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TRANSFORMATIVE SOCIAL POLICY IN DEVELOPMENT?

DEMYSTIFYING CONDITIONAL CASH TRANSFERS IN LATIN AMERICA

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Introduction

Seldom in development history has a social policy received so great a reputation in such a short period of time. A social assistance innovation, conditional cash transfers (CCTs) regularly provide poor households with cash transfers conditional upon beneficiaries' sending their children to school and health examinations. Instantly hailed by the Inter-American Development Bank (IDB) and the World Bank as a success story, CCTs have virtually swept Latin America and the Caribbean. Bursting on the regional scene already a legend after a massive circulation of positive results of the first programmes in Brazil and Mexico, CCTs have come to play a significant role in Latin American development, covering nearly one-fifth of the region's total population.

CCTs have been widely promoted for their ability to simultaneously pursue the twin objectives of short-term poverty alleviation through income support (i.e. cash transfers), and long-term poverty reduction through human capital investments (i.e. conditional behavioural changes). Such accolades have prompted the CCTs into becoming an emerging 'global' social policy that has subsequently been 'best-transferred' to other developing regions. In particular, their claim to fame lies in their perceived capacity to enable a break in intergenerational transmission of poverty at a very low cost (e.g. Cecchini and Madariaga 2011; Fiszbein and Schady 2009). Yet, in spite of constituting one of the most researched development programmes, CCTs' alleged capabilities concerning long-term poverty reduction remain enigmatic, wrapped in numerous layers of theoretical assumptions and 'taken-for-granted' expectations - hence the need for this inquiry into evidence, assumptions, and diffusion of CCTs in Latin America.

While the dissertation contains large sections on the political economy and social policy implications of the programmes, including a middle-range analysis of their diffusion throughout Latin America and an empirical case study on politicisation of CCTs in Guatemala, this brief focuses on principal findings pertaining to CCTs' capabilities as a development intervention to break intergenerational transmission of poverty. First, it presents an overview of active CCTs in Latin America. Second, it summarizes the results of an inquiry based primarily on systematic reviews of existing evidence and a set of comprehensive analyses to filter, that which is 'known' from that

being assumed about CCTs' impact. This is followed by a problematization of CCT evidence that further assesses the extent to which their alleged capabilities to enable a break in intergenerational transmission of poverty and social exclusion are empirically founded?

General Overview of CCT-Programmes

A systematic analysis of data from the ECLAC Database on Non-Contributory Social Protection Programmes, official programme web sites, and project documents from the IDB and the World Bank reveals that there are currently twenty active CCT-programmes in eighteen countries in Latin America. In terms of total number of beneficiaries, Brazil's *Bolsa Familia* is the largest programme with 56.458 million beneficiaries, followed by Mexico's 31.200 million beneficiaries enrolled in *Oportunidades* and Colombia with 11.719 beneficiaries in *Familias En Acción*. In contrast, Trinidad and Tobago runs the smallest programme in the region with 0.035 million beneficiaries in its *TCCTP*. Relative to total population, Ecuador runs the largest proportion of beneficiaries at some 41.4 per cent in its *Bono de Desarrollo Humano* programme, followed by Honduras at 30.2 per cent in the *Bono 10.000* programme.

CCTs have often been commended for their low costs. An alleged impact on poverty and human capital investments at an average cost of 0.4 per cent of GDP (Cecchini and Madariaga 2011), no doubt constitutes one of the factors behind their region-wide attraction. The IDB and the World Bank have been co-financing, often in tandem, all currently active CCT-programmes except for Bolivia's *Juancito Pinto*, Chile's *Solidario*, and Uruguay's *Asignaciones Familiares* programmes. This fact largely undermines popular notions of CCTs as endogenous programmes, born and raised in Latin America.

CCTs in Latin America share particular features and objectives in the simultaneous pursuit of short-term poverty alleviation and long-term poverty reduction through enhanced human capital. All active CCT-programmes in the region aim to move beyond mere poverty alleviation to poverty reduction by incentivizing demand-side behaviour concerning human capital investments. Hence, the problem of chronic poverty and social exclusion is located on the demand-side and there is a future-orientation present in all programmes with the overall goal to break intergenerational transmission of poverty.

However, they are often incorrectly treated as belonging to one homogenous model when this dissertation finds that they have been greatly adapted to particular domestic objectives and implemented in different ways depending on domestic political economy, social policy and institutional contexts. Ideal types reveal that different countries have used CCTs for different primary purposes. In some countries the programmes have been implemented to provide an income supplement for the poorest (e.g. Brazil), in others the main purpose has been to universalise the uptake of social services by incentivising socio-economically excluded groups (e.g. Chile and Uruguay). Yet others have used CCTs principally to enhance human capital accumulation (e.g. Mexico). Consequently, these different approaches have produced widely different targeting methods, payment structures, enforcement of conditionalities, programme duration and exit rules.

Diffusion of CCTs in Latin America and the Caribbean could be divided into three distinct waves of programme launches. The first wave began in 1995 with the launch of the *Brazilian Minimum Income Guarantee* programme and *Bolsa Escola* in the municipalities of Campinas and Brasilia, respectively. It gathered pace in 1997, when a CCT pilot project (*Progresa*) targeted some 300,000 households in poor rural municipalities in Mexico, and through a conversion of *Programa Asignación Familiar (PRAF)* dating back to 1990 from an unconditional to a conditional cash transfer in Honduras in 1998. It is important to note that there were only three CCT-programmes at the turn of the millennium and not until 2001 did Mexico's *Oportunidades* (successor to *Progresa*) and Brazil's *Bolsa Escola* become the region's first nationwide programmes. In 2000, Costa Rica and Nicaragua joined the early adopters. The most rapid diffusion took place in the second wave between 2001 and 2006 when a total of thirteen countries launched CCT-programmes. Not surprisingly, this period coincides with the beginning of relentless support of CCTs by the IDB and the World Bank. While the IDB provided financing for Honduras already in 1998, the World Bank began providing CCT-financing and technical assistance in 2001 for the launch of programmes in Colombia and Jamaica.¹ Chile and Argentina launched their programmes in 2002, and Ecuador's CCT-programme was launched in 2003. In 2005, Uruguay, Dominican Republic, El Salvador, Paraguay, and

¹ It should be noted that World Bank's involvement in CCTs was until 2001 all but certain – the approval of financing of Colombia's programme in fact required a legal reinterpretation of the Bank's bylaws. The favourable outcome was based on the legal requirement that cash transfers be specifically linked to human capital and education (IEG 2010).

Peru followed suit. The second wave ended with launches in Bolivia, Panamá, and Trinidad and Tobago. A late adopter, Guatemala launched a CCT-programme in 2008.

Diffusion of CCT-programmes has been paralleled by substantial growth in coverage of beneficiaries in all programmes and they have together achieved an increase in CCT-beneficiaries from 38 million in 2001 to 113 million in 2011. It should be noted that programme leakage, or inclusion of the non-poor, has become a significant factor in the growth of the total number of beneficiaries – already in 2006, the total number of CCT-beneficiaries surpassed the corresponding total number of poor in the region (using a standardized and purchase-power-parity international poverty line of USD 2.5 per day). Such leakage is most prevalent in Ecuador with some 65 per cent non-poor among its beneficiaries, closely followed by Mexico’s 61 per cent, and Brazil’s 50 per cent (Stampini and Tornarolli 2012). The presence of significant leakage put into doubt CCTs’ alleged targeting efficiency that initially focused on inclusion rates of the poor and found the programmes to be well targeted to the poor (e.g. Brière and Rawlings 2006; Coady et al. 2004).

Analysis of Existing Impact Evidence

The synthesis presented in this dissertation is based on systematic reviews by IEG (2010) and IEG (2011) for general reviews, DFID (2012) for review on economic impact; Krishnaratne et al. (2013) for review on education, Gaarder et al. (2010) for review on health and nutritional impact, and Glassman et al. (2013) and Ranganathan and Lagarde (2012) for review on health impact, and Leroy et al. (2009) for review on nutritional impact. These have been complemented by comprehensive analyses by Fiszbein and Schady (2009), Draibe and Riesco (2009), and Cecchini and Madariaga (2011) that include, but move beyond, reviews of existing evidence to also analyse CCTs in broader, social protection terms.

In summary, the synthesis indicates that CCTs have had a significant impact on poverty alleviation (i.e. severity of poverty) and combating extreme poverty but have generally not lifted households out of poverty. Furthermore, the programmes are estimated to have had large effects on quite moderate inequality decreases and have been shown to be quite progressive transfers. Concerning human capital effects, existing

evidence is rather mixed. CCTs' are estimated to have had positive and significant effects on increasing access to education services, but no demonstrated effects on learning and school completion.

Similarly, evidence of impact on health show positive effects on increased access to health centres, but mixed effects on basic interventions including immunisation coverage. Evidence on effects on nutritional status is inconclusive with rather more positive effects on height than weight, and evidence of CCTs' effects on gender equality and women's empowerment is inconclusive and subject to a contentious debate. Finally, it should be noted that all systematic reviews unequivocally find that there is no conclusive evidence on CCTs' long-term impact. Thus, this analysis concurs with those put forth by Cecchini and Martínez (2011) and Draibe and Riesco (2009) that existing evidence on CCTs show some modest positive impact on selective parameters, while lacking any demonstrated effects on long-term poverty reduction and human capital enhancement – the two overriding goals of the programmes.

The 'Known', the Unknown and the Assumed²

Most people interested in CCTs would be highly surprised to find that the hype regarding the programmes' celebrated impact is in fact based on extrapolation of short-term estimates of average effects from localised evaluation trials, predominantly undertaken in rural Mexico. At closer scrutiny, the alleged status as one of the most evaluated programmes in development history rests on a limited number of cases. This dissertation presents an analysis based on 3ie's RIEPS which reveals that a total of 49 rigorous impact evaluations have been conducted on CCT-programmes by 2012 in Latin America. Of those 49, some 26 have evaluated *Progresas/Oportunidades* in Mexico; nine in Nicaragua; seven in Colombia; two in Paraguay and Ecuador, respectively; and one in Brazil, Honduras, and El Salvador, respectively. Hence, rigorous impact evaluations have been undertaken in only eight of a total of 18 countries running CCT-programmes and

² In addition to the sources used above in the review of existing research, this section is based on an analysis of International Initiative for Impact Evaluation's (3ie) Register of Impact Evaluation Published Studies (RIEPS).

among these, Mexico is clearly overrepresented with some 53 per cent of total number of evaluations.³

Furthermore, the impact evaluations measure short-term effects only as the vast majority of impact evaluations have analysed effects within two years of programme-launches. Other limitations in existing knowledge of CCTs' impact pertain to methodological and data insufficiencies:

Average Effects Only

Most experimental and quasi-experimental evaluations estimate average effects, and hence provide no political economy information of interest to policymakers, such as distribution of effects. This is problematic since distributional effects of social policies are of essence, and experiments could demonstrate average positive effects in spite of the fact that the vast majority of beneficiaries is negatively affected while a few have very large positive effects.

Insufficient Data and Disentangling Effects

This dissertation finds that there is an overall lack of questions on CCTs in the region's household surveys - the principal data collection instrument for evaluations. An analysis of seven of the total of 10 household surveys that entail questions on social programmes reveals that the vast majority pertains only to descriptive data such as whether anyone in the household participates in a CCT-programme or not. Partly due to the lack of sufficient data, it becomes particularly difficult to disentangle CCTs' effects on poverty and inequality when the region has gone through an unprecedented economic growth period with low unemployment rates, substantially increased minimum wages and comparatively high prices on commodities. While CCTs have certainly been contributing, most of the reduction in poverty and inequality has been found to be the result of rising labour incomes and reduced return on education, with a resulting decline in the earnings gap between skilled and low-skilled workers (Levy and Schady 2013; Lopez-Calva and Lustig 2010). Furthermore, it becomes inherently difficult to single out CCTs' effects in

³ In fact, until 2004 or the beginning of a pronounced peak in the number of CCT-launches there had been but six impact evaluations published, of which four pertain to *Progresá* in Mexico.

the presence of other reforms. For instance, primary education became free of charge for all children in Guatemala at the time of the launch of the country's *MIFAPRO* programme, making it difficult to disentangle the effects of the programme from those caused by the supply-side reform. Similarly, a recent report by CGD (2013) finds that Brazilian CCTs were implemented alongside reforms in school funding, longer school days, increased teacher pay and bonuses, redesigned curricula and increased mandatory schooling to 11 years.

Dubious External Validity

Of particular interest to the connection between evidence and diffusion of CCTs is the crucial issue of the former's external validity, i.e. the extent to which evaluation findings are generalizable beyond their localised boundaries. As pointed out by Pritchett and Sandefur 2013: 1): 'In nearly all development contexts it cannot be assumed that the rigorous demonstration of "what works" (as both efficacious and cost-effective) in one context has superior evidentiary value for any other context.' Yet, could the case of CCTs somehow possess particularly strong external validity? A review of systematic evidence and limitations in the methods used in CCT impact evaluations strongly indicates that this is not the case. Rather, evidence of short-term average effects in localised contexts lack external validity. Even Duflo et al. (2006), researchers at the MIT Poverty Action Lab that have largely driven the randomised experiment movement admit that evaluation methods have problems with external validity, and generalisability is only possible under specific assumptions. Banerjee (2005) argues that the only way to build trust in evaluation-results using experimental and quasi-experimental methods is to replicate them in different contexts. Similarly, Duflo and Kremer (2003) suggest combining replicated evaluations in different contexts with theory on 'why' a programme works.⁴

However, there is yet to appear a study that provides a comprehensive and plausible explanation as to why results in other Latin American contexts should be consistent with those found in Mexico's *Progreso* programme. In the appraisal for internal validity, there

⁴ There is however a caveat to such an approach beyond questions of feasibility: if the theory is not tested, randomised evaluations will in effect be subject to the same assumption-based decision-making which their supporters criticise in the first place.

has been no problematization of such theoretical assumptions. For such findings to be generalizable without analysis and theorisation of underlying causal mechanisms and contextual factors, one would need to make the preposterous assumption that there is an adequate supply of health and educational services in all contexts, as well as institutional and administrative capacity, and beneficiaries in, say urban Bogotá, respond in identical ways to CCTs as do those in rural Mexico. This dissertation argues that this implicit assumption of identical effects in heterogeneous contexts simply does not hold - CCTs' different features and focus areas together with the fact that Latin American countries contain highly different contexts are likely to produce different results.

Black Box of CCTs: The Unknown Long-Term Impact on Poverty Reduction

In essence, CCTs' rationale and alleged capacities to simultaneously reduce poverty and enable children to break intergenerational transmission of poverty through enhance human capital rests on a straightforward causal pathway, summarised as follows: 'The programmes incentivise increased utilisation of educational and health services through CCTs (intervention), which causes increased attendance in schools and health examinations (immediate effects). These in turn produce learning and good health (intermediate outcomes) that ultimately lead to exit from poverty (final outcome).'

Yet, based on existing evidence on CCTs' impact, long-term impact or the plausibility of assumed impact on intermediate and final outcomes remains unknown. The only causality that is empirically founded is the beginning path between intervention and immediate effects: evaluation evidence indicates that CCTs have positive average effects on short-term poverty alleviation, consumption, and increased utilisation of educational, and to a lesser degree, health services. But the rest remains a black box, partly because of natural circumstances – it is simply too early to tell as cohorts enrolled in most programmes have yet to enter the labour market, and partly because existing evidence pertains merely to the 'what', saying nothing about the 'why' and 'how' of found causal mechanisms. In addition, Ravallion (2008) draws attention to the fact that while impact evaluations all too often provide little or no information on the underlying economic and social processes, it is only through understanding of these processes that lessons could be learned and used for scale-up or replication in other contexts.

Finally, this dissertation finds that CCTs have in fact not been preceded by ex-ante analyses that have determined that insufficient human capital investments among the poor are primarily a demand-driven problem. Programme theory implicitly assumes that the poor fail to send their children to school and health examinations because they lack economic means to do so. Yet, in spite of more than a decade of CCT-benefits, more than half of Latin American adolescents drop out of secondary education and only some 34 per cent of those who stay in school acquire skills necessary for a productive life. Hence, this dissertation suggests that it may be wise to revisit the initial problem diagnoses and test whether CCTs are in fact the most optimal intervention in a region *where you are just as likely being poor because you are poorly educated as you are being poorly educated because you are poor*. This is particularly the case in view of data from the most recent household surveys showing that students' main reason for dropping out of secondary school in Latin America is not 'lack of economic means', but rather because of 'lack of quality education' and 'lack of interest'.

The Role of Asymmetric Structures and Segmentation Processes⁵

This study takes as its starting point the assumption that any efforts to break the cycle of chronic poverty and exclusion must address their underlying structures and processes. To that end, it presents a social mobility analysis of Uruguay's AFAM and its impact on residential segregation, educational segmentation and labour market segmentation. Based on empirical data from qualitative interviews, household surveys and existing research studies, the programme is found to insufficiently address these asymmetric processes. It finds that without accompanying structural reforms, this limitation will significantly constrain the programme's capacities to promote beneficiaries' social mobility by breaking the intergenerational transmission of poverty.

This analysis contributes to ongoing research on CCTs in three ways. First, although there are limits to the extent that details of AFAM and the Uruguayan case can be generalized, the analysis does identify and problematize critical issues concerning the long-term capacities of CCTs. Second, it suggests that the implicit assumption behind

⁵ This section is based on the article 'Conditional Cash Transfers and Social Mobility: The Role of Asymmetric Structures and Segmentation Processes', published in (2012) *Development and Change*, 43(6): 1337–1359.

CCTs' alleged capacity to break the intergenerational transmission of poverty simply by increasing educational attainment is deeply flawed. Third, this study indicates the need for further analyses of the impact of CCTs that move beyond assessments of particular parameters, to encompass socio-economic structures and processes that reproduce those parameters in chronic poverty and exclusion. Such analyses could provide valuable insights and thereby realign the objectives, expectations and implementation of CCTs to more accurately reflect their long-term capacity, and put these promising programmes to their optimal use.

Paradoxes Between Poor Relief and Human Capital Investments⁶

Conditional Cash Transfers (CCTs) are often being promoted for their simultaneous advantages of short-term income protection and long-term human capital investments. Yet, as discussed above, existing evaluations have largely failed to test the underlying programme theory and few empirical case studies have explored inherent contradictions and ambiguous consequences of this hybrid approach. To further understand the programmes' social policy implications, this study identifies and analyzes such ambiguities and paradoxical consequences in the case of Uruguay's CCT-programme *Asignaciones Familiares (AFAM)*.

The analysis based on qualitative interviews with Programme commission members and beneficiaries, as well as quantitative analyses of household survey data, points to inherent contradictions and incompatibility in the simultaneous pursuit of poverty and human capital investment objectives. Social policymakers are in effect faced with a trade-off and prioritisation of one goal to the detriment of the other. In the case of AFAM, exit rules based on age and income are found to be contradictory to the goal of human capital investments that requires completion of educational cycles. AFAM's paradoxical design is subsequently traced to a set of driving factors of informative value to analyses of other CCT-programmes. Thus, while it evaluates policy paradoxes of AFAM in the Uruguayan context, research findings presented are particularly relevant to CCT-research since the analysis pertains to a programme that is in fact embedded in a social protection plan that seeks to systematically integrate income support and educational investments.

⁶ This section is largely based on the forthcoming article 'Between Poor Relief and Human Capital Investments: Paradoxes in Hybrid Social Assistance', accepted for publication in *Social Policy & Administration* on November 29, 2014.

Of further importance to future research on CCTs' social policy implications, the analysis suggests that there are *unanticipated consequences* of CCTs' paradoxical hybrid approach with potential perverse effects on programme outcomes and future social policy. It is here argued that age-based exit rules and enforcement of income-based exit rules may unintentionally lead to a reproduction of secondary school desertion, and CCTs' hybrid approach is likely to have perverse effects on future social policy. The lack of complementary supply-side reforms and integration with other educational programmes has resulted in an unintended monocausal approach to educational drop out which impacts future policymaking on two levels. On a policy level this could potentially produce crowding out effects whereby other educational reforms are foregone under budget restrictions. On a symbolic level, the monocausal approach shifts the focus of the educational problem from proven structural and supply-side deficiencies to families' demand for educational services. This may cause policy inertia in an erroneous perception that CCT-programmes will solve the drop out problem, hence providing political legitimacy for incomplete educational reforms and investments.

These findings have wider social policy implications and provide formidable challenges to the continuing paradigmatic shifts towards non-contributory social assistance and evidence-based social policymaking. First, they question the adequacy of social assistance as a preferred social policy instrument for long-term poverty reduction through human capital enhancement. No doubt, CCTs have accomplished a tremendous feat in including the historically excluded in basic social protection, thereby alleviating short-term poverty. The problem rather lies with the programmes' expected long-term capacity to enable a break in intergenerational transmission of poverty, simply by adding a conditional human capital incentive to income support traditionally provided by social assistance programmes. This alleged capacity to enable social mobility is based on some rather dubious assumptions and seems even less convincing in light of the incompatibility dilemma presented in this case.

Second, and closely related, findings in this study underline the need for policy evaluations to move beyond localised evidence on selected treatment effects and further test programme theories and their underlying assumptions.

CCTs – Quo Vadis?

It would certainly be both preposterous and premature to attempt any type of forecast of future social policy developments in Latin America. Among other things, it remains to be seen whether it is indeed possible to achieve equity in opportunities in highly unequal contexts. Conceptions of and roles assigned to social policy have historically evolved in accordance with contemporary socio-economic priorities and changing discourses on the causes of, and optimal solutions to prevailing social problems (Hall and Midgely 2004: 4), and the policy diffusion analysis presented in this dissertation indicates that CCTs' future social policy role in Latin American welfare systems depends largely on the trajectories of the on-going transformations.

It is of outmost importance to underline CCTs' truly remarkable accomplishment in including the historically excluded in state-provided social protection. First hand accounts during interviews with mothers in their homes leave no doubt as to the vast importance of such inclusion in their daily struggle against deprivation and social exclusion. Yet, the main question is whether CCTs have embryonic effects in a transformation towards encompassing and universal social welfare; or rather reproduce dualised social protection systems. While this remains to be seen, it is nevertheless important to highlight the conundrum that, paradoxically, some of the enabling factors analysed in this dissertation may constitute barriers to further development of the programmes.

First, means-tested targeting may inhibit more universal aspirations since CCTs have been found to reinforce recent social policy's focus on targeted poverty reduction as opposed to its historical role of redistribution (Huber, 2005). It is important to note that the choice of targeted measures is incompatible with research findings on social policies' redistributive impact that overwhelmingly show the superiority of universal policies (e.g. Korpi and Palme 1998), and assumptions of CCTs being able to transcend limited redistribution effects of targeting simply by attaching human capital conditionality remain dubious.

So far, CCTs have been pursued at the margins, complementing market reforms, without any significant structural and redistributive changes. Rather than altering socio-economic structures, CCTs include the historically excluded in existing structures

through selective targeting. Therefore, the programmes seem to be dependent on the ‘mercy’ of non-recipients, since targeting of the poorest is unlikely to foster alliances between different strata of society without shared benefits. Finally, the layered and non-conflictive characteristics of CCTs may have to be relinquished in turn for structural reforms and actual solutions to the redistributive conflict, which CCTs have so far helped Latin American governments avoid.

Second, as a layered social policy programme, CCTs have to date not been sufficiently integrated with other social and labour market policies. Several studies warn that CCTs are not being adequately integrated in social policy systems (e.g. Fiszbein and Schady 2009; Valencia Lomelí 2008). These concerns emphasise the fact that future impact will depend on structural reforms in the supply of basic social services, and integration with other social policies. While such qualifications seem correct, they fail to accurately account for political economy constraints in residual social policy systems and consequent crowding-out effects. Most developing countries have relatively weak state-provided social policies with limited social expenditure budgets, and as pointed out by Teichman (2008), many of the recommended reforms and improvements will in effect be short of political prioritisation and funding in the pursuit of CCTs. Future research should analyse the extent to which CCTs have crowded out other policies, particularly since states in Latin America remain characterised by low levels of tax revenues, and CCT-induced demand for education and health are likely to add to already constrained and inadequate services in many countries in the region.

CCTs’ successful embryonic contribution will ultimately depend on the quality and capacity of their underlying basic universal services. Apart from the obvious risk of crowding out effects, whereby investments in the supply of schools and health centres are foregone in scale-up of CCTs, another major issue concerning lack of integration is that most CCT-programmes have become more or less independent from the sectors involved in the intervention. For instance, Reimers, DeShano and Trevino (2006) highlight severe problems arising in the education sector when CCT-programmes are managed by Ministries of Development or presidential offices, rather than by line ministries.

Third, in order for CCTs to be effective, the human capital component requires future employment opportunities, without which beneficiaries are likely to end up in the

informal sector without social protection. As pointed out by Cecchini and Martínez (2012), structural labour market problems remain unresolved and jobs created tend to be dominated by informal employment, even in the region's remarkably favourable economic conditions between 2003 and 2008. Presented arguments on CCTs' alleged capacities to avoid the reproduction of dual social policy systems (e.g. Hailu and Soares 2008), have so far failed to accurately account for labour markets' significant role in welfare stratification. In fact, CCTs are social assistance programmes with two unusual features: they are more progressively targeted so as to include some of the historically excluded, and they are conditional upon human capital investments. However, apart from neutralising social policy stratification based on employment status by including those informally employed, CCTs have so far not been linked to formal labour markets, other than through a lofty promise of future opportunities from human capital investments. Thus, these integration-capacity arguments mistake minimum inclusion for integration, the latter inevitably requiring links to labour markets. Without such established links, it is highly improbable that CCTs will be able to deliver on their promise of enhanced human capital. This becomes even more important since CCTs have produced policy legacies and feedback effects, among which one is the strong support of 'new constituents' who have historically been excluded from social protection. They are not likely to give up CCTs, and without formal labour market insertion, the cash transfers may be needed indefinitely with no real exit from poverty in sight.

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