

Conditional Cash Transfers: Why Targeting and Conditionalities Could Fail

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IPC One Pager #44, "Growing Pains", argues that cash transfer programmes should become a permanent feature of social protection in developing countries. This One Pager takes that logic further, advocating a universal income grant as a foundation for basic economic security (see Standing 2007). Such an approach views targeting and conditionalities as both unnecessary and counter-productive.

Universal schemes are more necessary than ever as globalization and economic informalisation make economic insecurity more pervasive. Economic downturns and socio-economic disasters have become more numerous—whether due to economic forces or climatic conditions, and whether their impact is sudden (such as floods) or protracted (such as famines). The resultant costs can radically erode a household's capacity to sustain a viable livelihood base.

Cash Transfer Advantages

Are cash transfers an answer? Compared to alternatives such as food aid, they tend to be more effective. Commodity-based assistance is paternalistic: families have to accept what is presumed good for them, e.g., food, instead of making their own choices based on more income. Such assistance can also be market-distorting, as when it drives down prices for food grown locally or nationally. Moreover, such programmes strengthen a sense of charity rather than economic rights.

Can cash transfers do better? They can be distributed quickly, their administrative costs tend to be low, their selection of beneficiaries can be transparent and they provide freedom of choice in how the money can be spent. They can also contribute to rebuilding and sustaining livelihoods.

The 'Cash for Relief Programme' in Ethiopia, which was used to address crop failures, is an example. Its evaluation showed that cash grants were used to pay off debts, restore land productivity and help regenerate livelihoods. In contrast, food aid might have fostered only current consumption. The 'Cash for Herder' schemes in Mongolia were similar in their impact, reviving investment in assets, such as herds, that could regenerate livelihoods and the local economy.

Other such programmes have reduced the distress renting out of land or out-migration, helped households pool savings, and allowed farmers to sell their crops when prices are high and to buy seeds or livestock so that they could start work again.

Conditionalities

However, many cash transfer programmes have strategic weaknesses: they are neither universal nor non-conditional.

They mix 'means-testing' with 'behaviour-testing' and often gravitate towards social therapy. Some of the most well-known schemes, such as Mexico's *Oportunidades*, have evolved into complex mechanisms of social engineering.

Operating a means-tested conditional programme, such as making grants to poor families based on their children's school attendance, requires considerable administrative capacity—which is often sorely lacking in many low-income countries. Such schemes are also inherently paternalistic even if they impose conditions, such as ensuring children's education, that are universally accepted.

They assume, in effect, that a poor family must be irrational or incapable of knowing what is in its long-term interests or lacks some kind of vital information. Moreover, in rural areas of Latin America and throughout regions such as sub-Saharan Africa, conditionalities related to health and education are likely to be ineffective because of a lack of schools, health clinics and transport.

Targeting creates additional problems. It implies maintaining a sophisticated and updated registration system. But such a system would have inherent problems with families that are economically insecure, since their incomes fluctuate unpredictably above and below any given poverty line.

Targeting

Targeting is often implemented primarily to gain political support from the non-poor. This is based on the dubious distinction between 'the deserving poor' (who often cannot work or are extremely deprived) and the 'undeserving poor' (who are capable of working and should not accept 'hand-outs', at least not for very long). There is little debate that children are 'deserving' but why should poor families with *pre-school* children or no children be excluded from receiving transfers?

But programmes that rely on targeting and conditionalities are invariably arbitrary, inequitable and inefficient. In contrast, universal security schemes are administratively simple, low-cost and affordable. They would also be non-stigmatising (based on a universal entitlement to transfers) as well as non-paternalistic. Most importantly, they would help strengthen social solidarity, contribute to households' freedom of choice and contribute to sustainable livelihoods and dignified work.

Reference:

Guy Standing (2007). 'How Cash Transfers Boost Work and Economic Security'. UNDESA Working Paper #58, October.