

## Mis-labelled Cash Transfers (MCTs)

*Nicholas Freeland*

A new sleight of prestidigitation has occurred in the arcane world of the wizards of conditionality! As readers may be aware, these *conditionistas* have promoted four major experiments over the last few years, which they hoped would demonstrate, once and for all, the added value of imposing conditions on the recipients of social transfers. After a series of contested, controversial, but ultimately rather disappointing results from the first three experiments (in Malawi<sup>1</sup>, Burkina Faso and Kenya), all hopes were pinned on the fourth experiment, the Tayssir programme in Morocco. This was a two-year pilot designed to increase student participation in primary school, in which independent researchers partnered with the Government of Morocco to evaluate whether imposing conditions increased the educational impact of the cash transfer. [It also had a secondary research purpose, to establish whether it made any difference if the transfer was made to the father or to the mother.]

As with the other three experiments, the methodology used represents what the World Bank's *magnum opus* on CCTs<sup>2</sup> describes as the gold standard:

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

This is exactly what happened in Morocco, and the results have just been reported in a paper dated July 13, 2013<sup>3</sup>. There were essentially two versions of the programme. In its unconditional arm, families with children of primary school age could receive transfers whether or not their children attended school, while, in its conditional arm, cash transfers were disbursed to parents of primary school-age children only on condition that their child did not miss school more than four times each month. [These two groups were further subdivided, to determine if the effectiveness of the transfers depended on the gender of the parent who received the transfer (the child's mother or father).]

Each school sector sampled for the study was randomly assigned to one of five groups:

- UCT issued to fathers: 80 communities from 40 school sectors.
- UCT issued to mothers: 80 communities from 40 school sectors.
- CCT issued to fathers: 180 communities from 90 school sectors.
- CCT issued to mothers: 178 communities from 89 school sectors.
- Comparison group: 118 communities from 59 school sectors received no transfers.

Researchers collected information on student attendance and enrolment status for over 47,000 primary school aged children through unannounced visits to all schools. Comprehensive baseline and endline surveys gathered data on around 4,400 households. At endline, a basic test was administered to measure the arithmetic performance of one child per household.

<sup>1</sup> For a critique of the Malawi experiment, see: Kidd, S. and Calder, R. (2012) *The Zomba Conditional Cash Transfer Experiment: an assessment of its methodology*. Pathways Perspective No. 6, September 2012.

<sup>2</sup> Fiszbein, A., and Schady, N. *Conditional Cash Transfers: reducing Present and Future Poverty*, World Bank Policy Research Report, 2009

<sup>3</sup> Benhassine, N., Devoto, S., Duflo, E., Dupas, P. and Pouliquen, V. (2013) *Turning a Shove into a Nudge? A "Labeled Cash Transfer" for Education*. NBER Working Paper No. 19227

And the result? Overall the impact of providing the cash transfer was impressive: “The *Tayssir* cash transfers greatly increased school participation under all versions of the program, **with the UCT having slightly larger impacts**. After two years, the dropout rate among students enrolled in school at the start of the program in UCT schools was about 7 percentage points lower than the dropout rate in comparison schools (at 10 percent), a 70 percent decrease. Re-enrollment of those who had dropped out of school before the program almost doubled in UCT schools as compared to comparison schools, and the share of students who never enrolled in school fell by 43 percent. Performance on a basic arithmetic test improved but not significantly.”<sup>4</sup>

All well and good. But what about the key question the experiment was meant to be answering, to which there is the tantalising reference highlighted in bold above? Yes, indeed. The findings continue: “Making cash transfers conditional did not improve the effectiveness of the program, **but may actually have somewhat reduced it**: relative to UCT schools, CCT schools had a slightly higher drop-out rate.” Furthermore, “While the CCTs also had a large positive effect on school participation, explicitly **conditioning transfers on attendance significantly decreased their impact** in the context of this program. In particular, relative to UCTs, CCTs lowered the impact on re-enrollment of children who had dropped out, perhaps because conditionality discouraged some households (or some teachers) from enrolling weaker children in the program. Correspondingly, CCTs also had a significantly lower impact than UCTs on math scores (CCTs had no impact whatsoever, with negative point estimates).”<sup>5</sup>

Oh dear! Not at all what the *conditionistas* would have wanted to hear! But because the research had been conducted in partnership with an independent institution, it appears that it wasn't possible, on this occasion, to revisit the data or redo the analysis (as had happened in the case of Malawi). So the *conditionistas* did the only thing that was available to them: they invented a new category of cash transfer, a Labelled Cash Transfer (or LCT). This is essentially a UCT that

has a message attached, a UCT which tells you that education is good for your child, a UCT for which you need to sign up on school premises. The report suggests that this makes an LCT different from a UCT, and implies that an LCT lies somewhere midway along the spectrum between a UCT and a CCT.

What this means, conveniently for the *conditionistas*, is that all those uncomfortable findings about a UCT outperforming a CCT can be made to disappear like a rabbit in a hat. The report is explicit about this:

“Note that the comparison between LCTs and CCTs tells us little about the question that other papers in the literature have addressed, namely how an unconditional and unlabeled cash transfer program would compare to a CCT.”

Gobbledygook!! This argument requires that an LCT is not the same as a UCT. Is this tenable? Of course not! A UCT does not become “more conditional” (and thus turn into a new beast, an LCT) just because it has a message attached. A condition is a condition: it is, by definition, a **requirement that must be fulfilled** in order to receive the transfer, where you are punished if you do not fulfil that condition. If a program does not have that (and the LCT arm in Morocco does not), then it is “unconditional”, pure and simple. Think of this in different context: if a driver has a license, he or she is a licensed driver; if not, he or she is an unlicensed driver. Or another: if a researcher adheres to a set of principles, he or she is a principled researcher; if not, he or she is an unprincipled researcher. Ergo, an LCT is a UCT, but just one that places greater emphasis on its messaging. And nobody has ever suggested that such messaging is not a very important component of any cash transfer programme.

What is interesting is where the impetus came from, to mis-label UCTs in this manner. One would assume that it did not come internally, from the authors of the research paper. This is because, intriguingly, there exists an earlier version of their report, dated December 4, 2012. And in this version of the report there is no mention whatsoever of an LCT, the words “label”/“labelled” do not appear one single time,

<sup>4</sup> NB In these quotations from the report, I have replaced the misleading term “LCT” with the correct term “UCT” – for the reasons explained in the subsequent paragraphs.

<sup>5</sup> Ditto.

the treatment design is unequivocally defined as “conditional vs. unconditional”, and the respective target groups in the experiment are explicitly described as “UCT to mothers” and “UCT to fathers”. Mysterious indeed that LCTs have reared their ugly heads in the space of just seven months. At whose behest? I think we should be told!

Whatever the answer, there are some key messages that emerge from this important study, and they have nothing to do with Labelled Cash Transfers. These are that, in the case of Morocco:

- Even small cash transfers have a hugely beneficial impact on schooling
- Applying conditions has a **negative** impact on programme performance, whilst at the same time increasing both cost and complexity

- It makes no difference whether the transfer is given to the father or the mother
- The existence of an effective information and education campaign increases the impact of the transfers.

These findings have serious implications for policy, and should not be obscured by the chicanery of an invented and unnecessary new category of cash transfer. Please may the authors recognise this, and rewrite their report along the lines of their earlier draft, thus proving that they are principled researchers rather than “labelled researchers”! Otherwise there is a danger of not seeing the Bretton Woods for the LCTs.

## Bibliography

**Benhassine, N., Devoto, S., Duflo, E., Dupas., P. and Pouliquen, V.** (2013) “Turning a Shove into a Nudge? A ‘Labelled Cash Transfer’ for Education. *NBER Working Paper No. 19227*

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## About The Author

### Nicholas Freeland

Nicholas Freeland is a social security practitioner who would not want to be mis-labelled as an unapologetic *anti-conditionista*...but who nonetheless thinks a spade should be called a spade.

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