
Primary Prevention Initiative, Maryland (Minkovitz et al. 1999)	Financial incentive	AFDC recipients	**Penalty:** • $25 monthly penalty if preventive healthcare services, including vaccinations, are missed within the specified time	B-H	• No difference in mean number of visits and vaccination rates between programme and control groups
Preschool Immunization Project, Georgia	Financial incentive	AFDC recipients	**Penalty:** • Up-to-date immunization status checked at six-monthly intervals for children 6 or younger or loss of welfare	B-H	• Children in the programme group significantly more likely to be up to date on at least four of their vaccinations
Primary, secondary schooling					
Wisconsin Learnfare (Dee 2011)	Several changes to AFDC, including school attendance	AFDC eligible teens (13–19, parents or living with parents, no high-school diploma)	**Penalty:** • Family loses $60–190 from welfare in case of two unexcused full-day absences/month	B-E B-A	• Increase in months enrolled by 3.7% • 3.4 percentage points (4.5%) rise in attendance rate (percentage of school days)
Ohio Learnfare	Financial sanction	School-age children of	**Penalty**: • Deduction of student's benefit for two or more	B-A	• +0.07 school day per month of attendance at larger, urban site

Intervention and study	Treatment	Targeting	Financial award/penalty with condition	C	Effect
(Greenberg and Schroeder 2003)		families on public assistance	unexcused absences in a month on two or more occasions during the school year		• +0.17 school day at smaller rural site
Cal-Learn, California (Mauldon 2000)	Three treatment groups: 1) Full: services + incentives 2) Services only 3) Incentive only	Pregnant or teen parents with custody of their child, not graduated	**Bonus and penalty:** • $100 bonus to the family welfare cheque for satisfactory progress • $100 deducted for unsatisfactory progress or dropout • $500 bonus for the teenager in case of graduation	B-EP	• Positive effect on graduation (GED): Full CL: +7 points (115%), Financial incentive only: +3.7 points (61%) Services only: +3.2 points (52%), non-signif. Negative effect on dropout: Full CL: -9.8 points (19%) Financial only: -7.6, Services only –5.8, non-signif.
Achieving Change for Texans (ACT) (Schexnayder 2002)	Three groups: 1) Time limit only 2) Expanded eligibility + personal responsibility 3) 1+2	Recipients of TANF	**Penalties:** • Those not complying with Parental Responsibility Agreement received penalties $25-$75 per month, or up to $125 for two-parent families	B-A	• No effect on school attendance and immunization rates
Learning, Earning, and Parenting, Ohio (Bos and Fellerath 1997)	Financial incentive + social services (case management)	Teen parents	**Reward and penalty**: • $62 for enrolment and $62/month for regular attendance (no more than two unexcused absences and four total absences per month) • $62 docked from welfare cheque if not attending regularly	B-E B-A	• First year: +0.6 months enrolled in high school • Three years after randomization: +4.6 percentage points ever completed grade 11 • Effect on graduation is mixed (only for those attending high school at randomization)
School Attendance Demonstration Project, San Diego (Jones et al. 2002)	Financial incentive + social services (case management if needed: service broker, advocate, attendance monitor)	All children aged 16–18 in families on welfare	**Penalty**: • Teen withdrawn from parents' assistance grant if attendance fell below 80% for two consecutive months and orientation meeting was not attended	B-E B-A	• Percentage of those complying with attendance requirement increased by 3–9% • No effect on graduation rate
Teenage Parent Demonstration Project,	Financial incentive and services (intensive case management)	Teenage mothers with one child entering	**Penalty:** • Reduction of AFDC grant generally $160 in New Jersey and $166 in Chicago if the client persistently failed to participate in required	B-E B-A	• +12 percentage points (12%) in school enrolment but it did not improve average reading or maths skills • Only one of the three TPD programmes

Intervention and study	Treatment	Targeting	Financial award/penalty with condition	C	Effect
New Jersey and Chicago (Maynard 1993)		welfare (AFDC)	activities		increased the high-school graduation rate.
A Better Chance, Delaware (Fein et al. 2001)	Work incentives + parenting requirements + family cap	All children in school of families on welfare	**Penalty:** • Reduction of welfare check if 15% or more unexcused absences, or local districts set own standards	B-A	• Weak effect of sanctions on changing behaviour in education
Opportunity NYC, New York (Riccio et al. 2010)	Financial incentive	Low-income families with at least one dependent child in grades 4, 7 or 9	**Reward:** • $25 a month if attended min. 95% of school days ($50 in high school) • $300–350 for proficiency-level score in annual maths, English test • $600 for 11 credits per year and for passing Regents exam • $400 bonus on graduation	B-E B-A P	• No effect on attendance rates for 4th and 7th graders • +5 points attending 95% for 9th graders • No effect on test scores of 4th and 7th graders
Earning by Learning Dallas, (Fryer 2011)	Financial incentive	Every 2nd grader	**Reward:** • $2 for each completed Accelerated Reader (AR) quiz with at least 80% of questions answered correctly	B	• No overall effect on state maths and reading test score • +0.221st.dev for native English speakers, −0.164st.dev for English language learners • Effect on number of books read could not be observed
Spark, New York (Fryer 2011)	Financial incentive	4th and 7th grade students	**Reward:** • $25 /assessment max. in 4th grade • $50 /assessment max. in 7th grade • $5 (4th grade) or $10 (7th grade) for taking an assessment	P	• Small, non-significant effect on maths and reading state assessment scores • Significant negative effect on incentivized tests (e.g. −0.115σ (0.047) in maths for 7th graders)
The Paper Project, Chicago (Fryer 2011)	Financial incentive	9th graders in high schools with the lowest graduation rates	**Reward and penalty:** • $50 for each A, $35 for each B, $20 for each C, and $0 for each D in English, maths, science, social science, and gym • In case of an F, temporary “loss” of all earnings	P	• Small, non-significant effect on maths and reading state assessment scores • Modest impact on grades: 0.093σ (0.057) in GPA and 1.979 (1.169) credits earned

Intervention and study	Treatment	Targeting	Financial award/penalty with condition	C	Effect
Coshocton, Ohio (Bettinger 2012)	Financial incentive	Students in grades 3–6	**Reward:** • $15 if scored proficient and an additional $5 if scored advanced or accelerated at standardized testing.	P	• +0.13 standard deviations in maths scores, effect in other subjects small and imprecisely estimated
Levitt et al. (2012)	Financial and non-financial incentives	Elementary school pupils (grades 2–8) and high-school sophomores	**Rewards:** • Low financial ($10), high financial ($20), non-financial incentives for improvements on baseline scores • Incentives either framed as gains or losses and distributed either immediately after the test or delayed (by a month)	P	• Incentives framed as losses had large effect • Incentives framed as gains had large effect in two districts, but no effect in the third • Delayed incentives had no effect on student test scores
Achievement Awards, Israel (Angrist and Lavy 2009)	Financial incentives that reward secondary education matriculation	Students in low-performing secondary schools	• $1,150 max. if passed matriculation exam • Smaller payments if passed from year 11 to year 12 and for taking component tests	P	• Insignificant effect overall on matriculation rate • Significant effect for girls: matriculation rate increases by 10 percentage points (33%) • Zero effect for boys
Monthly Grade Stipend, US (Spencer et al. 2005)	Financial incentive	Students who qualified for federal free school lunch programme, grades 9, 10, 11	• $50 for 9th graders if maintained A's and B's in major subjects • $55 for 10th graders • $60 for 11th graders	P	• 10 percentage points more likely to meet the performance requirement (61% in the programme group vs. 51% in the control group) • Graduation rates similar for the two groups
Quantum Opportunity, US (Rodriguez-Planas 2010)	Intensive case management + services (education, community), developmental activities + financial incentive	9th graders at a high school with a dropout rate >40% GPA below the 67th percentile	• Stipend ($1.25) for every hour of educational or developmental activity and community service • Matching amount accumulated on an account until graduation • Bonuses for high-school diploma, GED and enrolling in post-secondary education or training	B P	• Last year of demonstration: +7 percentage points (18%) in the high-school graduation rate; +6 percentage points (23%) in likelihood of attending college • No significant effect on test scores, grades, credits • No long-term effect on education outcomes
Tennessee Education	Financial incentive	Open to 65% of graduates,	• Yearly $3,000 to students enrolling in four-year state colleges if they have a final high-	B-E B-A	• +6 percentage points (14%) in proportion of students with ACT scores of 19 or above, but

Intervention and study	Treatment	Targeting	Financial award/penalty with condition	C	Effect
Lottery Scholarship (Pallais 2009)		especially inclusive of African Americans and low-income students	school GPA 3.0 or above or have scored at least 19 in the ACT test	P	little change in the rest of the distribution

Note: The fifth column describes types of conditions applied in the programme: B stands for conditions governing behaviour (B-E: school enrolment, B-A: school attendance, B-H: health related behaviour), while P stands for conditions governing school performance.

4. IMPLEMENTATION AND COST-EFFECTIVENESS OF CCT PROGRAMMES

This section concentrates on issues related to the implementation and cost-effectiveness of CCT programmes. The first part (section 4.1.) discusses the most important steps in the implementation process. The second part (section 4.2.) describes the various ways in which the relationship between costs, outcomes and impact can be analysed; introduces the key cost components of cash transfers and discusses questions regarding the measurement of benefits arising from these transfers. Finally, results concerning cost-effectiveness of CCT programmes are presented.

4.1. IMPLEMENTING CONDITIONAL BENEFIT SYSTEMS

Administrative capacity is crucial for the adequate functioning of CCT programmes. Behavioural conditions make administration of such programmes more complex than in the case of unconditional transfers. Researchers and policy makers constantly draw attention to the fact that the success of a programme depends greatly on its implementation. In the following pages, we describe the most important issues in programme implementation, including targeting, benefit payment, monitoring and enforcement of compliance with conditions.

4.1.1. TARGETING

Four main types of targeting methods are discussed in the literature: income testing, proxy means testing, geographical targeting and categorical targeting (Grosh et al. 2008).

Geographical targeting implies choosing the geographical area whose population would be eligible. It channels transfers to the poor of the area affected who have a higher-than-average poverty rate (Fiszbein and Schady 2009). The aim of this targeting mechanism is to enable that area to catch up with the average. Geographical targeting is low cost and simple; but it only works well if the targeted area is relatively homogeneous (Paes-Sousa et al. 2013). As conditional cash transfers sometimes have the specific goal of breaking the vicious cycle of poverty reproduction among certain groups of society, categorical targeting can also be used to select eligible households. In this case, individuals are selected on the basis of a certain demographic characteristic – e.g. they should include pregnant women, or children, or school-age youth (ibid.).

More sophisticated targeting methods are based on an assessment of the situation of every individual or household. One way to identify the poor is through income (and/or wealth) testing, whereby a household's measurable income (and/or wealth) is compared to a predetermined poverty line (Grosh et al. 2008). If proper income testing is not feasible, countries can apply a proxy means test (PMT). This method is based on the identification of certain individual or household characteristics that are statistically related to poverty (such as age, number of children, employment status, etc.). By the use of statistical methods, individuals/households are assigned scores based on their characteristics. These scores are then compared to a predetermined eligibility threshold. PMTs can vary considerably from country to country, depending on the characteristics collected (ibid.). When income testing and PMT are compared, PMT seems better at identifying the consistently poor, but less adequate for following income changes over time; which makes it less suitable to identify the temporarily poor. With PMT, it is harder for claimants to understand their eligibility, and for the

authorities to implement the programme (ibid.), but proper income testing requires a high level of administrative capacity.

The targeting mechanism chosen must minimize targeting errors, which may be of two types (Grosh et al. 2008). An *inclusion error* means including as beneficiaries a family that would anyway ensure that the children attend school or use the health services, even if it did not receive the cash transfer. Inclusion errors constitute a problem for effectiveness, as they place an unnecessary burden on the budget of the CCT programme. An *exclusion error* arises when a poor household that needs the transfer is not registered as eligible. Both errors undermine the credibility and the political support of the CCT programme, as it becomes more difficult for the programme to achieve its initial goals. Income testing might come closest to the goal of minimizing both types of targeting errors, but (as argued above) it is demanding in terms of administrative capacity. If proxy means testing is applied, it is impossible to exclude both types of error, as there is a trade-off between under-coverage and "leakage".[43]

Targeting can be further improved by administrative controls. As Paes-Sousa et al. (2013) state, the careful and active management of high-quality beneficiary registers is needed if targeting errors are to be reduced. It is important to maintain a register from the very first moment of CCT administration, and to update it regularly after monitoring the beneficiaries. If these administrative systems are not in place, the necessary recertification of eligible households cannot be done in time, which reduces the efficiency, effectiveness and credibility of the programme. Targeting errors can be reduced by good validation, grievance-redress mechanisms and transparency. Transparency improves the operation of targeting systems, especially in rural areas, where the population can help to identify the errors of bad targeting. However, the central authorities must engage in monitoring, so as to avoid local capture of the validation mechanism, when local actors influence the process of monitoring according to their interests (ibid.).

4.1.2. ENFORCEMENT AND MONITORING OF BEHAVIOURAL CONDITIONS

For a CCT programme to be effective, it is crucial to monitor beneficiaries' compliance with the prescribed conditions. This means the continuous collection and processing of administrative data, in order to monitor certain indicators of the programme. Compliance verification may be as frequent as every month, or as infrequent as once a year. Various actors are usually involved in collecting data on compliance: education and health service providers, local government and other implementing institutions. Besides officially collected data, participants may also be monitored through spot-checks, interviews, questionnaires or surveys (Fiszbein and Schady 2009).

The verification procedure requires significant administrative capacity, involving beneficiaries, payment agencies and providers of the service. Sometimes other sub-governmental administrations and non-governmental organizations also take part (ibid.). Programme operators usually receive data either directly from the service provider or indirectly via the competent ministry or another central authority. The interaction between ministries and sub-national administrations is crucial for an

[43] E.g. Paes-Sousa et al. (2013) concludes that in Latin-American countries if a programme reaches over 50 per cent of the poor with a leakage of only 25 per cent, it can be considered adequate, since this outperforms most pre-existing social protection programmes.

adequate information flow. The involvement of service providers causes some difficulty in cost-benefit analysis, since certain costs borne by the providers do not show up as costs of the CCT programme. This can generate tension between service providers and programme operators and should be taken into account when designing the programme (Paes-Sousa et al. 2013).

In programmes that apply negative incentives, participants are sanctioned if they fail to meet the conditions attached to the transfer. Sanctions can mean a reduction or (usually temporary) suspension of the benefit, followed by complete withdrawal if non-compliance persists. In some cases, non-compliance is an indication not of unwillingness to comply, but of inability to do so because of financial or other external reasons (absence of transport, lack of services, cultural factors or operational problems with the programme) (ibid.). Certain programmes react to non-compliance by sending out social workers to investigate the reason behind the non-compliance and to remedy the situation. Benefits are then usually not reduced or eliminated, unless in case of lack of cooperation with the social worker (Fiszbein and Schady 2009).

4.1.3. OTHER ADMINISTRATIVE ISSUES

DELIVERY OF SOCIAL SERVICES

As conditional cash transfers usually include objectives involving the use of educational and/or healthcare services by the households targeted, an additional administrative burden falls on education and healthcare providers to ensure that the services in question are available in sufficient quantity and quality (Paes-Sousa et al. 2013). CCT programmes often present a serious challenge to the institutions supplying the social services in question. Paes-Sousa et al. (2013) argue that governments planning to introduce a CCT must be aware of the additional costs it represents in terms of the expansion of the supply of health and education services. These additional costs include infrastructural investments, as well as the recruitment of high-quality personnel and the operation of expensive information and registration systems. Steta Gandara (2011) takes the opposite view: she argues that co-responsibilities have to be adapted to the availability and quality of services. She favours the decentralization of services, as municipalities can fine-tune local services and requirements better than central government can.

CCTs require “an efficient and effective system to register services, intersectoral coordination with clearly defined roles, investments to strengthen decentralized services, training of personnel: from the community level to the central level, an effective management information system” (Steta Gandara 2011: 19). Coordination is fundamental, as usually it is not the cost, but the complexity of the problem that is the greatest challenge: national and sub-national administrative authorities usually do not have sufficient capacity to undertake the additional effort that CCT programmes require (Paes-Sousa et al. 2013).

PROGRAMME MONITORING AND EVALUATION

Monitoring and evaluation provide feedback about the implementation and about the effects of a CCT, and thus provide increased credibility and political support for the programme. At the same time, adequate monitoring and professional evaluation absorbs considerable resources from the budget of a programme, and requires highly qualified personnel and evaluators (Paes-Sousa et al.

2013). Monitoring provides information on how implementation of the programme is carried out across diverse actors and processes. Lack of reliable data makes it more difficult to engage in monitoring activities; thus the timely supply of data can have an impact on the quality of monitoring of the programme. The problem is even more important in low- and middle-income countries where statistical bodies are relatively underdeveloped, while financial barriers impede reliable data collection (Fiszbein and Schady 2009).

Data collection for monitoring is usually carried out by the programme personnel. They gather data on "applicants' socioeconomic characteristics, eligibility status, date of program incorporation, compliance with co-responsibilities, payment of transfers, and whether individuals and households are still active beneficiaries or have exited the program" (Paes-Sousa et al. 2013: 36). Advanced systems also contain information about inputs, in terms of financial and human resources, to make evaluation easier. The programme personnel usually needs an advanced management information system to carry out this monitoring (ibid.).

Evaluation focuses on programme outcomes and impacts. It investigates whether the CCT programme is operating successfully in terms of processes, results, effectiveness and efficiency (ibid.). Contrary to monitoring, which always takes place in some form, evaluation of programmes is not always carried out. When the organizing agency decides to commission an evaluation of the programme, this is usually conducted by external experts or an independent party.

These experts can apply qualitative and quantitative methods during the evaluation of a programme. For their qualitative analysis, possible methods are interviews with programme personnel, CCT applicants and CCT beneficiaries. For a quantitative analysis of programme impacts possible methods are randomized experiments and non-experimental methods. Randomized experiments are mostly used for impact evaluations, while efficiency/effectiveness studies use cost-benefit analysis and cost-effectiveness analysis (ibid.).

CUSTOMER SERVICE (CUSTOMER CARE AND CASE MANAGEMENT)

Several studies have emphasized the importance of adequate service management in connection with CCTs (Paes-Sousa et al. 2013; Steta Gandara 2011). Customer service handles the communications between the programme administrators and the beneficiaries. Developed customer services can reduce individual costs associated with participation in the programme and might thus increase take-up of the transfer.

Beneficiaries usually seek customer service in relation to guidance and information, the application process and complaints about the operation of the CCT programme. If there is any change in the status of the family that could have an impact on CCT eligibility, household members can seek help from customer service offices. In most countries, customer service is available in person or via email or telephone, in order to maximize accessibility. Lessons learned from Latin American CCT programmes show that it is preferable to separate customer service management from other operations of the CCT administration, as the personnel is then able to focus exclusively on beneficiaries, their requests and complaints (Paes-Sousa et al. 2013).

Customer services can provide programme operators with much useful feedback, which needs to be processed and used to improve the programme. At the same time, it is important because for some

families, this help can be strategic, assisting them actually to become beneficiaries, rather than only to be eligible (ibid.).

AUDITING AND TRANSPARENCY

Audits are performed in different ways. In top-down mode, they are conducted by formal administrative units (as well as in the shape of internal monitoring). Bottom-up strategies work through the direct involvement of communities. Top-down strategies are more formal; they have the advantage of professionalism, and are less likely to be influenced by nepotism or corruption. At the same time, however, they fail to involve local communities, and so they may miss local specificities. Bottom-up strategies make the community feel engaged and capable of influencing potential changes to the design or implementation of the CCT programme (Paes-Sousa et al. 2013). In terms of administration, adequate auditing requires sophisticated IT systems and a complete database covering the characteristics of all beneficiaries.

RECERTIFICATION AND GRADUATION

When governments first embarked upon conditional cash transfer programmes, they envisaged that the initiatives would last for only a certain time. However, many programmes became open-ended interventions, and in most cases the number of beneficiaries increased significantly. In certain countries where economic growth was rapid, the number of beneficiaries overtook the number of poor. In recognition of this, governments created “graduation” and “recertification” procedures (Paes-Sousa et al. 2013).

“Graduation” is when an eligible household steps above the poverty line. “Recertification” is the review of eligibility. Usually recertification occurs every two or three years. Households are asked to provide the competent authority with the documents necessary to prove eligibility. If a household fails to undertake the recertification process, then – after a number of warnings – it may be excluded from the benefit. Recertification is growing in importance, as low- and middle-income countries (where CCTs are most common) become richer (ibid.).

4.1.4. ISSUES OF IMPLEMENTATION IN CASE STUDIES OF CCT PROGRAMMES

In this section we briefly review issues of programme implementation related to targeting, efficiency of implementing conditionality, delivery of services, monitoring and evaluation and potential problems connected to decentralized implementation.

In case of three of the programmes covered (*Child Allowance* in Bulgaria*, EMA* in the UK *and School Allowance* in Belgium) targeting is done using a means-test. In case of the *Kindergarten Allowance* in Hungary targeting is based on combination of information about family income and about educational attainment of parents. Families are entitled to the transfer if the parent/guardian of the child has not completed more than eight years of elementary school. Using information on parental education to target CCTs is interesting since insufficient information about the value of human capital investment or low aspirations are more likely to occur among parents with low education level. This might be an alternative way to channel transfers to those families where a change in

behaviour is most likely to occur. In case of the Social Mitigation Programme in Turkey targeting is done using a proxy means test.

The programmes covered in the case studies differ in the efficiency of administering conditionality. Administrative barriers and lack of information mean that there is frequently a time-lag between non-compliance and sanctions. This can weaken the incentive, as beneficiaries may not associate the sanctions with non-compliance. An example of a programme where sanctions follow non-compliance closely is the *Child Allowance* in Bulgaria, the benefit is automatically withdrawn in the month following any month in which the child has five unexcused absences from school. In the case of the *School Allowance* (*Schooltoelage)* programme in Belgium the condition relates to a much longer period (two years) and the sanction falls if a pupil misses school for 30 (or more) half-days during the year and if this occurs in two consecutive academic years. In such as case the violation of the condition (truancy) and the consequence (repaying the money) can be distant in time, which might be less effective in raising awareness among parents.

The lack of an adequate supply of services was problematic in the case of the *Kindergarten Allowance* in Hungary (Kertesi and Kézdi 2014). According to experts more investment is needed to boost capacity and increase service quality (e.g. with training and motivation of kindergarten teachers) in order to enhance the programme's positive effects. This programme has also been criticized for the lack of supporting services. According to experts the programme should encourage the active involvement of parents, with a view to improving their parenting skills and supporting their integration into the local community.

Among the programmes covered in the case studies *Kindergarten Allowance* in Hungary and the *16-19 Bursary* programme (which followed *EMA* in England) are implemented using a decentralized mechanism. Although this has certain advantages, also drawbacks of decentralized administration were mentioned in the case studies. For example, in the case of the *Kindergarten Allowance* programme local municipalities are responsible for the administration of the benefits. Municipalities have certain decision rights such as deciding about whether to pay benefits in cash or in kind. In the first years of programme, decentralized implementation resulted in substantial regional variation in programme take-up rates.

In the *16-19 Bursary* programme the size of the allowances is partly up to the educational institution concerned, which means that students do not know the amount of the grant they could receive when they make their educational choices. Also, the grant amount could be different whether a student continues in vocational school or in higher education, which is an unnecessary interference to educational choices according to the experts. One reason for this fragmentation is that education and higher education are the responsibility of two different departments (Department of Education up until 18; Business, Innovation and Science afterwards).

In terms of monitoring and impact evaluation, in the case of two programmes the *School Allowance* in Flanders and the *Child Allowance* in Bulgaria there are no rigorous quantitative impact assessments; the information about impacts comes from qualitative studies and expert interviews. Independent, quantitative impact evaluations were conducted for the other three programmes, although in case of the *Kindergarten Allowance* in Hungary this was not commissioned by the responsible authorities and the lack of proper internal evaluation was also mentioned in the expert interview.

4.2. MEASURING COSTS AND BENEFITS OF CCT PROGRAMMES

4.2.1. KEY COST COMPONENTS OF CASH TRANSFERS

Analyses often focus only at the administrative costs of social programmes, while overlooking several other costs that should be measured or estimated. Here the key cost components of CCTs are introduced. Which costs are actually taken into consideration and involved in the policy decisions depends on the perspective of the policy maker. The costs can be judged from the perspective of the implementing organization or ministry, or from the perspective of society as a whole.

PROGRAMME COSTS

Programme costs include the transfer amount itself and administrative costs. Whether or not the transfer payment should be involved in the evaluation depends on the perspective of the analysis: if it is solely from the government perspective, the transfer payment should be included; but if it is from the perspective of society as a whole, then transfers from one group in society to another simply cancel each other out, and so should be excluded (McEwan 2012). Administrative costs arise because policy makers have inadequate information; obtaining that information and frequently re-evaluating it is costly (van de Walle 1998). White et al. (2013) break down the administrative costs into the key components shown in Table 4.1.

Table 4.1. Key cost components of administrative costs

Set-up costs	Costs of design, planning, training and major system investments
Roll-out costs	Costs of targeting/retargeting and enrolment of beneficiaries
Operational costs	Recurrent implementation costs, e.g. delivery of transfers
Monitoring and evaluation costs	Ongoing monitoring costs and the periodic costs of external evaluation

Source: White et al. (2013: 10).

Because of their multiple aims, Brent (2013) interprets conditional cash transfer programmes as a package of interventions that involves providing cash, imposing conditions and undertaking targeting. Each element has its own administrative costs, which implies that CCTs have higher administrative costs than UCTs. Moreover, key actors (like teachers or health workers) have important tasks in deciding whether beneficiaries meet the required conditions. These time inputs are usually neglected, even if they potentially take those actors away from their core activities (White et al. 2013).

Brent (2013) emphasizes that, in the case of CCT programmes, costs arise when the transfer is distributed, and also when there is a need to ensure that the long-run benefits resulting from the programme are achieved. Often it is not just demand-side interventions that are needed for the desired behavioural changes to be achieved, but supply-side interventions, too (e.g. adding schools when capacity is scarce).

PRIVATE COSTS

Brent (2013) draws attention to the often significant private costs to beneficiary families that result from the conditions imposed (e.g. the child labour earning forgone, transport costs, time spent by parents at required parenting meetings). These private costs have to be factored in if all costs of the programme are to be included.

Van de Walle (1998: 237–39) identifies other costs that can arise from incentive effects or behavioural responses. Like Brent, she emphasizes the hidden costs that reduce the net transfer benefits and the opportunity cost to beneficiaries. Moreover, she adds the costs that may be borne by beneficiaries who are close to an income cut-off point for eligibility and who prefer to give up other income sources in order to claim the assistance (which is a poverty trap). In addition, costs can arise for beneficiaries if the benefits of public support are shared between direct recipients and the donors of private transfers. “For example, a study of South Africa finds that each rand of public pension support provided to the parents of migrant workers decreased remittances to the parent from the migrant by as much as 0.2 to 0.4 rand” (van de Walle 1998: 239).

SOCIAL COSTS

Additional social costs can arise e.g. in case of social divisions between beneficiaries and non-beneficiaries that might arise as a result of the transfer or social stigma sometimes attached to transfers.

TECHNICAL QUESTIONS

After a systematic review of the key cost components, the question is how to include all relevant costs. Dhaliwal et al. (2011) recommend the “ingredients method”: all ingredients needed to replicate the programme should be taken into consideration using unit costs. However, they accept that sometimes it is reasonable not to include every possible ingredient cost in an analysis (e.g. if the cost of an administrator’s time is largely subsumed within his basic tasks). In such cases, the focus should be on incremental costs, which are the extra costs resulting from the introduction of the programme (Coady et al. 2005).

Another important question is how to treat the free resources (e.g. an input donated by an NGO) in the analysis. Dhaliwal et al. (2011) propose including the market cost of such resources, because they are relevant costs from the perspective of society as a whole, and because not all inputs that are available free to a smaller-scale project are available free if the programme is scaled up. The shadow price of contributed labour can be estimated quite easily (by combining salary and benefits), but it is harder to estimate incremental facilities costs. Using estimated leasing costs or annual amortization costs is a useful approach (McEwan 2012).

For policy purposes, it is useful to emphasize clearly how costs have changed over the lifetime of the programme. Fixed costs usually emerge at the beginning of the programme, while variable costs depend on the scale of the programme. A distinction between set-up costs (which are sunk costs) and capital costs is also useful (Coady et al. 2005). Dhaliwal et al. (2011) introduce a step-by-step

guide on how to convert all costs into common units, adjusting consistently for inflation, exchange rates and year of implementation (Table 4.2).

Table 4.2. Order of operation for aggregating costs

Step	Operation	Unit of Currency (e.g.)
1.	Gather cost data	2004, 2005 and 2006 pesos
2.	Exchange into United States dollars using the year-specific exchange rates	2004, 2005 and 2006 USD
3.	Deflate nominal costs back to real value in Base Year (2004) prices, using average annual US inflation rate over time elapsed between Base Year and incurrence of costs	2004 USD (incurred in 2004, 2005 and 2006)
4.	Take the present value of this cost stream using a 10 per cent real discount rate[44]	Present value (PV) of the cost stream in 2004, in 2004 USD
5.	Inflate forward to Year of Analysis (2010), using average annual US inflation rate over time elapsed between Base Year and Year of Analysis	PV of the cost stream in 2010, in 2010 USD

Source: Dhaliwal et al. (2011: 36).

4.2.2. MEASURING BENEFITS

A wide range of benefits should be taken into account when making a cost-benefit analysis of CCTs. These belong to two categories: short-run benefits resulting from the cash transfer and long-run benefits caused by the human capital investment. Cost-benefit analysis is considered to be the only framework that can assess a programme with multiple outcomes, though the monetary valuation of the benefits is highly problematic and often makes this type of analysis opaque. Dhaliwal et al. (2011) list some of the difficulties.

First of all, even the benefit of the cash transfer received is not obvious, because it can be assumed that the marginal benefit of an additional $1 is worth more to a poor household than to a wealthier one. The monetary value of an in-kind benefit (e.g. a free school meal) is also questionable: it is probably worth less to the child's family than the full cost at which it is provided. The reason is that the family would possibly spend less money on food for the child if they received the cash equivalent, and would choose to spend some of the transfer on other goods, which would lead to higher overall welfare.

Even more problematic is estimating the monetary value of the outcomes of human capital investment (such as years of life or increases in test scores). Moreover, the benefits of the programmes are not the same over time. Let us take the example of a vocational education programme in a rural area. At the outset of the programme, beneficiaries are likely to derive greater benefit from the specialized knowledge than as time goes by and the supply of educated people increases. However, benefits can also increase when there are more educated people and synergies

[44] This discount rate is used for developing countries.

between skilled workers emerge. Furthermore, benefits can also increase if behavioural change is reinforced by seeing peers meet the required conditions.

In addition, spill-over effects can bring additional benefits to non-beneficiaries. Dhaliwal et al. (2011) suggest that spill-over effects should be included in the analysis only if they can be measured and only if they also arise when the programme is scaled up.

4.3. MEASURING PROGRAMME EFFICIENCY AND EFFECTIVENESS

Here we describe the goals, advantages and limitations of each approach, and the circumstances in which they should be carried out. Frameworks for analysis are shown. *Efficiency* shows how well inputs are converted to outputs. In the case of social transfer programmes, this means the relationship between the costs of the programme and the value of the transfers. *Effectiveness* focuses on the relationship between inputs, outputs and impacts. The effectiveness of a programme can be evaluated using cost-effectiveness or cost-benefit analysis. In the former, desired outcomes are estimated; in the latter, a monetary value is attached to them.

4.3.1. COST-EFFICIENCY ANALYSIS

Cost-efficiency analysis concentrates on the relationship between administrative costs and outputs (i.e. transfers to beneficiaries). White et al. (2013) recommend conducting a cost-efficiency analysis at every stage of the programme, in order to avoid over- or under-spending on administrative costs. Total cost-transfer ratio (TCTR) and cost-transfer ratio (CTR) are commonly used methodologies for cost-efficiency analysis. The total cost-transfer ratio (TCTR), is the total cost, including transfers, of delivering one dollar's worth of transfer to a beneficiary, while the cost-transfer ratio (CTR) is the ratio of non-transfer costs to transfers.

This is a replicable methodology that focuses on the level and structure of costs. Several Latin American conditional cash transfer programmes have been evaluated using this methodology (e.g. Coady et al. 2005; Caldés and Maluccio 2005; Caldés et al. 2006). The concept was introduced on the basis of the work by Caldés et al. (2006).

Analysis of the overall cost structure is mainly based on existing accounting data. If the CCT contains both demand- and supply-side transfers, the sum of these is used. For non-monetary transfers – e.g. health and education services – their benefit (i.e. the beneficiaries' willingness to pay) is valued at the cost of provision. The cost of programmes that do not have a centralized accounting system can be estimated using activity-based costing. This is a bottom-up approach that probably results in an underestimate of overall costs, because it is difficult to capture all the activities, and important costs can be ignored.

A correct evaluation needs further consideration of the details of the programme's cost structures – in particular the relationship between programme costs and activities. This perspective is important for the discussion of CCTs, since the analysis by activities allows to isolate administrative costs related to monitoring and sanctioning noncompliance with behavioural conditions, which are costs specifically linked to these type of transfers.

In the analysis by activities it is useful to prepare a timeline of the key programme activities, from the start of the programme. The next step is to create an aggregate level of mutually exclusive key programme activities and to define their sequential order. It needs to be determined whether these activities belong to the fixed or the variable costs of the programme. After allocating all costs to the appropriate activity, activity cost shares can be defined. With the help of these, activity cost-transfer ratios can be calculated – that is, the cost share for a given activity, multiplied by the aggregate CTR (for all activities). When this approach is applied, a clear structure of the aggregate ratio emerges, enabling an accurate comparison of different CCT programmes.

While cost-efficiency analysis is a useful methodology and is relatively easy to carry out (compared to the alternatives), it has obvious limitations. White et al. (2013) stress the following downsides:

- The analysis can only treat administrative costs, so the results are quite limited and should not be the sole criterion for the choice of programme.
- A potential trade-off exists between higher administrative costs and an improvement in social outcomes.
- There may be a lack of data, e.g. on government overhead costs.

4.3.2. COST-EFFECTIVENESS ANALYSIS

Cost-effectiveness analysis (CEA) shows the cost required to achieve a given policy goal. The result of a cost-effectiveness analysis can be expressed as a benefit-cost ratio, which shows the programme-induced change in a given policy outcome (e.g. educational enrolment, test scores) divided by the costs of the programme (Dhaliwal et al. 2011). White et al. (2013) suggest calculating cost-effectiveness at the design and evaluation stages, if the benefits are quantifiable but cannot necessarily be expressed in monetary terms. In cost-effectiveness analysis, only one outcome measure can be used.

The main advantage of cost-effectiveness analysis is that it makes it possible to summarize a complex programme in terms of an illustrative ratio of effects to costs and ensures the comparability of multiple programmes (Dhaliwal et al. 2011). Hence it clearly has more demanding data requirements than cost-efficiency analysis.

White et al. (2013) stress three valuable sources of data for cost-effectiveness analysis:

- Impact evaluations, combined with programme cost information.
- National household surveys, such as living standard measurement surveys. In this case, it is necessary to include questions on the household's receipt of social transfers in the survey, in order to identify beneficiaries. Statistically robust comparisons can only be made if the programme is sufficiently large and if enough recipients can be included in the survey.
- Simulations, but limited to estimating the short-term income effects.

The main downside of cost-effectiveness analysis is that it is not able to handle multiple outcomes – and CCTs can have multiple impacts on the lives of the poor. It may also emerge that, while a CCT programme is the most cost-effective option for one outcome, some other programme option is more cost-effective for another outcome. McEwan (2012) provides the following solutions to this problem:

- Cost-effectiveness ratios should be calculated for each outcome, and important differences in rankings should be noted.
- Measures of utility should be incorporated.
- Instead of cost-effectiveness analysis, cost-benefit analysis should be used.

Another important disadvantage of cost-effectiveness analysis is that non-measurable impacts can only be included in the analysis if a credible and measurable proxy indicator can be identified.

4.3.3. COST-BENEFIT ANALYSIS

Cost-benefit analysis (CBA) quantifies in monetary terms as many of the economic costs and benefits of a programme as feasible, including items for which the market does not provide a satisfactory measure of economic value (White et al. 2013). CBA results are usually expressed as net present value (NPV), which is the difference between the present value of incremental benefits and the present value of incremental costs. The policy alternative yielding the highest social welfare is selected by comparing the NPVs of different alternatives.

According to White et al. (2013) CBA should be used at the design and the evaluation stages. The methodology concentrates on the economic costs and benefits, and quantifies in monetary terms as many of these as possible, even if their economic value is not measurable on the market. Usually CBA covers not a single period, but the full time horizon of the project. CBA requires the expected future cost and benefits to be discounted to their present value.

CBA is a complex methodology, which evaluates a wide range of costs and benefits over a full time horizon. As a result, it can be time consuming and costly. Another problem arises from unavoidable data limitations that can lead to a significant number of assumptions and inferences having to be made from other contexts. It is only acceptable to use completely explained assumptions and thoroughly validated evidence from national and international cases. Even so, the credibility of the assumptions is questionable – especially if they are based on international examples with different contexts and conditions. A further difficulty arises from optimism bias, when assumptions are arbitrarily varied until the CBA verifies the expected outcomes. To avoid this, it is necessary to test the sensitivity of the results to varying key assumptions.

4.3.4. CEA VERSUS CBA

It is often disputed whether cost-effectiveness analysis or cost-benefit analysis is the best methodology for evaluating a social programme. Dhaliwal et al. (2011) argue for CEA, while Brent (2013) suggests the use of CBA. The main arguments of the authors are summarized in Table 4.3.

Table 4.3. Advantages and disadvantages of CEA and CBA

Cost-effectiveness analysis	Cost-benefit analysis
+ CEA makes possible a comparison of multiple programmes evaluated in different contexts and in different years	+ CBA is the only methodology able to handle programmes with multiple outcomes
+ CEA shows the user what can be achieved at what cost, leaving it up to the user to decide whether the expected benefits are worth those costs	+ CBA is the only methodology that enables an absolute judgement
- If benefits are totally excluded from an evaluation, results may be biased, and do not show which project is more socially worthwhile	- CBA requires a number of assumptions about the monetary value of benefits
	- CBA does not include the value of difficult-to-monetize benefits; however they may be socially desirable

Sources: Dhaliwal et al. (2011) and Brent (2013).

In general, Cellini and Kee (2010) suggest performing a cost-effectiveness analysis if (a) the desired outcome can be well defined and the main question is which of a set of alternative programmes achieves the greatest outcome for given costs, or (b) if the major outcomes are intangible. Cost-benefit analysis should be carried out if (a) it has to be determined which of the alternative programmes will bring the greatest benefit to society, or (b) if the main question is whether a single programme's total benefits to society exceed the costs involved.

4.4. VALUE FOR MONEY IN CCT PROGRAMMES

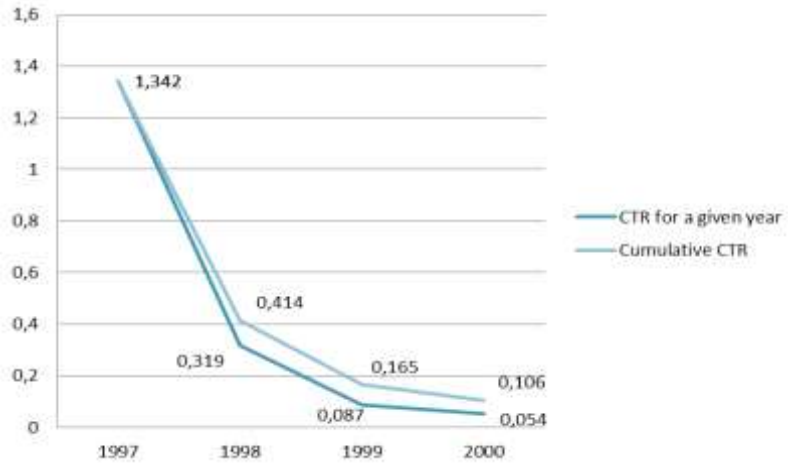
4.4.1. COST-EFFICIENCY ANALYSIS OF CCT PROGRAMMES IN LOW AND MIDDLE-INCOME COUNTRIES

According to the comprehensive World Bank publication on social safety nets in low and middle income countries overall administrative costs of CCT programmes appear to be broadly similar to UCT programmes and relatively low compared to other safety net programmes like fee waivers, food-related programmes or public works (Grosh et al. 2008). The mean cost-transfer ratio of the nine CCT programmes reviewed was 8 per cent which was equal to the mean cost-transfer ratio of the 16 UCTs reviewed in this comprehensive publication. For public works programmes the ratio was 10 per cent, while for fee waivers and food-related programmes it was even higher (14 and 25 per cent respectively).

Coady et al. (2005) presented a cost-efficiency analysis of *PROGRESA* four years after the programme's launch. First, cost-transfer ratios were calculated based on accounting data from between 1997 and 2000. The total CTR of *PROGRESA* to 2000 was 0.106, meaning that transferring 100 pesos to a household incurred 10.6 pesos in programme costs. However, these costs should be interpreted with caution:

- Accounting data included some costs relating to an external programme evaluation, which is a sunk fixed cost, not incurred again.
- Capital costs were not transferred to a flow expenditure.
- Up-front fixed set-up costs were included as well.

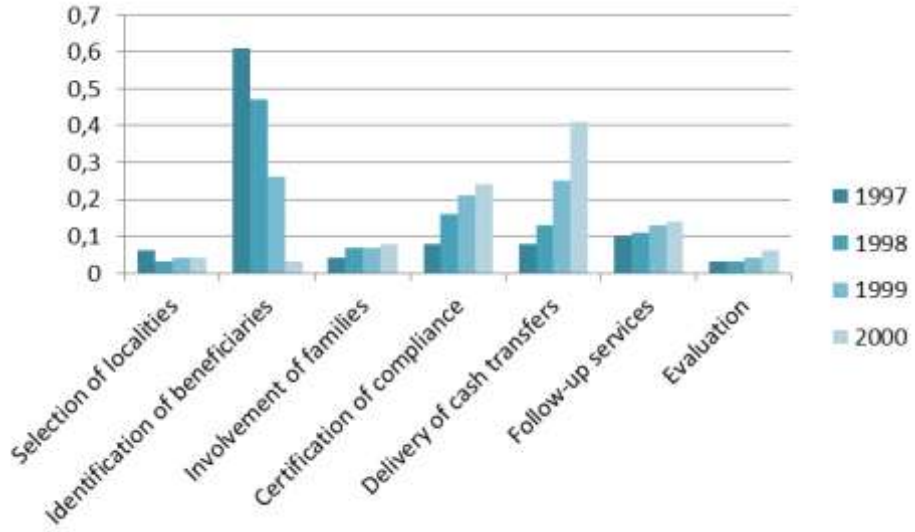
Figure 4.1. The evolution of the cost-transfer ratio of *PROGRESA*



Source: Coady et al. (2005).

As Figure 4.1 shows, the CTR declined as the programme matured. This was due to the increased transfers: whereas in 1998 transfers amounted to 1.494 billion pesos, in 2000 they were 7.757 billion pesos. Another logical explanation for declining CTRs would have been decreasing fixed costs. However *PROGRESA* was still expanding in 2000, and costs only decreased from 477 million pesos in 1998 to 416 million pesos in 2000.

Figure 4.2. Activity cost shares for the *PROGRESA* programme



Source: Coady et al. (2005).

Calculating activity cost shares is useful, because significant cost items can be identified. E.g. in the case of *PROGRESA* over the first four years of programme operation (1997-2000) identification of beneficiaries accounted for 34 per cent of total costs and delivery of cash transfers equalled only 22 per cent. The main cost item that is specific to CCTs, certification of compliance amounted to 18 per cent of total costs. Figure 4.2 shows how the activity cost shares shifted over the given time period: for example, while identification of beneficiaries was the biggest cost at the outset (61 per cent), the same activity amounted to only 3 per cent of the total costs in 2000. Other key activities – such as certification of compliance or delivery of cash transfers – had increasing cost shares year on year, showing that the programme was nearing maturity. The long-run CTR of the programme can be estimated if fixed costs are excluded. This works out at 0.044, implying that transferring 100 pesos incurred 4.4 pesos in programme costs.

The analysis of the *PROGRESA* programme by Coady et al. (2005) also quantifies private costs borne by beneficiaries in the analysis. The time and financial costs of travelling to school and the health clinic, as well of collecting the transfers from distribution points, were identified as private costs, although no value was attached to time costs. Moreover, only the incremental costs resulting from the implementation of the programme were taken into account. Households received $125 monthly for food, provided they met the required condition of undertaking regular visits to a health clinic for check-ups and lectures on health. An estimate of a 40 per cent increase in the number of trips to meet the condition was used to calculate the incremental costs of travelling. The results show that households incurred $1.82 incremental private costs to receive $100 food transfer.

Further private costs arose, because children had to travel to and from school, and also every two months beneficiaries had to travel to the distribution point to pick up their transfers. If all incremental private costs are taken into consideration in the analysis, we find that private costs account for 18 per cent of total costs (private plus programme). Over the long term, as the cost shares of the different key activities shift about, the private costs become more important, reaching

36 per cent of total costs. This high share of private costs proves that they should not be excluded from any cost-efficiency analysis.

4.4.2. COST-EFFECTIVENESS ANALYSIS OF CCTS IN LOW AND MIDDLE-INCOME COUNTRIES

Saavedra and Garcia (2013) present cost-effectiveness estimates of CCT programmes in low- and middle-income countries in their meta-analysis of CCT programmes.[45] They use the method advocated by Dhaliwal et al. (2011) and measure cost-effectiveness by taking the programme impact (in percentage points) and dividing it by the cost per year per intended beneficiary (measured in 2011 USD). According to their estimates, cost-effectiveness in the case of primary-school enrolment is lowest for the *Bolsa Família* (Brazil) and *Familias en Acción* (Colombia) programmes, and highest in Indonesia's *JPS Scholarship and Grant Programme* and Nicaragua's *Red de Proteccion Social*. For enrolment in secondary education, the highest cost-effectiveness is reported in the case of Bangladesh's *Female Stipend* programme, and also *Familias en Acción* and the *JPS Scholarship* programmes. The lowest cost-effectiveness was seen for the *Social Risk Mitigation Programme* in Turkey and *Oportunidades* in Mexico.

The limitation of this analysis is that it does not compare cost-effectiveness of CCTs with that of alternative policies, most importantly UCT programmes. Such results are reported in the two experiments that compare CCTs with UCTs mentioned in section 3.3.1. Baird et al. (2011) and Akresh et al. (2013) compare the impacts and also cost-effectiveness of CCTs with UCTs in a randomized experiment in a low-income country setting. Both studies conclude that CCTs were more cost-effective way to increase school enrolment and attendance. In case of the study in Malawi, the authors show that to achieve the same enrolment gain obtained from a $5/month transfer with a CCT, a transfer of more than $10 in the UCT arm is needed. This difference is much larger than the additional cost of administering a CCT program (Baird et al. 2011). Akresh et al. (2013) show that enrolling an additional child aged 7 to 15 for one year requires $89 under CCTs and $194 under UCTs. Similar conclusion holds if administrative costs are also taken into account.

Another interesting analysis was carried out by Coady (2000), who compared the cost-effectiveness of demand- and supply-side interventions of the education component of *PROGRESA*. Two interventions were made to reach the policy goal analysed: (1) ensuring educational grants for poor families, and (2) constructing new schools. Grants are conditional on children attending school; and the value of the grant increased with the grade of schooling (to compensate for the growing opportunity costs of school attendance). Moreover, at secondary school level girls receive slightly higher grants. The supply-side intervention is made to avoid negative congestion externalities due to increased demand.

The effectiveness indicator in the analysis was the number of additional completed years of schooling attributable to the programme. The assumption was that an extra year of enrolment is equivalent to an extra year of completed schooling. The impact of the programme on additional years of schooling was calculated for a cohort of 1,000 children. As a consequence of increasing enrolment in primary education, education grants resulted in an extra 76 years of education for the girls and 57 years for the boys (averaging out at 67 years).

[45] Their study is based on 42 references, reporting effects for 19 programmes in 15 countries.

If we focus only on conditional enrolment in secondary school,[46] the impact of the programme on extra years of schooling is 249 extra years of schooling for boys and 479 for girls (averaging out at 364 years). The supply-side intervention – namely, building 12 new schools – had a modest impact. (The impact is again concentrated in the transition year to secondary school.) The intervention resulted in 30 extra years of education for girls and 26 for boys.

The cost-effectiveness ratios were calculated on the basis of cost data and impact estimates. Cost data included only the cost of secondary grants for the demand-side intervention, and only the costs of school construction (including personnel, operating costs, furniture and equipment and infrastructure) for the supply-side intervention. The results show that offering grants to enrol in secondary school is a more cost-effective way of reaching the desired policy goal than is extensive expansion. The cost of generating an additional year of schooling is $10,034 using secondary subsidies, but $167,962 using extensive expansion.

4.4.3. COST-BENEFIT ANALYSIS OF CCT PROGRAMMES IN EU AND OECD COUNTRIES

Unfortunately, detailed cost-effectiveness or cost-benefit analyses of interventions are rarely published for these countries, thus here the discussion is based on those few existing studies that provide rough cost-benefit estimates in case of CCT programmes.

Bettinger (2012), for example, compares the cost-effectiveness of Coshocton's programme (see above) to a hypothetical alternative policy of hiring one additional teacher. Across the three years of the programme, total costs amounted to about $52,000, which is broadly similar to the average teacher's salary in Coshocton. If the city had used the money to hire another teacher, the average class size in grades 3–6 would have fallen from 19.4 in 2007 to 19.2. Using estimates from other studies, Bettinger argues that this reduction in class size would have generated a 0.006 standard deviation increase in maths and reading test scores. The estimated effects of the financial incentive (reading gain 0.010 standard deviation; a 0.15 standard deviation gain in maths) exceed the estimated gains from the reduced class size. This suggests that the financial incentive scheme implemented was more cost-effective than would have been the hiring of one additional teacher.

Dearden et al. (2009) provided a cost-benefit calculation for the *Education Maintenance Allowance* programme in the UK. The study estimates that the EMA increased the percentage of those individuals from income-eligible families who completed two years of post-compulsory education by 6.7 percentage points, and in the first year one-third (in the second year two-thirds) of this increase came from individuals who would otherwise have been in paid employment. According to the researchers' cost-benefit calculation, this implies that those brought into education would need to experience a real increase in future earnings of 6.2 per cent as a result of the additional two years of education, in order to cover the costs of the programme.[47] Research into the returns from staying on in post-compulsory education suggests that the returns are in fact 11 per cent for males and 18 per cent for females, which is much higher, so the benefits of the programme do exceed the costs.

[46] Coady (2000: 68) assumes that in secondary school the enrolment impact is concentrated in the transition year from primary school.

[47] According to the results, a 7.7 per cent wage increase was needed if private costs of education include direct costs of education (tuition fees, travel, etc.) rather than just the opportunity cost of education (forgone earnings) (Dearden et al. 2009).

Interestingly, this programme has been discontinued by the British government because it was found that the programme impacts came at a too high cost, given that a large proportion of transfer recipients would be in education even without the transfer (for more details see the case study on the *Education Maintenance Allowance* in Volume II).

An even more detailed cost-benefit analysis was carried out on the *Learning, Earning, and Parenting* (LEAP) programme, a state-wide social programme in Ohio (Bos and Fellerath 1997). It was launched in 1989 and ended in 1997. The programme focused on the economic and emotional challenges facing teen parents, and sought to cut the incidence of school dropout among pregnant teenagers and teenage parents on welfare and with custody of their child.

Table 4.4. Potential costs and benefits of the LEAP programme

Analytical perspective	Gains	Losses
Research sample perspective	+ earning impacts + programme bonus payments	- reductions in Aid to Families with Dependent Children (AFDC) and other transfers - higher taxes paid compared with the control group members
ODHS budget perspective	+ savings in transfer payments and their related administrative costs	- direct costs of providing LEAP
Taxpayer perspective	+ savings in transfer payments and their related administrative costs + higher taxes paid by programme group members + net savings in the cost of operating non-LEAP programmes	- net cost of LEAP and non-LEAP activities - indirect costs of education, resulting from LEAP's impact on school and General Educational Development programme enrolment
The perspective of society as a whole	combines the perspective of the research sample and taxpayers	

Source: Bos and Fellerath (1997: 93–95).

LEAP was not a conditional cash transfer programme in the classic sense, but significant conditional elements were incorporated into it. The size of the welfare grant depended on whether or not a teenage parent went to school regularly. Teens who met LEAP's conditions received an increased welfare grant: they were given $62 for enrolling at school and an additional $62 for each month they fulfilled the requirements. Moreover, not attending school regularly was sanctioned: $62 a month was deducted from the welfare grant of those teen parents until such time as they met programme requirements.

Bos and Fellerath (1997) evaluated the multi-year impacts of LEAP, performing a cost-benefit analysis. The analytical perspectives of the research sample, the Ohio Department of Human Services (ODHS) budget, the taxpayers and society as a whole were also considered. The costs and benefits from the different perspectives are presented in Table 4.4.

In the analysis, costs and benefits were assigned a monetary value, always discounted and expressed in 1991 dollars. Net costs and benefits[48] were taken into account over a four-year follow-up period. The results are shown in Table 4.5.

Table 4.5. Estimated four-year net gains and losses and return per LEAP programme group member, by accounting perspective (in 1991 dollars)

	Accounting perspective			
Component of analysis	Research sample ($)	ODHS budget ($)	Taxpayer ($)	Society ($)
Earnings	156	0	0	156
Fringe benefits	19	0	0	19
Tax payments				
Payroll taxes (employee portion)	12	0	-12	0
Income and sales taxes	-11	0	11	0
Transfer programmes				
AFDC payments	-574	574	574	0
Food Stamps	-47	47	47	0
Total Medicaid	-664	664	664	0
Transfer administrative costs	0	89	89	89
Net cost of LEAP activities and services	0	-1,388	-1,388	-1,388
Cost of education and other non-LEAP activities	0	0	-332	-332
Value of education not reflected in earnings	+	0	+	+
Preference for work over welfare	+	0	+	+
Forgone personal and family activities	-	0	0	-
Net gain or loss	-1,110	-13	-347	-1,457
Return to budget per net dollar invested	n/a	$0.99 per $1	$0.75 per $1	n/a

Source: Bos and Fellerath (1997: 113).

The results show that the LEAP programme was relatively inexpensive, with an investment of $1,388 per programme group member, over an average of 22.3 months. From the perspective of the implementing institution, investment in the programme was nearly fully recovered; taxpayers also recovered $0.75 of every $1 invested in LEAP. However, teens who participated in the programme experienced a net loss of $1,110 over the follow-up period. These losses may be compensated for by the long-term benefits from the additional education.

4.5. CONCLUSION

This chapter summarises necessary steps in the implementation of CCT programmes and results related to money for value in CCT programmes. The main question being whether CCTs constitute cost-effective way of improving human capital outcomes compared to other possible interventions, most importantly to UCTs.

[48] Net cost/benefit refers to the average cost/benefit per programme group member, minus the average cost/benefit per control group member (only eligible for LEAP's childcare services, not for the financial incentives and sanctions).

The key steps of implementing CCT programmes are the targeting of beneficiaries, the organisation of benefit payments and the monitoring of compliance with behavioural conditions. Other implementation tasks are monitoring and evaluating programme implementation and customer care. Most of these implementation steps are similar to the case of UCTs. The main distinctive feature in the implementation of CCT programmes is the monitoring of behavioural conditions and sanctioning/rewarding behaviour according to the programme rules. The procedure of verifying compliance with behavioural conditions requires significant administrative capacity, involving beneficiaries, payment agencies and providers of the service. The interaction between ministries and sub-national administrations is crucial for an adequate information flow.

As impact studies reviewed in chapter 3 tend to show, CCT programmes can have a higher impact on incentivized human capital behaviour than UCT programmes. This however comes at additional costs: organizers of CCT programmes need to spend more on administration of the programmes since monitoring compliance with conditions is an additional cost that are not included in UCTs. The second part of this chapter focussed on the measurement of costs and benefits of CCT programmes and the ways to analyse value for money in CCT programmes.

The perspective of cost-efficiency analysis examines how large are administrative costs in a given programme and how they relate to total programme costs. In low and middle income countries overall administrative costs of CCT programmes appear to be broadly similar to UCT programmes and seem relatively low compared to other safety net programmes like fee waivers, food-related programmes or public works. In the case of low and middle income countries there is also some evidence about the components of administrative costs. E.g. the PROGRESA administration of conditionality was found to account for 18 per cent of administrative costs over the first four years of operation of the programme.

Cost-effectiveness analysis (CEA) shows the cost required to achieve a given policy goal. Cost-effectiveness analysis of programmes in low and middle income countries revealed that programmes with large coverage of the population like Bolsa Familia, Oportunidades or Social Risk Mitigation Project were less cost-effective than more narrowly targeted programmes. There are only two experiments in low-income countries that compare the cost-effectiveness of CCT programmes with UCTs and both studies show that CCTs are the more cost-effective policy to increase school enrolment. Cost-benefit analysis (CBA) quantifies in monetary terms as many of the economic costs and benefits of a programme as is feasible. Some of the CCT programmes in high-income countries provide results of cost-benefit calculations, e.g. the EMA programme in the UK shows a positive balance of benefits vs. costs.

To sum up, available evidence shows that whether CCTs are cost-effective in increasing human capital investment depends on their programme design and implementation. Although administering conditionality adds significantly to administrative costs, administrative costs of CCT programmes do not seem to be excessively high in low and middle income countries. The comparison of cost-effectiveness of CCT programmes in low and middle-income countries suggests that targeting is important to enhance their cost-effectiveness. Adding social services to the programmes might increase the behavioural impact but it also makes the implementation more complex which raises further administrative costs.

5. ISSUES OF POLICY TRANSFERABILITY IN CASE OF CCTS

This section discusses issues of transferability of CCT policies from low- and middle-income countries where many these programmes were first applied to the EU member states. Large differences can be observed in the social and institutional context in these countries compared to programmes in low- and middle-income countries, which raises the question of whether these policies can be successfully adopted by EU member states. In this chapter, first we describe the most important conditions for a policy transfer. Second, we describe welfare state models in EU countries and how they have developed in response to the challenges of the past decades. Then we discuss issues of policy transferability related to the adoption of conditional cash transfers in EU countries.

5.1. WHAT ARE THE CONDITIONS FOR SUCCESSFUL POLICY TRANSFER?

According to Dolowitz and Marsh (2000, in Feenstra 2010), policy transfer refers to "a process in which knowledge about policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system". Two related terms are "policy learning" and "policy borrowing". According to Raffe (2011), policy borrowing always searches for available "best practice", to be integrated into the development of a certain system. Policy learning, on the other hand, refers only to the phase of knowing and understanding, and does not necessarily imply implementation of the chosen policy.

Phillips (2004) prescribes a five-stage process of policy transfer as follows. First, the circumstances in the "home" country must dictate the need for reform. Policy transfer is questionable in countries where the given policy functions well or where there is no social and political consensus regarding the need for reform. Second, the policies must be accessible and viewed as desirable in the "target" country: lender countries must be willing to offer their policies to borrowers and to provide access to the necessary knowledge and skills. At the same time, borrower countries must be quite willing to receive the policy. The third step in the borrowing process is the political decision about the acceptance and application of programmes. This is followed (fourthly) by the phase of internalization. Steiner-Khamsi (2000) calls this stage "indigenization", referring to the process whereby the new policies become part of the borrowing regime. The final stage is evaluation of the efficacy of the implemented projects, which can provide important feedback about the programme's success.

Dolowitz and Marsh (2000) argue that policy transfer is likely to be unsuccessful if it is uninformed, incomplete or inappropriate. *Uninformed* policy transfer occurs when the borrowing country has insufficient information about the policy/institution and how it operates in the country from which it is being transferred. The transfer can be *incomplete* when crucial elements of what made the policy or institutional structure a success in the originating country are not transferred. The policy transfer is *inappropriate* when insufficient attention is paid to the differences between the economic, social, political and ideological contexts in the transferring and the borrowing country.

Benson (2009) summarizes factors that constrain the transferability of policies. He identifies programmatic constraints, contextual constraints and application constraints that make it harder to readily transfer a given policy to another country or context. *Programmatic* constraints refer to

characteristics of the policy itself in relation to its social and policy context in the "exporter" jurisdiction. *Uniqueness* of the policy means that it is so closely tailored to the specific context that it might only function in its original environment. *Complexity* of the programme also makes it more difficult to transfer. *Contextual* constraints refer to contextual barriers in the importer jurisdiction: past policies may constrain what can be transferred (path dependency). Existing institutional structures in the adopting country can also restrict the type of policies that can be adopted. The underlying political ideology, political values and culture are another important issue: programmes transfer more easily between political systems characterized by similar values and ideology. An *application* constraint would be, for example, the need to modify existing institutional structures to accommodate the transfer of the policy.

Wolman (2009) also emphasizes that policy makers need to be careful in addressing differences in the social and political context when engaging in policy transfer. This includes making an assessment of the institutional context, cultural context, policy context and political context. The *institutional* context refers to the legal, political and administrative structures that are needed to support the policy. The *cultural* context includes values, attitudes and political culture that prevail in a country. Policies exist within sets of political and cultural beliefs about the role of the state, the relationship between citizens and state, and the desirability of different forms of government policy. Policies also exist in a *policy* context, which means that deciding about the transfer of a policy implies understanding the interactions with other policies. The *political* context reflects the relationship among political forces and the nature of political decision-making in the country.

5.2. WELFARE STATES IN EU COUNTRIES

Starting with Esping-Andersen (1990), comparative research has proposed several typologies to differentiate between European welfare state types. The classification of Bonoli (1997) identifies four types of welfare state, based on the level of social expenditure and the contributory vs. non-contributory nature of social benefits. Scandinavian countries are characterized by a high level of social spending and address social problems through universal benefits and high-quality state-run services. The Anglo-Saxon countries (liberal welfare states) guarantee a lower level of protection and make more use of means-tested provision. In these countries, social insurance typically provides minimal protection, which is complemented by private insurance among the middle classes. Continental European states, which belong to the "conservative welfare state" group, are characterized by a high level of social spending, where the role of contributory welfare benefits (e.g. pension system) is relatively more important. The fourth type of welfare state is typically found in Southern European countries, where the level of social spending is relatively low, but the welfare state relies heavily on social insurance mechanisms, and welfare benefits are more often contributory.

The welfare states of Central and Eastern European countries are regarded as a distinct type characterized by a mix of market orientation, targeting and universality (Cerami 2008) in which these different worlds of welfare coexist. According to Cerami (2008) welfare regimes in Central and Eastern Europe can, therefore, be described as a "recombinant welfare state", where Bismarckian features remain dominant.

By the end of the twentieth century, all modern welfare states (regardless of the development of their welfare regimes) had to face similar social challenges, such as population ageing due to decline of fertility and increasing life expectancy; transformation of family roles, and particularly the increasing labour market participation of women; globalization and the changing economic structure. General reductions in industrial production and the relocation of economic activity led to millions of job losses among low-skilled, blue-collar workers who were unable to adapt to the new circumstances. Welfare states designed after the Second World War had to adapt to meet specific social challenges.

As a response to these challenges, the post-war balance of rights and responsibilities in the welfare state has changed significantly since the economic crisis of the 1970s. Neo-liberal initiatives relied on a reduction in the state's social responsibility, with privatization of formerly state-run institutions and funds. Under the leadership of the United Kingdom and the United States, the motto of the reforms became "self-sufficiency". The second widespread cross-country attempt to reform the welfare state began in the 1990s. The reforms were again led by the USA and the United Kingdom, where Tony Blair's Labour government redesigned the British welfare system.

As the first of these reforms, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was adopted in the USA in 1996, during the Clinton administration. This reform had a major impact on the largest federal welfare benefit programme by restricting eligibility criteria and shortening the assistance period. PRWORA tied formerly unconditional transfers to work requirements, and in some cases educational and health-related conditions, with a particular focus on children. Several other Anglo-Saxon countries copied this American model. Accordingly, the United Kingdom's *Working Families Tax Credit* and Australia's *Work for the Dole* programme assigned very similar goals and employed similar policy tools (Midgley 2008). Since the mid-1990s, in the welfare states of high-income countries social transfers have been integrated into a comprehensive system that is designed to increase employment. New labour reforms across Europe, like the Hartz reforms in Germany and the RMI/RSA[49] in France, have definitely infiltrated welfare transfers by imposing conditions on previously unconditional transfers (Simonyi 2012).

Theories about welfare states also mirror these developments. Authors such as Taylor-Gooby (1997), Midgley (1999) or Esping-Andersen (2002) have stressed the importance of social policy in enhancing economic productivity by fostering investment in human capital. This research contributed to the emergence of a new conception of the welfare state, the social investment state. The emphasis of social policy interventions in the social investment state is on preventing unemployment and income loss by preparing people to cope with social and economic risks, rather than repairing these through passive income maintenance schemes (Morel et al. 2012). Central to the social investment state are social policies that invest in human capital to increase employability and employment levels; 'make work pay' policies that improve employment through positive economic incentives and also policies to support the combination of paid employment and motherhood. Conditional transfers are also used by the social investment approach. Most frequently these operate in the domain of labour-market activation, requiring that benefit recipients engage in active job search and improve their employability, in exchange for receiving efficient employment services and benefit payments.

[49] *Revenu Minimum d'Insertion*/*Revenu de Solidarité Active*.

The social investment perspective emphasises the importance of human capital investment and recognises the fact that the primary causes of poverty are rooted in childhood and the early period of socialization. Research has shown that family environments of young children are major determinants of cognitive and non-cognitive abilities that are important for success later in life. The disadvantage of children growing up in poverty arises from the lack of financial resources and more importantly from the lack of cognitive and non-cognitive stimulation given to young children (Heckman, 2006). Important gaps in cognitive and non-cognitive skills emerge as early as by the age of 4 to 6 and these gaps tend to persist because of the cumulative nature of the learning process. The disadvantages of children brought up in poverty can be reduced by early intervention programmes (Brooks-Gunn, 2003) and early childhood education and care (Kertesi and Kézdi 2014). The participation of children in early childhood education and care is thus important both for enabling maternal employment (and raising family income) and also for fostering child development.

The social investment approach to social policy is also endorsed by the EU. Social policy in the EU is coordinated through the Social Protection Committee using the Open Method of Coordination, a voluntary process based on agreeing common policy objectives and measuring progress towards these targets using common indicators. The coordination of social policies of member states serves the achievement of the goals set out by the Europe 2020 strategy, namely to reduce the number of people in poverty and social exclusion with at least 20 million and to increase the employment rate of the population aged 20-64 to 75%. The achievement of these objectives is also supported by the European employment strategy, which seeks to create more and better jobs throughout the EU. The EU promotes preventive social policies through its social investment package, which includes policies that aim to strengthen people's skills and capacities that support their participation in employment and social life.

5.3. ISSUES SURROUNDING THE TRANSFERABILITY OF CCT PROGRAMMES TO EU MEMBER STATES

The "CCT wave", a term coined by Fiszbein and Schady (2009: 31), began in the mid-1990s and refers to the spread of CCTs in low- and medium-income countries around the world. The programmes built on local initiatives (such as Brazil's *Bolsa Escola* and Mexico's *PROGRESA*) that were designed to reach out to the most vulnerable poor and the rural population. Over the course of a few years, CCTs were introduced in 29 countries, with more states planning to implement such programmes. The Mexican project started in 1997 with 300,000 households; today it reaches more than 5 million poor families. Brazil's *Bolsa Escola* began as a small programme led by the municipality of Campinas, but has become a countrywide project benefiting 11 million households and 46 million individuals.

In terms of the social, institutional, policy and cultural contexts of CCT programmes, there are some major differences between EU member states and low- and middle-income countries that were the first to apply CCT programmes. Here we discuss potential issues surrounding the transfer of such policies from these low- and middle-income countries to EU member states. It is also important to emphasise that the EU member states are also heterogeneous. There are differences in terms of economic development, income inequality and poverty, in the welfare model adopted and also in values and attitudes regarding redistribution and the role of the state.

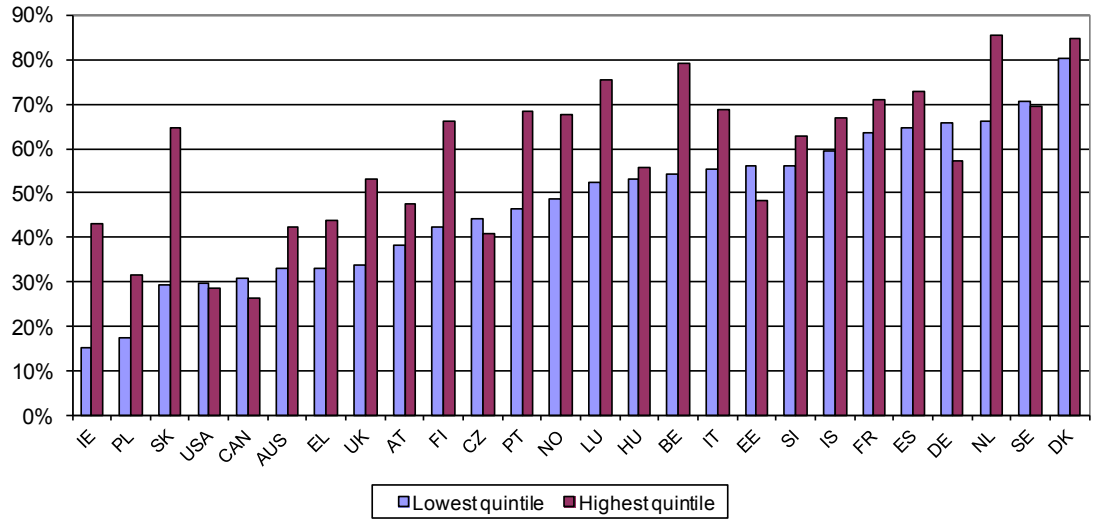
5.3.1. DIFFERENCES IN NEEDS

In earlier chapters, we argued that CCT might be a sensible policy tool if the uptake of social services in education or health is low and if this is related not to inadequate supply of the given service, but to low demand by households. More precisely, a CCT programme increases efficiency if low demand among households for the given service is not simply a result of low income, but is also related to a weak preference for the given service due to lack of information, short-sightedness, a self-discipline problem or an intra-household conflict. When discussing the transferability of CCTs, the first question is thus whether this situation pertains in a fairly large number of cases or in some well-defined sub-group of society.

In most EU member states, the use of health services, enrolment and attendance in compulsory schooling are generally high. Although overall use of basic social services (such as education, healthcare) is high, there are other services (e.g. early childhood education and care, post-compulsory education) where improvement in average service use could be achieved. Moreover, there is ample evidence of a social gradient in the use of certain services and in human capital (education and health) outcomes, implying that those in poverty often lag behind the societal average in these respects.

As an illustration of these differences, Figure 5.1 shows the proportion of actual beneficiaries of early childhood education and care (ECEC) services among all children aged 5 years or less in the lowest and the highest quintiles of the income distribution (Förster and Verbist 2012). In most OECD countries, the proportion of ECEC users is much lower in the bottom quintile, providing evidence for a social gradient in childcare use. Among the EU member states the shares of childcare users are the most unequal in Ireland, Slovakia and Poland; while the most equal shares across the distribution can be found in Estonia, the Czech Republic, Germany and Sweden.[50]

Figure 5.1. Percentage of users of ECEC services in the 0–5 age group in OECD countries by quintiles of household disposable income (2007)



[50] Van Lancker (2013) shows results focusing on those below age 3 and finds the highest inequalities in formal care use between high-income and low-income households in Hungary and Ireland, and also in other countries with relatively low service use, such as Poland, Romania, Bulgaria, the UK and Greece.

Source: Förster and Verbist (2012).

Lower service use is also evident among vulnerable groups, such as the Roma in Central and Eastern European countries. Data from a UNDP/World Bank survey carried out in 2011 shows that enrolment in upper secondary education is much lower among the Roma than among the non-Roma participants in the survey who share the same environment, labour market and social infrastructure. The difference seems to be largest in the EU candidate countries Bosnia and Montenegro, where the enrolment rate among the Roma is around 15 per cent, while for the non-Roma survey respondents it is over 60 per cent. The difference was smallest in Hungary, where the enrolment rate is 58 per cent for Roma and 85 per cent for non-Roma respondents (Brüggemann 2012).

Educational outcomes also tend to be different for students from different social backgrounds, as demonstrated by the OECD PISA study. In the 2010 study, the countries with a low effect of parental socioeconomic status on student test scores were Iceland, Estonia and Finland (OECD 2010). At the other end of the spectrum, the countries where the test score differences according to parental status were largest included France, Hungary, Austria and Belgium. Hungary was the country where differences in parental status explained the highest fraction in the variance between student results. There is also evidence that students with an immigrant background score lower than average in most of the OECD countries (OECD 2010).

Although service use is generally high in EU member states compared to the low- and middle-income countries that first adopted CCTs, there is evidence that those in poverty in EU countries tend to use social services less and tend to have worse outcomes in terms of human capital accumulation. In light of this, CCT programmes in EU member states have more potential to reduce the disadvantage in the service uptake by the poor, than to improve service use for the whole population. Existing examples of CCTs in the member states mirror this: they regularly target the low-income segment of the society.

As emphasized before, disadvantages in the service uptake of poor and marginalized groups in EU member states create the need for a conditional cash transfer only if low service use is not related to inadequacy of service supply, and if low demand results from a weak preference for the given service, rather than simply from poor resources.

5.3.2. DIFFERENCES IN THE SUPPLY OF SERVICES

The accessibility and affordability of welfare services (such as public education and basic medical facilities) is crucial for the applicability of CCTs. Although the accessibility and quality of social services tends to be better in EU member states than in low and middle-income countries, there are important differences in the availability of services both between countries and, in some cases, between different social groups within the same country, even in EU member states.

Socioeconomic inequalities in school resources are described, for example, by the OECD PISA study. The study asks whether poor/minority children typically attend schools that have an inferior quantity or quality of school inputs. Inequality is measured by the correlation between the mean socioeconomic index of the school and some indicator of school resources (human or material). A positive correlation corresponds to a situation where schools with students of higher socioeconomic status tend to have better resources, implying high inequality. The PISA study shows that, when

school human resources are measured by teacher qualification (the percentage of teachers with an MA degree), approximately half of the countries in the OECD show a positive correlation, meaning that the more advantaged schools tend to have better-educated teachers (OECD 2013).

An issue closely related to inequalities of access to quality services is that of segregation. In the case of the Roma minority in Central and Eastern European countries, segregation in the educational system is most frequently associated with lower teaching quality. The UNDP/World Bank/EC Regional Roma Survey makes it possible to measure the proportion of students attending a segregated school (defined as an institute where the majority of students belong to the Roma minority). In Slovakia and Bulgaria, the share of Roma attending segregated schools is 34 per cent. In Hungary, Romania, the Former Yugoslav Republic of Macedonia and Moldova, more than 20 per cent of Roma students attend such schools (Brüggemann 2012). In all of the countries participating in the survey, the share of Roma attending segregated schools is statistically significantly higher than the share of non-Roma living in close proximity to Roma households.

To sum up, even if EU member states tend to have more accessible and better services compared to middle-income countries that first adopted CCT programmes, adequate supply can be a problem for those with low income or for the population in more remote areas. Thus, before setting up a CCT scheme (especially if the programme targets the disadvantaged), adequacy of service supply needs to be ascertained, and additional investment in the supply of services has to be made if any deficiencies are found.

5.3.3. DIFFERENCES IN ADMINISTRATIVE CAPACITY

A further important difference lies in the capacity of the bureaucracy to administer the targeting and disbursement of cash transfers and to monitor compliance with behavioural conditions. In low- and middle-income countries, project designers have to address issues of administrative capacity (alongside many other difficulties). For example, in Brazil, there were many problems related to the unreliability of the central administration system – called Cadastro Único (CU) – during the targeting procedure. In the end, with the help of the World Bank, the CU was improved, so that it can channel transfers to extremely poor households. Another problem was that local municipalities often lacked flexibility, complicating the implementation of *Bolsa Família* in numerous territories. The solution here was a change in the financing mechanism of the programme.

The banking system's capacity can also have a major influence. In the case of Mexico, the dysfunctional banking system impeded the development of the financial network necessary for the smooth functioning of *Oportunidades*. CCT programmes in low and middle income countries also seek to improve the financial literacy of the poor and to motivate them to use banking services, such as ATMs and personal bank accounts. However, the transfer of money from the central budget to households is quite challenging in underdeveloped rural areas, where banking services are not available. As a result, experts have had to reorganize the entire system from the bottom up, creating the basic financial and administrative organizations before implementing the transfers.

While there are problems with administrative capacity in low- and middle-income countries, EU member countries tend to have well-developed social administrations that are able to transfer allowances to the neediest persons or groups in the most direct way. These bureaucracies are based on uniform general protocols and standardized procedures and they can handle many allowance

schemes at the same time. The administration of CCT schemes can sometimes be challenging as they require efficient communication and cooperation between different units of the administration. Nevertheless, administration in EU member states should be able to cope with these without a need for any major reorganization and/or investment. We expect that the introduction of a new CCT scheme into the social policy administration in these countries will not be particularly difficult for decision makers and aid offices, because they already have the knowledge and practice necessary to implement the new transfer.

An example of the differences in administrative capacity is the issue of targeting benefits to the poor. A lack of administrative capacity and the importance of the informal economy mean that low- and middle-income countries most often employ a combination of geographical targeting and proxy means testing to target social transfers. For example, the Mexican CCT project employs a two-stage model to target the neediest families: simple geographical targeting, covering the most disadvantaged regions, is applied in the first stage (Soares 2009); the second stage (means testing and self-selection) begins only once the territories are chosen. Similar targeting systems are in operation in many low- and middle-income countries, due to the rural nature of poverty and its geographical concentration. In EU member states a higher level of administrative capacity makes proper income testing feasible for the targeting of social transfers. Income testing is growing in importance mainly because less costly targeting mechanisms, like geographical targeting, are less likely to be accurate when the poor are dispersed in large urban areas.[51]

5.3.4. DIFFERENCES IN THE POLICY CONTEXT

Another important factor that contributes to the successful operation of CCTs is the range and quality of the regulatory environment. In EU member states, even before CCTs were introduced, there was a well-established, comprehensive legal environment, which facilitated introduction. Consequently, the new (conditional) transfers were integrated into an existing comprehensive regulatory system. By contrast, low-income countries planning to introduce a new CCT are generally constrained by having to establish the legal background and administration of the programme at the same time as introducing the transfer.

The maturity of the welfare state in EU member states implies that a CCT operates in a complex system, where it forms part of a comprehensive package of welfare services and provisions. As such, it does not determine the fundamental structure of the entire system. Even if operating in the USA and not an EU member state, the example of *Opportunity New York City (ONYC)* is instructive in this respect. In New York City, where many other social allowances are available *ONYC* is only one option for alleviating poverty. People may be eligible for unemployment benefit, state-run social assistance or child benefit, all of which help with their living costs in the absence of primary market income. *ONYC* only supplements these fundamental allowances, while seeking to motivate school attendance and participation at medical check-ups. However, in countries where social services are not as developed, CCTs usually constitute the only form of social assistance and are the only source of income available to the unemployed poor. Incentives in CCT programmes in EU member states are embedded in a complex system of social benefits; thus a newly introduced CCT programme will

[51] Of course, geographical targeting is possible when poverty is concentrated in certain urban areas as a result of residential segregation.

provide only a marginal incentive over and above what individuals already have. According to Allan and Fryer (2011), this is a serious issue when considering a policy transfer from low- and middle-income countries to high-income welfare states. According to them, the difference in the level of the baseline incentive might be the reason why the effects of the *Opportunity NYC* programme were so different from those of the *PROGRESA* programme on which it was modelled (Allan and Fryer 2011).

In developed welfare states, the effect of introducing a new CCT programme also depends on whether it brings new money to the poor, or whether a benefit that was unconditional before is transformed into a CCT through the introduction of a behavioural condition. The latter happened, for example, in the case of the *School Allowance* (*Schooltoelage)* programme in Belgium, and also in several Eastern European countries, where a previously unconditional child benefit was transformed into a conditional transfer through the introduction of a school attendance condition.

5.3.5. SOCIAL ACCEPTANCE OF CONDITIONAL TRANSFERS

Policies exist within a set of public beliefs about the role of the state, the relationship between the citizen and the state and the desirability of reforms. Thus for the success of CCT programmes it is crucial to see the acceptance of conditional transfers among the general public and among experts in social policy.

Political support for targeted unconditional social transfers tends to be low, as they benefit only a small fraction of the population, while the majority is expected to contribute to the scheme. Research on welfare attitudes has found that social welfare is more often rejected by the general public for recipients who are perceived as being responsible for their situation, but is supported for recipients perceived as unlucky or victim of social injustice. This pattern has been found across very different countries (see, for example, Petersen et al. 2012). Similar findings from several disciplines (economics, sociology, psychology) drawing on diverse methods (experimental, survey) confirms that those who believe that wealth and poverty are a result of external circumstances profess greater support for redistribution to the poor than do those who believe that the individual effort alone determines whether a person is rich or poor (Alesina et al. 2001; Fong 2001; Fong et al. 2006).

It has been argued that providing social transfers with conditions attached increases political support for these programmes (compared to unconditional transfers), since voters will accept transfers to the poor perceived as deserving (those who comply with the conditions) more readily than if the transfers are offered to the poor generally (Fiszbein and Schady 2009). Unfortunately, direct comparative survey evidence on the acceptance of conditional transfers among the general public is scarce. There is related comparative survey evidence however on popular beliefs about the causes of poverty, which shows differences between countries. Alesina et al. (2001) show that Americans tend to believe that poverty is related to low individual effort, while citizens in European countries tend to see poverty as a consequence of forces beyond the control of the individual, such as societal injustice. There is also evidence of differences between European countries: in Eastern European countries, poverty is more often attributed to lack of individual effort, while in the Nordic countries people think about poverty as a consequence of social forces (Lepianka et al. 2010). There is also evidence that universal welfare is more accepted in the Nordic countries compared to Britain for example. Based on these considerations it could be argued that conditional transfers are more easily accepted in Eastern European countries and Anglo-Saxon countries compared to Nordic countries.

Opinions of social policy experts about CCTs differ partly by their value orientations and also partly by type of the CCT programme in question. We base our discussion of experts' opinions on the results of our expert survey (see details in the Annex of the report). CCTs were criticised by several experts as being unnecessary in high-income or transition countries and being more adapted to low or middle income settings with low levels of service use.

Some of the criticisms clearly relate to negative incentive programmes, especially those that add conditions to previously existing unconditional transfers. According to the critics these programmes are restricting rights instead of expanding them. This type of CCT was also criticized because of applying a "selective paternalist" approach. CCTs are regarded as paternalistic state interventions, since they require families to spend some of the transfers on specific items (such as health and education services), which they otherwise might not choose. Targeted CCTs with negative incentives have been particularly criticized for being selective and sanctioning irresponsible behaviour only in the case of poor households (Cantillon and Van Lancker 2011, Standing 2011).

Other experts consider these programmes as being alien to the European social model. Today's high-income countries in the EU were among the first to experience the historical development of social rights, and by the second half of the twentieth century, fundamental social rights had evolved and become embedded in prosperous welfare systems (Marshall 1965). People claimed the right to receive financial support if they had no employment or primary market income, eligibility being based on civil rights rather than on the state's generosity. Apart from some work-related criteria, behavioural conditions were unknown in the EU welfare states. Therefore, CCTs were a novel and hitherto unknown notion for both experts and beneficiaries. As participants had previously received unconditional allowances based on their income or their needs, it might be difficult for them to get used to the new behavioural requirements.

On the other hand several experts expressed their satisfaction with programmes with positive incentives, such as scholarship-type CCTs, especially in case of respondents from Eastern European countries as having beneficial effect on child outcomes.

5.4. CONCLUSION

If one thinks about the application of CCTs as a policy transfer from the middle income countries of Latin America to EU member states, the first issue is to consider whether there is a need for such policies in these countries. Although use of public services such as primary or secondary education and health care is generally high in EU countries, there is evidence that the poor tend to use social services less and tend to have worse outcomes in terms of human capital accumulation. In light of this, CCT programmes in EU member states can have a potential to reduce the disadvantage in the uptake of such services by the poor.

Even if there might be a need for conditional transfer, when engaging in policy transfer, policy makers need to be careful in addressing differences in the institutional context, cultural context and policy context of these programmes in the country of origin and the country of destination.

EU member states tend to have more accessible and better services compared to less developed countries, but adequate supply of services can be a problem for the low-income population or in rural and more remote areas. Thus, before setting up a CCT scheme (especially if the programme

targets vulnerable social groups), adequacy of service supply needs to be ascertained and additional investment in the supply of services has to be made if any deficiencies are found. EU member states in general also tend to have well-developed social administrations that are able to process transfer allowances to the neediest persons or groups in the most direct way.

EU member states thus generally have an advantage in the supply of services and in administrative capacity compared to middle income countries. The transferability of CCT programs from middle income countries to EU countries is thus clearly different from the issues in transferability to low income countries (e.g. from Latin America to Africa), where the availability of services and low administrative capacity were the main issues. However, differences in the policy context and differences in the social acceptance of conditional transfers between middle income countries and EU member states can cause difficulties in the transfer of such policies.

The maturity of the welfare state in EU member states implies that a CCT forms part of a comprehensive package of welfare services and provisions. Thus, when introducing new CCT programmes in developed welfare states, policy makers need to understand the interaction between the incentives of the new programme and the incentives inherent to the existing welfare schemes. An additional issue is the social acceptance of CCTs. Policies are implemented in a context of societal values and beliefs about the role of the state and the relationship between citizens and the state. Countries differ in the extent to which poverty is seen as a consequence of societal injustice or as a consequence of low individual effort and this might influence how conditional transfers are seen by the general public. The support for CCTs is expected to be lower in the former countries and higher in the latter.

EU member states are of course different in terms of economic development, institutional setup and social attitudes. Eastern European countries have typically lower GNI per capita compared to EU15 countries, and the least developed states in this country group are in fact also middle-income countries, with approximately the income level of Mexico. Therefore Eastern European countries might be more in need to boost their human capital development, but the advantage of these countries in terms of administrative capacity and supply of services (over middle-income countries in Latin America that first adopted CCT schemes) is less pronounced. This points to the importance of considering developments in service supply in these countries, since adequate supply (in quantity and quality) is a prerequisite for the application of CCT schemes. On the other hand, CCT schemes might be more adapted to the social context in Eastern European countries than in the EU15 countries, since in these countries there is a stronger tendency to view poverty as being the consequence of individual factors.

6. POLICY LESSONS AND RECOMMENDATIONS

After reviewing the evidence regarding the effects of conditional transfers in countries of the EU and OECD, we can summarize the lessons learned from our literature review, case studies and expert survey and formulate policy recommendations. Drawing clear-cut, general policy conclusions about the conditional cash transfers is challenging for two reasons. First, the optimal design of policies depends on the specific policy goal and the policy context in a given country. General recommendations are thus difficult to make and, in most cases, we need to highlight the specific trade-offs that policy makers have to face when designing conditional cash transfers. Second, the impact assessment literature provides little evidence on important issues like the very effect of conditions (separate from cash), the effect of changes in programme design and the adverse effects of CCTs such as stigma and non-take-up.

6.1. SUMMARY OF SUCCESS FACTORS

Here we summarise success factors of CCT programmes identified in our research. Successful programmes are defined as those having a high impact on human capital investment and being cost-effective in increasing investment in human capital.

As described in Chapter 3, CCT programmes do not constitute a general solution in cases of low human capital investment, but can be cost-effective policies under specific conditions. CCTs thus can only be successful if basic conditions of the application of these programmes are met. But even if these basic conditions are met, the success of such programmes will continue to depend on a range of factors such as the design features of the programme, details of implementation and also the context in which the given programmes are implemented.

In the following we list the conditions under which CCTs are more likely to be successful policies starting with the basic conditions of applying these programmes.

6.1.1. PREVALENCE OF BASIC CONDITIONS FOR CCTs

Several social policy responses have been elaborated to address low human capital investment. The most important of these are the organization of free, public education and health care. When can conditional cash transfers programmes play a useful role to play? The justification for a CCT depends on the causes of low investment in human capital. If the low level of investment is primarily a result of problems in the supply of services (i.e. inadequate quantity or quality of the given service) then the expansion of services (in education and health care) should be the first priority.

If low demand plays a role in the low level of service use, then fostering demand for services is likely to increase human capital investment. If the reason for low demand is purely the low level of income, then demand should be promoted via an unconditional cash transfer. In this case families know what the optimal level of service use would be for their children, and in the case of an adequate cash transfer they are willing to spend these extra resources on the given service. Here, a conditional cash transfer may be a too strong an incentive: some will choose too much of the given service as a consequence of the condition.

If, however, the explanation for low demand is also related to lack of information or a weak preference for the given service (low motivation, impatience for consumption, conflict of interest within the household) the CCT seems to be the appropriate tool. A simple cash transfer would probably also increase demand for the given service, but only to a moderate extent, since these families' have low information and/or "weak" preference for the given service and they will spend only a small part of the extra income on it. A CCT makes the given service effectively cheaper and renders it more attractive than other types of consumption.

CCTs were also proposed as a policy solution when human capital investment has significant positive external impacts. In such cases, individual consumption is too low from a societal perspective. Though other tools might also be successful in such cases, the CCT will usually turn out to be more efficient (Fiszbein and Schady 2009). CCTs might also be desirable for political-economy reasons. If public support for unconditional transfers is very low and the public only supports benefits to those it perceives as being deserving of help, CCTs might increase social acceptance of redistribution to the needy.

6.1.2. ADEQUATE SUPPLY OF SOCIAL SERVICES

It is important to emphasize that CCTs can offer a solution only to demand-side problems. When the major cause of low consumption (for example, of schooling) lies on the supply side (unavailability and/or poor-quality services, etc.), the first port of call should be development of the social services. In such a case, of course, motivating demand is useless, since the reason for low service use lies outside the control of the individuals. At most, CCT programmes should be used to complement institutional development projects. Services must be accessible, the infrastructure should be adapted to the number of potential users, and service quality should be ensured. In EU member states and high-income countries where the supply of services is generally adequate special emphasis has to be made on assuring accessible and good-quality services to all strata of the population, including the low income and those living in rural areas.

6.1.3. CAREFULLY DESIGNED INCENTIVES

Once the basic conditions of the application of CCT programmes are met, several decisions regarding the design of the CCT programmes have to be made, most importantly about the definition and sanctioning of behavioural conditions and about the targeting of the programme.

TRANSPARENT AND SIMPLE INCENTIVE SCHEMES

Research in psychology and behavioural economics underlines that people may not know or may not fully understand the incentives they are facing in a given programme (Bertrand et al. 2006). Incentives are more likely to have the intended impact on human behaviour if people understand them, which is more likely to occur if the scheme is simple and transparent. Simplicity is important: programmes with very complicated incentive structure are less likely to be understood and consequently less likely to have a strong effect on behaviour. It is equally important to have transparent incentive schemes, where beneficiaries can see clearly the consequences of their possible actions so that they know in advance what action has to be taken to obtain a benefit or what action will trigger a sanction. Monitoring and sanctioning noncompliance should be designed to

help beneficiaries see the link between their behaviour and possible reward or sanctions. In sum, mechanisms that make incentives more salient and easier to understand can be very useful for increasing programme impact.

INCENTIVES CALIBRATED ON THE BASIS OF RESEARCH RESULTS

It has to be remembered that carefully calibrating the incentives of a CCT programme is of primary importance. Incentives have to be tailored to the specific policy problem in the given country. The experience of past and existing programmes does not give precise guidance for the calibration of the incentive in a given context. This can only be done by conducting pilot projects of the planned intervention, preferably experimenting with different design alternatives.

CONDITIONING ON BEHAVIOUR LEADING TO BETTER HUMAN CAPITAL OUTCOMES

The evidence reviewed here and elsewhere (e.g. Slavin 2010; Gneezy et al. 2011) suggests that incentives to encourage specific human capital related behaviour (e.g. school attendance or visits at health clinics) most often do increase these types of behaviour. According to the studies reviewed, families and students respond to the incentives, and tend to do what they are paid for and not more (Allan and Fryer 2011).

An important issue of design is whether incentives related directly to outcomes (graduation from school, test scores, etc.) have a beneficial effect. The evidence reviewed shows that incentives tied to human-capital outcomes produce mixed results. There are reasons why incentives related to human capital outcomes should be applied with great caution. For example, in primary education students might not know how to achieve better results; or even if they are aware of what needs to be done, they may not have the required self-discipline (Fryer 2011). Another key issue is that crowding-out of intrinsic motivation might occur more easily in programmes where students are recipients of transfers that are conditional on performance at school (Gneezy et al. 2011). Both issues are especially relevant for young students. This suggests that performance-related incentives are best avoided, at least for young students.

INCENTIVES DIRECTED TO PHASES OF THE LIFECYCLE WHERE HIGH IMPACTS ARE LIKELY TO OCCUR

Promoting the use of human capital related services is a mean of improving long-term human-capital outcomes (such as graduation rates, wages). Thus transfers should be conditional on behaviour that is likely to produce the highest impact on these outcomes. For example research has shown that investment in human capital produces the largest return when it is made at an early age (Heckman 2006). Incentives related to maternal health, child health and early childhood development and care are thus likely to produce improvements in long-term human capital. This is especially important for policies that seek to address inequalities in human capital investment, since important disadvantages can arise by the time children get to school.

At later stages, the transfer should target those phases or transition periods of the human capital investment process (e.g. from compulsory schooling to post-compulsory) where there is a significant drop in demand for services. The comparative studies of the World Bank (Fiszbein and Schady 2009) have shown that the size of the impacts of CCT programmes depends on baseline rates in service use:

impacts were bigger where baseline service use was lower. Thus, if the objective of the programme is primarily to increase investment in human capital, the transfer should target those points during the lifecycle, where service use is low.

PROGRAMMES WITH POSITIVE INCENTIVES

An important question in the design of conditionality is whether to apply positive or negative incentives. Our review of the programme impacts was not decisive in this issue: there were mixed results for programmes with both types of incentives. However, negative incentive programmes have been criticized for being paternalistic and stigmatizing, especially when these conditions are introduced into a pre-existing unconditional transfer regime (Standing 2011, Cantillon and Van Lancker 2011). Such concerns have not been raised in cases where positive incentives were applied.

BENEFIT STRUCTURE TAKING INTO ACCOUNT THE HETEROGENEITY OF IMPACTS

The evidence is mixed regarding the relationship between transfer size and programme impact. Some experiments show that programme impact increases with transfer size (e.g. Levitt et al. 2012), while other evidence shows the opposite (Baird et al. 2011, Jackson 2010). From a comparison of the effects of different programmes, it is clear that in low- and middle-income countries the amount of the cash transfer is not in direct correlation with the size of the measured impacts (Baird et al. 2013; Fiszbein and Schady 2009).[52] This highlights the fact that carefully targeted programmes might have an important effect on behaviour, even with a relatively low transfer size.

The heterogeneity of impacts might be taken into account when determining payment levels. The average impact of the programme could be increased if higher transfers were given to those with a higher impact of the benefit. There might be a trade-off here between cost-effectiveness and redistributive objectives of the programme, if programme impact was higher in high income/high ability groups. Another issue is which family member should actually receive the transfer. Young children should not be the recipients, as the danger of having intrinsic motivation crowded out by financial incentives is more salient among them (Gneezy et al. 2011). On the other hand, high-school students might benefit from stronger incentives if they are directly targeted by the transfers. When it comes to parents, it is sometimes argued that mothers are better targets for such transfers, since they have a higher propensity to spend money on their children (Fiszbein and Schady 2009).

COMBINING BENEFITS WITH SERVICES: MENTORING, TUTORING, CASE MANAGEMENT

Well-targeted financial incentives do have an effect on behaviour and can be a cost-effective way to promote demand for human capital investment. On the other hand, effect sizes are modest most of the time (Allan and Fryer 2011), so financial incentives alone are not likely to be sufficient to eliminate the educational disadvantages of the poor. Some CCT programmes not only include financial incentives, but also provide social services (e.g. psychosocial support, information campaign, parenting classes) to facilitate behavioural change. These supporting services might contribute

[52] The impacts of the programmes implemented in Mexico and Colombia, which offered larger amounts of cash transfers, were smaller than the benefits of the programmes granting small amounts of money in Bangladesh or Cambodia.

significantly to increase the effect of the intervention, which might be desirable even if such services are often costly.

6.1.4. EFFICIENT IMPLEMENTATION OF CCT PROGRAMMES

The meta-analysis of CCT impacts by Baird et al. (2013) shows that differences in impacts cannot be explained by differences in programme design, which suggests that implementation of the programmes is also a very important determinant of success.

6.1.5. EFFICIENT COMPLIANCE MONITORING AND REWARDING

Most of the implementation steps in case of CCTs, such as targeting, transfer payment, programme monitoring etc. are similar to the case of UCTs. The main distinctive feature in the implementation of CCT programmes is the monitoring of behavioural conditions and sanctioning/rewarding behaviour according to the programme rules. The procedure of verifying compliance with behavioural conditions requires significant administrative capacity, involving beneficiaries, payment agencies and providers of the service. Programme operators usually receive data either directly from the service provider or indirectly via the competent ministry or another central authority. The interaction between ministries and sub-national administrations is crucial for adequate information flow.

Efficient implementation of monitoring and rewarding compliance with conditions is needed for realising the impacts of programmes. The impact evaluation literature suggests that sanctions/rewards that come with a delay are less likely to influence behaviour. Although in EU member states and high-income countries administrative capacity is usually not a constraint in the implementation of CCT programmes, significant delays in rewards and sanctions do arise even in these countries (e.g. Belgium's *School Allowance* programme or the *Kindergarten Allowance* in Hungary). Of course more frequent monitoring of compliance comes at a cost, impacting on the cost-effectiveness of programmes.

6.1.6. TARGETING OF BENEFITS TO THOSE IN NEED

If the aim of the programme is to reduce long term inequalities and promote human capital investment among the poor, targeting to the low income is crucial. Targeting in EU member states and high-income OECD countries is most often done using a means-test. In case of some countries targeting based on educational attainment of parents or geographical targeting are also used to identify those in need. Using information on parental education to target CCTs is interesting since insufficient information about the value of human capital investment or low aspirations are more likely to occur among parents with low education level. This might be a way of channelling transfers to those families where a change in behaviour is most likely to occur.

Targeting is important for cost-effectiveness of the programmes: with successful targeting of the transfer to those who are most likely to change their behaviour, programme costs can be decreased. However, if the transfer is targeted to a narrow segment of the society, this might conflict with its short-term income-redistribution purpose (Fiszbein and Schady 2009). A narrowly targeted transfer is likely to have less potential to reduce poverty throughout the population.

6.1.7. TAKING INTO ACCOUNT THE POLICY AND THE SOCIAL CONTEXT

CCTs in EU member states are part of a sophisticated social protection system. In these countries conditional transfers provide incentives on top of other incentives incorporated into other social benefits. It is thus crucial to assess whether the effect of other programmes could interfere with the impact of CCTs. It is also important to take into account the effects of the CCT programme on other decisions of the household – e.g. in high-income countries, targeting is usually carried out by a means test, which creates the possibility of disincentive effects on labour supply.

The social context also has to be taken into account when designing CCT schemes. Research has shown that the acceptance of means-tested benefits by the general public depends on whether the recipients of these transfers are perceived to be deserving of aid or are largely held responsible for their own situation. Some people argue that behavioural conditions would increase acceptance of means-tested transfers since only those who comply with conditions would receive transfers. Unfortunately there is no direct evidence on whether people accept more easily conditional than unconditional transfers. But conditional transfers could be expected to be more popular in countries where people tend to hold the poor responsible for their situation and less accepted in countries where poverty is seen as a consequence of social forces.

6.1.8. IMPACT ASSESSMENT, EVALUATION OF PROGRAMME RESULTS

In order to maximize chances for success CCT programmes should undergo a thorough monitoring and impact evaluation. Impacts of CCT schemes should be carefully evaluated by using established methods of impact assessment prior to a national roll-out.

6.2. POLICY RECOMMENDATIONS

6.2.1. BASIC CONDITIONS FOR CCTS

CCTs may, in specific circumstances, be viable policy tools also in EU countries, as a measure to promote human capital investment. **CCTs should be used to improve investment in human capital, when the reason for underinvestment is low demand for the given service related to lack of information or low motivation**, rather than just to lack of resources.

The development of social services is the most appropriate policy solution, however, when the major cause for low human capital investment (for example, dropout from school) lies on the supply side (unavailability and/or poor-quality services, etc.). Services must be made accessible to all strata of the population, infrastructure should be adapted to the number of potential users, and service quality should be assured for deprived and vulnerable groups as well.

6.2.2. IMPROVING THE DESIGN OF CONDITIONAL TRANSFERS

Incentive schemes should be simple and transparent. Incentives are most likely to produce behavioural change if the potential recipients are well informed about the goals of the programme and understand the incentives. The incentive structure is best kept simple and transparent: members of the target group should be able to determine easily the consequences of their decisions.

Incentives have to be tailored to the specific policy problem in the given country. The experience of past and existing programmes does not give precise guidance for the calibration of the incentive in a given context. This can only be done by conducting pilot projects of the planned intervention, preferably experimenting with different design alternatives.

To maximize the effect on human capital outcomes, **incentives should focus on behaviour that is closely related to long-term human capital development**. Incentives tied to performance at school should be applied with caution. Such incentives may have less impact because students do not know how to achieve better results; or they may be aware of what needs to be done but are unable to act accordingly. Conditions related to human capital outcomes should be avoided especially when transfer recipients are young children.

CCTs should be directed to phases of the lifecycle where high impacts are likely to occur. Since investment in human capital produces the largest return when it is made at an early age, incentives related to maternal health, child health and early childhood education and care are likely to produce improvements in long-term human capital. At later stages, incentives should target the school grade or transition period where there is a significant drop in demand for schooling.

Creating CCT programmes by introducing a behavioural condition into a previously unconditional benefit scheme should be avoided. In these cases the CCT reduces the consumption possibilities of households and is likely to be perceived by potential recipients as a punishment. Such approaches were also heavily criticized for being paternalistic and stigmatizing.

If the aim of the programme is to reduce long term inequalities and promote human capital investment among the poor, **targeting of transfers to those most in need** is crucial. Means-testing could be combined with geographical targeting and targeting based on education level of parents. As misinformation or low aspirations with regard to human capital investment are more likely to occur among parents with low education level, using information on parental education might be a way to reach those where a change in behaviour is the most likely.

Financial incentives are not likely to be sufficient to reduce substantially the disadvantages of the poor. In some cases the **effect of the intervention can be increased if financial incentives are combined with social services** (case management, mentoring) to facilitate behavioural change. If organized carefully, these services could have an important effect on human capital investment.

6.2.3. IMPLEMENTATION AND CONTEXT OF CCT PROGRAMMES

The efficient implementation of CCTs should be ensured. The most important task in the implementation of CCT programmes is the monitoring of compliance with the behavioural conditions and rewarding (sanctioning). Administrative capacity should be strengthened to handle the procedure of verifying compliance with behavioural conditions. Adequate flow of information needs to be organised between different actors involved in the process (ministries and sub-national administrations).

Implementation of conditional benefits should try to minimize the possibility of stigmatization of benefit recipients. Information on noncompliance with behavioural conditions should be treated with

discretion. Usual methods for reducing stigma in means-tested programmes –such as treating benefit claimants with trust and respect– should also be applied.

CCTs should be designed with taking into account incentives inherent in other programmes and benefits. CCTs in EU member states are part of sophisticated social protection systems, it is thus crucial to adapt CCT programmes to the set of existing programmes that address similar social problems and that could interfere with the CCT proposed. It is also important to take into account effects of the CCT programme on other decisions of the household – e.g. in high-income countries, targeting is usually carried out through a means test, which creates the possibility of disincentive effects on labour supply.

The success of a policy transfer depends to a large extent on the corresponding beliefs and attitude structures of the countries in question. The attitude climate for the acceptance of CCTs can be more favourable in countries where people attribute poverty mainly to individual behaviour, whereas CCTs appear to be less welcome in countries where poverty is seen as a consequence of factors external to the individual. This is also part of **the cultural context that should be taken into account when considering transferring CCT policies** between highly developed European welfare states.

In order to find the best design in the given context, **CCT programmes need to be carefully evaluated before a national roll-out, through randomized evaluations of pilot projects**. This allows several design variants of the proposed programme to be tested. More research is also needed regarding the mechanisms by which CCTs affect human behaviour.

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ANNEX

EXPERT SURVEY METHODOLOGY REPORT

In October of 2013, TARKI launched an expert survey as part of the „Study on Conditional Cash Transfers (CCTs) and their Impacts on Children" project. The aim of the survey was to collect information on the characteristics and impacts of CCT programmes operating in different countries and to discover experts' assessments of these programmes and about CCTs in general.

RESPONDENTS, RESPONSE RATE

The targets for the dissemination of the survey were experts with detailed knowledge of the social protection system of the member states. In the first round of surveying members of the Social Protection Committee (SPC) and the Network of Independent Experts (NIE) were invited to respond to the survey. In this first round the survey was distributed to 87 people, 34 recipients being from the NIE and 53 recipients being from SPC. In subsequent rounds 30 additional experts were invited to the survey. Overall 29 experts responded to the survey (see the list of respondents in the Table at the end of this methodology report), which means that the overall response rate equals 24.8%. The country coverage amounts to 21 member states and 6 non-member countries.

STRUCTURE OF THE SURVEY

The survey construction closely followed the guidelines outlined in the tender call; where, it was requested that the contractor inquire of country experts and committee members about their general opinion, information about new, local CCT programs, current program features and impact outcomes. In line with good practice, the questionnaire was constructed using the *funnel method,* with the most sensitive question appearing last in sequence and yes/no tick-box style questions appearing in the beginning of the survey.

The survey is structured in three parts: basic information about programs, current and new; information about the impact of those programs; and a generalized opinion section about the role and effectiveness of conditional cash transfers as they relate to children. These parts including questions about identification resulted in 49 total questions with the final question serving as heaviest *opinion*-question.

A lot of attention was given to the descriptive introductory section of the survey and in order to most effectively communicate the very specific definition of CCT the questions were directed towards both specific information and the target population. As will be shown below, many participants did not adhere to this explicit definition as evidenced by their responses to the opinion-based questions.

"*We kindly ask you to fill in the survey below about CCT programmes operating in your country of expertise and your assessment of these programmes. First, please read the following paragraph on our understanding of conditional cash transfers.*

For the purposes of this study, conditional cash transfers (CCTs) are defined as non-contributory cash

transfers conditioned on a desired behaviour. The research we conduct is about CCT programmes with conditions in the areas of early childhood education and care, schooling, health for children (0-18 years) and/or parenting support. Our definition of CCTs include universal or targeted-to-the poor programmes as well as programmes with negative incentives (when social transfers are suspended if conditions are not met) and programmes with positive incentives. CCTs can be introduced as separate programmes, but in some cases behavioural conditions are part of programmes such as a child benefit, a minimum income protection scheme or a complex anti-poverty programme. Conditions are sometimes explicitly stated, but might also be implicit in the design of the transfer (e.g. a scholarship programme in post-compulsory schooling is conditioned on enrolment in such education.)"

ORGANISATION OF THE SURVEY

The survey was distributed to Recipients using an online survey platform. Recipients received the survey via email showing the Director of TARKI as the sender, a cover letter with an invitation to take the survey and a personalized survey-link. The online survey platform recorded all entry and exits to the survey, duration of time, as well as skipped questions.

The survey was launched in October 2013, and closed in the beginning of March of 2014. This provided approximately five months of time for experts to both respond to the survey as well as revise their responses. Respondents were allowed to edit their responses at any time. Information about the survey was provided on the TARKI website, which included further background information about TARKI, the accreditation letter, contact information and the primary lines of inquiry.

The figure below shows the life-span of the survey; with testing shown during the early summer and the survey launch in October 2013 and closing in March 2013. No modifications were made to the survey after survey launch.

Figure 1: Schedule of data collection

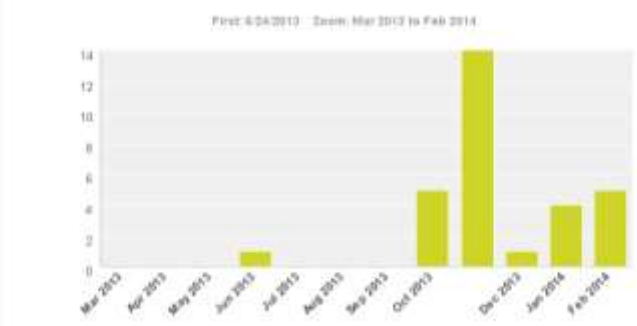

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Table: Respondents by country

	Respondents	Institution
EU member states		
AT	Michael Fuchs	European Centre for Social Welfare Policy and Research, Vienna
BE	Ides Nicaise	Katholieke Universiteit Leuven
BG	Elena Kremenlieva	Ministry of Labour and Social Policy, Bulgaria
BG	George Bogdanov	National Network for Children, Bulgaria
CY		
CZ	Ladislav Prusa	Research Institute for Labour and Social Affairs, Prague
DE		
DK		
EE	Natalia Omeltsenko	Ministry of Social Affairs, Estonia
EL	Aspassia Strantzalou	Ministry of Labour , Social Security and Welfare, Greece
EL	Dimitris Ziomas	National Centre for Social Research, Greece
ES	Olga Canto	Universidad de Alcala
FI		
FR		
HU	Fruzsina Albert	Institute of Sociology, Hungarian Academy of Sciences
IE	Jim Walsh	Department of Social Protection
IT	Filippo Strati	Studio Ricerche Sociali
LT	Arunas Poviliunas	Vilnius University
LU	Hugo Swinnen	Verwey-Jonker Institute
LV		
MT	Mario Vasallo	University of Malta
NL	Marloes def Graaf-Zijl	CPB Netherlands Bureau of Policy Analysis
PL		
PT	Renato Carmo	ISCTE-IUL
RO	Livia Popescu	Universitatea Babes-Bolyai
SE	Daniel Fredriksson	The Swedish Insititute for Social Research (SOFI)
SI	Nada Stropnik	Institute for Economic Research, Ljubljana, Slovenia
SK	Zúza Kusa	Institute for Sociology, Bratislava
SK	Ildikó Polacekova	Ministry of Labour, Social Affairs and Family of the Slovak Republic
UK	Jonathan Bradshaw	University of York
Non-member states		
TR	Fikret Adaman	Bogazici University
SR	Ljiljana Pejin-Stokic	Institute of Economics, Serbia
CR	Paul Stubbs	The Institute of Economics, Zagreb
NO	Axel West Pedersen	Institute for Social Research
FYROM	Gerovska Mitev	Faculty of Philosophy of Skopje
IS	Stefan Olafsson	University of Iceland

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