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Reducing Child Poverty with Cash Transfers: A Sure Thing?

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Children are disproportionately represented among the income-poor, many suffer from severe deprivation, and their poverty and vulnerability have cumulative and long-term consequences. This article provides a comparative examination of the poverty-reduction effectiveness of cash transfer programmes targeting children, focusing on three types of such programmes: the Child Support Grant in South Africa, family allowances in transition countries, and targeted conditional cash transfer programmes in Latin America and the Caribbean. It finds that, despite differences in design, cash transfer programmes targeting children in poor households are an effective way of reducing poverty.

1 Introduction

Widespread poverty and vulnerability among children and their households in developing countries provide a strong motivation to find appropriate policy responses. A recent study by UNICEF concludes that around one half of the income-poor are children. In its estimation, 'at least 600 million children under the age of 18 struggle to survive on less than US$1 a day. They represent a staggering 40% of children in developing countries'(UNICEF, 2000: 9). Non-income indicators tell a similar story. Gordon et al. (2003) use household survey data from 46 developing countries to examine the incidence of severe deprivation among children along eight dimensions of wellbeing – food, water, sanitation, health, shelter, education, information and access to services.[1] They find that one in two children in the sample suffers from severe deprivation in at least one dimension, and that one in three suffers from two or more forms of severe deprivation. The incidence of infant mortality for developing countries shows that poverty and vulnerability have an impact not only on the quality of their lives, but also on the quantity of life.

Concerns with the incidence and depth of poverty among children also reflect an understanding of the long-term consequences of poverty and vulnerability in childhood. There is a great deal of evidence supporting the view that spells of poverty in early life have detrimental effects extending over the entire life of an individual, and can generate

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1. The study sets tough deprivation thresholds. For example, severe food deprivation applies to children with height and weight more than 3 standard deviations below the median of an international reference population; and severe education deprivation applies to children aged 7 to 18 who have never been to school (Gordon et al., 2003: 7-8).

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or reinforce intergenerational poverty persistence (Yaqub, 2002; Case et al., 2003; Harper et al., 2003). Intergenerational effects operate through a number of channels: childhood poverty is strongly associated with less schooling and lower educational attainment, with long-term effects on future productive capacity and standard of living; childhood poverty in developing countries often leads to malnutrition and stunting, with malnourished girls, in particular, having a greater likelihood of giving birth to low birth-weight babies, which jeopardises their life chances; and nutritional deficiencies during childhood lead to lower learning outcomes, with inter-generational effects, because the education of mothers has been shown to be particularly important to children's wellbeing.

Appropriate policy responses to childhood poverty and vulnerability are therefore important because children are disproportionately represented among the income-poor, many suffer from severe deprivation, and their poverty and vulnerability have cumulative and long-term consequences for their future and that of their children. There is much to be learned from existing policy responses to childhood poverty and vulnerability in developing and transition countries.[2] These include basic services such as education, health (including immunisation), and water supply; in-kind transfers such as school feeding programmes or nutritional supplements; and cash transfers providing consumption or education subsidies. This article focuses on the last of these, without prejudice to the effectiveness of other policy responses.[3] Recent innovations in the use of cash transfers as a means of tackling childhood poverty in developing countries give this focus a particular interest.

The article concentrates on three types of cash transfers which address childhood poverty. The introduction of a means-tested *Child Support Grant* in South Africa in 1998 constitutes a rare example of a cash transfer reflecting the entitlements of poor children themselves as individuals, irrespective of their household arrangements. In transition economies, provision of universal allowances to families with children has been the norm. The rapid increase in childhood poverty in transition countries in the early 1990s led to the reform of the *family allowance* as a cash benefit targeted at poorer households with children. In Latin America, a number of *targeted conditional cash transfer programmes* have been implemented in the past decade. These programmes provide education subsidies to children of school age in poor households, conditional on school enrolment and attendance and on the regular use of primary health care.

There is a growing literature on the use of cash transfers in anti-poverty policy (Subbarao et al., 1997; Tabor, 2002), but a primary concern in this article is to consider issues of programme design specific to cash transfers for children. Given that children are rarely the direct recipients of financial assistance, and decisions on expenditures are usually taken by parents or guardians, these are significant issues. There is a large literature assessing the poverty-reduction effectiveness of individual cash transfer programmes directed at children, which will be cited below, but scarcely any providing a comparative perspective. This study aims to partially fill this gap by focusing on the

2. There is also much to be learned from developed countries in this respect, but it is beyond the scope of the present article. See the collection in Vleminckx and Smeeding (2001).
3. In fact, by raising the demand for services used by children in poor households, such as education and health care, cash transfers are complementary to the supply of these services.

three types of programmes mentioned above. It seeks answers to two main questions. Are cash transfer programmes focused on children an effective response to poverty and vulnerability? And what lessons can be extracted from a comparative perspective as regards their relative poverty-reduction effectiveness?

The article is divided into three sections. The first focuses on specific issues relating to the design of cash transfer programmes targeted at children. The second discusses the three main programme types identified above. The final section draws out the main conclusions emerging from the comparative analysis.

2 Assessing cash transfer programmes focused on children

Assessing the poverty-reduction effectiveness of cash transfer programmes aimed at children requires explicit consideration of three important issues: first, the extent of any correlation between the presence of children in a household and the likelihood of such households being poor; secondly, the role and significance of household arrangements in ensuring that cash transfers actually reach the children; and thirdly, the extent to which the use of conditionalities in entitlements adds to the poverty-reduction effectiveness of such programmes. This section considers each in turn.

2.1 Poverty-reduction efficiency of categorical cash transfers

Cash transfer programmes can be evaluated in terms of their relative efficiency in reducing poverty, as measured by the poverty headcount and the poverty gap. Atkinson (1995) defines two measures of poverty-reduction efficiency: vertical poverty-reduction efficiency measures the extent to which a cash transfer programme leaks to the non-poor, while horizontal efficiency measures the extent to which a programme reaches all the poor. Targeting reflects a concern with vertical poverty-reduction efficiency, while concerns with coverage prioritise horizontal efficiency.

Figure 1 is a simple representation of a cash transfer focused on children. It provides a basic framework for interpreting information on the poverty effectiveness of child-focused cash transfer programmes. In the figure, households with children are ranked according to their per capita household income Y, and $\%H$ measures the proportion of households with children at each income point. To simplify the presentation, it is assumed that the proportion of poor households is linearly related to income levels, and initially that households have an equal number of children. Pre-transfer income is described by y_0y_1. With a poverty line at z, $0h$ indicates the proportion of households that are poor, and the area indicated by zmy_0 the aggregate poverty shortfall. Let us now assume a cash transfer is introduced set at a fixed level (because of our assumption that all households have the same number of children, it is immaterial at this stage whether the benefit is given per child or per household), so that the post-transfer income is now described by b_0b_1.[4]

4. Poverty-reduction efficiency would be maximised by a variable child transfer covering the difference between pre-transfer income and the poverty line, but due to the absence of such programmes in developing countries, the focus will be on fixed-level transfers.

Figure 1a: Cash transfers when households have the same number of children

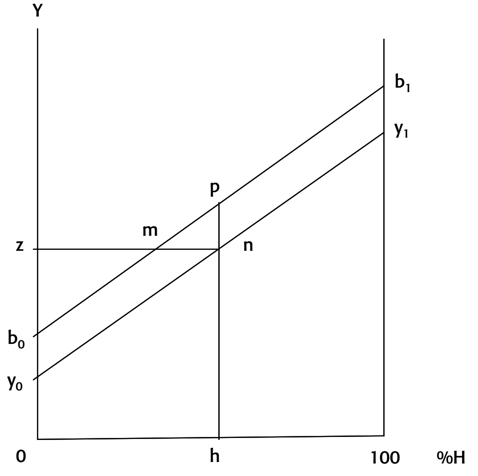
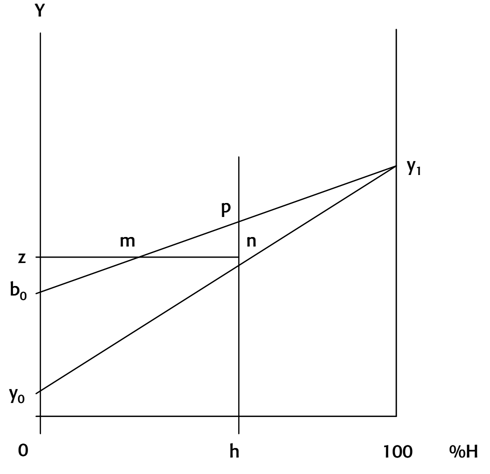


Figure 1b: Cash transfers when household poverty is correlated with the number of children



In terms of vertical poverty-reduction efficiency, the programme performs poorly, as the area mny_1b_1 goes to the non-poor. An alternative would be to restrict entitlement to the child transfer to those households in poverty, so that the benefit is now b_0y_0 pn, but there is still an area mnp which goes to the non-poor. A child transfer calculated so that post-transfer income is capped at the poverty line would have no leakages to the non-poor, but would be very costly to calculate as it would require accurate knowledge of household income.[5]

Relaxing the assumption that households have a fixed number of children takes us closer to a more realistic scenario in which poverty is positively correlated with the number of children in the household. It is a common finding that the incidence of poverty rises with the number of children in the household. Figure 1b takes this on board. Households with more children are more likely to be on the left side of the figure, and a fixed transfer per child will raise their post-transfer income to a much greater extent than for less poor households with fewer children. Simply by virtue of this change in our assumptions, leakages to the non-poor decline considerably, while the poverty gap of the poorest households decreases. The main point is that, providing that households with more children are poorer, categorical transfers per child will improve poverty-reduction effectiveness relative to fixed-level transfers targeted on households.[6]

2.2 Intra-household resource distribution

In most cases, cash programmes cannot raise the consumption of children directly, but instead supplement the incomes of families with children, with the assumption that the standard of living of children in these households will also improve. The impact of cash transfers on poverty among children therefore depends on the response of the household (Alderman et al., 1997). This makes it important to understand how households allocate resources internally. This is likely to be a complex issue, however, because household arrangements are not only determined by individual preferences but are also strongly influenced by prevailing social and cultural norms in the long run, and by economic conditions in the short run.

It may be helpful to simplify matters by focusing on two different models of the household that have been posited in the literature. In the unitary model, the household is assumed to make decisions as if it was a single unit, pursuing a common set of objectives.[7] In unitary households, household resources are assumed to be allocated independently of the identity of the source or the recipient. If resources are equally distributed within the household, cash transfers aimed at children, or any other member of the household for that matter, will benefit all household members equally. If the objective is poverty reduction, it matters little whether the cash transfer is targeted at the adults or the children. In the collective model, decision-making is taken to be the outcome of the interaction of individual household members who have different interests, preferences and power, stratified, for example, by gender and age.[8] In a

5. The article ignores quite important political and financial issues related to the cash transfer programmes. To the extent that voters are unconcerned about the plight of poor children, universal cash transfer programmes are more likely to attract their support.
6. Categorical cash transfers may also have greater poverty effectiveness if targeted on children as opposed to other groups with lower poverty incidence and gap, but this is not pursued in this article.
7. There are different sub-types of unitary households: household members either share a single set of objectives and values, or follow the decisions of the head of household who might be altruistic or a benevolent dictator. In both types, the household acts as a single unit (Haddad et al., 1997).
8. There are different sub-types of collective households. In a co-operative household, the objectives that led to household-formation are maintained through sharing or bargaining (Sen, 1984). In a non-co-operative

collective household, decisions about intra-household resource allocation are the outcomes of a bargaining process, with the strength of negotiating positions arising in part from the income which members contribute to the household. In this case, the impact of cash transfers will depend on who receives the benefit, because it will strengthen the individual's bargaining position.

There is growing evidence that the identity of the recipient of a cash transfer does matter in terms of outcomes. There is evidence, for example, that cash transfers targeted at women rather than men have a stronger impact on the living standards of their children, particularly girls (Haddad et al., 1997). Cash transfers directed at women may also have equalising impacts on bargaining power within the household. Duflo examined the impact of the South African social pension on the height-for-age of co-resident children, and found that the 'pension improves the nutritional status of children (girls in particular) if it was received by a woman, but not by a man' (Duflo, 2000: 9). Along similar lines, Carvalho (2000) examined the impact of an extension in old age pension entitlement on school enrolments among 10-14-year-old children in rural Brazil. School enrolments for children co-resident with pensioners increased, with the increase being more striking for girls than boys. In households with male pensioners, child labour fell and school enrolments for boys rose, whereas in households with a female pensioner, child labour fell and school enrolments for girls increased. It is therefore impossible to ignore the role that household norms and practices play in determining the impact of cash transfers aimed at children, but it is also hard to incorporate these concerns, due to the considerable heterogeneity in norms and arrangements.

2.3 The consumption effects of cash transfer programmes

A social planner aiming to reduce child poverty through cash transfers, and faced with heterogeneity in household arrangements such that knowledge of these is, at best, imperfect, may well consider design features that ensure that cash transfers targeting poor children result in improvements in children's consumption, and/or investments in their human capital. This could involve making entitlements, or their continuation, conditional on a given level or type of child consumption/investment. Many education subsidy programmes for poor households with children of school age make entitlements conditional on children's school enrolment and attendance.[9] Figure 2 provides a simple representation of the workings of school attendance conditionalities.

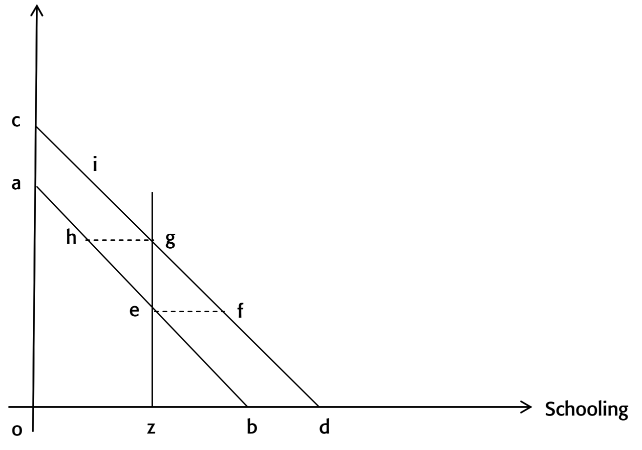
In the figure, *ab* represents the quantities of schooling and all other goods available to poor households, given their present income. An unconditional cash transfer equivalent to *eg* makes it possible for poor households to consume more of schooling and all other goods, as their budget line is now *cd*. Suppose that, in the absence of the cash transfer, a poor household consumes *h*, then with the cash transfer household consumption will be in the range *ig*. (At *i* the household consumes more of other goods but no more schooling, and at *g* the household consumes more schooling but not of all

household, individuals are regarded as autonomous 'sub-economies' with reciprocal claims on resources (Haddad et al., 1997).

9. Satisfactory school performance is also a common condition for scholarship programmes.

the other goods; points in the range *ig* therefore represent feasible combinations.) A social planner concerned that poor households consume at least *oz* schooling could make the cash transfer conditional on their achieving this minimum level of consumption of schooling. The cash transfer is now indicated by *aegd*. A poor household at point *h* before the transfer will now need to consume at *g* to secure entitlement to the transfer. A poor household consuming at point *e* before the transfer will now be able to consume in the range *gf*.

Figure 2: Consumption effects of cash transfers conditional on schooling



Putting together an understanding of the possible influence of income receipt on the bargaining power of household members with the social planner's concern to ensure education expenditures of at least at *z* on the part of poor households, has interesting implications for determining the recipient of the cash transfer. A social planner who believes mothers have a stronger preference for higher consumption/investment among their children could make them the recipients of the transfer, in the expectation that this would strengthen their bargaining power within the household and ensure that cash transfers do result in improvement in children's consumption. For example, a poor household consuming at point *e* before the transfer will be more likely to consume at, or close to, *f* if the transfer is paid to the mother.[10] We are now in a position to examine the main types of cash transfers focused on children.

3 Cash transfers to poor families with children in developing and transition countries

This section considers in turn the introduction of a means-tested *child support grant* in South Africa, the reform of the *family allowance* as a cash benefit targeted at poorer

10. Das et al. (2005) consider the issue of conditionalities in anti-poverty programmes, as do Davis et al. (2002) for conditionalities in two programmes in Mexico; and Rubalcava et al. (2002) examine consumption effects of making mothers the recipients of the *Progresa* transfer.

households with children in transition economies, and *targeted conditional cash transfer programmes* recently introduced in Latin America and the Caribbean.

3.1 Child cash transfers in South Africa

South Africa has made significant strides in developing a comprehensive social security system, particularly since the end of apartheid in 1994 (Committe of Inquiry into a Comprehensive System of Social Security for South Africa, 2002; Lund, 2002; van der Berg, 2002). South Africa has a more developed economic and social infrastructure than its neighbours, but it is also affected by widespread poverty, a high incidence of people living with HIV/AIDS, high unemployment and large-scale labour migration.

The main cash transfer supporting children living in poverty is the Child Support Grant, which was introduced in 1998 to cover children below the age of seven. In 2003, it paid a monthly benefit of R160 (equivalent to US$20) to single carers with a monthly income below R1410 for every registered child. The South African government approved the extension of the Child Support Grant to children below the age of fourteen in 2002, but, for reasons of administrative capacity, coverage of the grant has been expanded in stages: to children aged 7 and 8 in 2003, 9 and 10-year-olds in 2004, and 11-to-13-year-olds in 2005. By February 2003 the number of beneficiaries had risen to 2.5 million (Department of Social Development, 2003b), and it is estimated that 3.6 million children will eventually receive the grant, about half of all children in these age groups.

In addition to the Child Support Grant, two other grants target childhood poverty. A Foster Care Grant is paid to guardians of children who are legally placed in the care of someone who is not their parent, and a Care Dependency Grant is paid to the carers of children who suffer from severe physical or mental disability and who are cared for at home.[11] These grants are means-tested and in February 2003 covered 133,400 and 56,173 children respectively. Some of the conditions of entitlement, the completion of the legal fostering process and the evaluation of severe disability, restrict the coverage of these two grants (Department of Social Development, 2003a).

There are few evaluations of the impact of this programme on poverty. Case et al. (2005) used data collected as part of a demographic survey in the Hlabisa district of KwaZulu-Natal to investigate the reach of the Child Support Grant. In this poor district, with high rates of migration and a high incidence of HIV/AIDS, they found that 36% of children were receiving the grant, just four years after it had been introduced. As regards vertical poverty-reduction efficiency, the means test is intended to exclude the non-poor. Lacking income data, they analysed the correlation between asset and household variables and grant receipt. They found that the presence of assets in the household significantly reduced the probability of its having grant beneficiaries. For example, the presence of a hot water geyser was associated with a 15% reduction in the probability of having a grant beneficiary. The parents of grant beneficiaries were also

11. In 2000, the three grants targeted at children comprised 0.7% of GDP. Expenditure projections, assuming the Child Support Grant is eventually extended to all children below 18 years of age, indicate that the grants will absorb up to 2% of GDP by 2015 (Committe of Inquiry into a Comprehensive System of Social Security for South Africa, 2002).

more likely to be unemployed and less educated than those of children not receiving the grant. According to the authors, 'the grant is targeting children in poorer households' (2005: 477).

Horizontal poverty-reduction efficiency is more difficult to score. The researchers were concerned that the absence of a mother (usually due to death) reduced the probability of a child below the age of seven receiving the grant by 15 percentage points. Perhaps carers do not access the grant because of a lack of information about their entitlements, or because of difficulties in acquiring the necessary documentation, or because the child moves among several carers. In common with other countries in the region, South Africa has a rapidly rising number of orphans, street children and child-headed households, in many cases a direct consequence of the spread of HIV/AIDS. The Child Support Grant recognises the rights of children and therefore targets poor children, regardless of household arrangements. However, in practical terms, it requires an adult to apply for, and collect, the grant. There is thus some concern that these vulnerable groups, because of the absence of an adult, fall outside the conditions for entitlement to the grants. There are also concerns that the value of the grant is insufficient to cover the basic costs of childcare (Department of Social Development, 2003a).

3.2 Family allowances in transition economies

Before the transition, family benefits and child allowances were a key element of social assistance in socialist countries in Central and Eastern Europe and Eurasia (Subbarao et al., 1997).[12] The process of transition led to a reform of social assistance, and family and child support in particular. The main role of these benefits before the transition was to protect standards of living among expanding households, and to facilitate the participation of mothers in the labour force. Fiscal pressures, combined with rapidly rising poverty during the transition, led to child allowances and family benefits becoming a key instrument in poverty reduction and amelioration. With some variation across countries, the transition marked a general shift in family benefits and child allowances from universal to targeted benefits (World Bank, 2000). The introduction of targeting aimed to exclude better-off households (Forster and Tóth, 2001), but this was also a consequence of a decline in the value of the benefits due to inflation.

Taking Hungary as an example, universal provision of maternity benefits and family allowances was the norm before transition. The transition involved a radical reform of these programmes, with means-testing being applied to maternity benefits and to allowances for households with fewer than three children. The eligibility threshold was initially set at a high level, so that only wealthy households were excluded. In Hungary, poverty incidence is higher for children and their households than for the population as a whole. Children are 1.3 times more likely to be poor than the average person, and households with three or more children are almost twice as likely to be poor

12. Although many developing countries have employment-related family allowances, few are outside public or formal employment. In a recent survey of family allowances, covering 57 non-OECD countries, only Costa Rica, Cyprus, Mauritius and Sri Lanka recorded support targeting children in poor households (Roddis and Tzannatos, 1999)

as the average household (Forster and Tóth, 2001). The means-tested family allowance therefore became a safety-net during the transition. Forster and Tóth (2001: 338) estimate that child poverty would have been 85% higher without the family allowances.[13]

The poverty-reduction effectiveness of family and child benefits in transition countries is due to a strong correlation between families with children and poverty (Lanjouw et al., 1998). A regional study by the World Bank (2000: 37) notes that 'family benefits and child allowances have been found to be strongly pro-poor in both European and Eurasian transition economies' and that 'the bulk of resources allocated to child allowances is received by poor families'. Covering the Czech Republic, Hungary and Poland, Forster and Tóth (2001) concluded that poverty among families with children would have been a third higher in Poland, and two-thirds higher in the Czech Republic and Hungary, in the absence of cash transfers.

3.3 Targeted conditional cash transfer programmes in Latin America

A new generation of cash transfer programmes, specifically targeting children from poor households, has been introduced in Latin America during the past decade (Morley and Coady, 2003; Barrientos and DeJong, 2004; Case et al., 2005; Rawlings and Rubio, 2005). These are referred to as conditional cash transfer (CCT) programmes because the transfer is conditional on specific behaviour by the beneficiary households (for example, school enrolment and attendance of children, regular use of primary health care by mothers and infants). They are also referred to as targeted human-development programmes because the main aim of the cash transfer is to enhance investment in human capital.

The Programme for the Eradication of Child Labour (PETI) began in 1996 in Brazilian coal mining areas, and was later extended to sugar cane and sisal production areas. In 1999, it was extended to all other regions of Brazil. From 145,564 registered children in 1999, the programme reached 749,353 in 2001. It provides a conditional cash subsidy to poorer households with children aged between 7 and 14 years who work in hazardous, unhealthy or degrading conditions. The transfer is targeted at households with per capita income lower than half the minimum wage, and is conditional on children having a school attendance record of at least 85% and participating in a range of after-school activities. The extended school day prevents children from working, and also provides remedial education and training for future work. An evaluation by the World Bank in 2000 found that the programme had been successful (Yap et al., 2002). An audit of the implementation of the programme in 2003 concluded that it had been effective in reducing child labour. Remedial education and training increased school attainment among programme participants (Brazilian Court of Audit, 2003).

The *Bolsa Escola* ('school bag') programme in Brazil provided a cash transfer of between US$5 and US$15 per child per month to households with children aged

13. Recognition of the poverty-reduction effectiveness of family allowances in Hungary led to proposals to reinstate universal provision. In some countries, such as Kyrgyzstan, the targeting of cash transfers at poor families with children has been used as a means of increasing support to poor families.

between 6 and 15, conditional on the children enrolling in school and having an attendance record of at least 85%. The programme was originally introduced by the municipality of Campinas, but later spread to other municipalities and became a federal programme in 2001(Cardoso and Portela Souza, 2003) The cash transfer is also targeted at households with per capita income below one half of the minimum wage. The *Bolsa Escola* reached 8.2 million children in 5 million households (*Bolsa Escola*, 2003). In 2004, the government decided to consolidate existing cash transfers, including *Bolsa Escola*, into *Bolsa Familia*.

Mexico's *Progresa*[14] was introduced in 1997 to support poor households with children of school age in marginalised rural communities (Morley and Coady, 2003). In March 2002, the programme was renamed *Oportunidades* and was extended to other rural and urban areas. It provides a cash transfer with three components, a household nutrition component, schooling subsidies for each child of school age rising by grade and, at secondary school, higher for girls, and an annual transfer to cover books and uniforms. The combined transfers are capped to avoid fertility incentives and to reduce the likelihood of benefit dependence.[15] The subsidies are conditional on children having a school attendance record of at least 85%, and on mothers and infants attending regular primary health-care examinations and parenting sessions. Targeting takes place in two stages: a first stage, in which poorer geographical areas and communities (less than 2,500 inhabitants), with existing health, education and transport infrastructure, are selected; and a second stage, in which poorer households (based on a proxy index)[16] are selected. The programme reached 2.6 million (or 40% of) rural households in Mexico in 2002.

Programme designers devoted considerable attention to setting in place robust evaluation procedures, responding in part to the need to insulate the programme from day-to-day political influences. Early evaluations of *Progresa* demonstrate that the programme has had significant effects on the range of target indicators. It is well targeted on the poor through a combination of geographical and household selections. Skoufias (2001: 43) argues that the targeting procedures used by *Progresa* have been effective, but 'more effective at identifying the extremely poor households within localities and less so when it comes to selecting households that are moderately poor'. Two years after the start of the programme in 1997, and compared with a control group of households with a similar poverty profile which were incorporated into the programme at a later date, beneficiary households showed a reduction in the poverty headcount rate of 11.7 percentage points from a base of 67.4%, and a reduction in the poverty gap of 12.9 percentage points from a base of 35.7% (Skoufias, 2001). Strong

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14. It literally means 'progressing', and is also the acronym for *Programa de Educación, Salud y Alimentación.*
15. In 1999, the household nutrition transfer was US$12.5 per month, the schooling subsidy ranged between US$8 and US$30.5 per child per month, the annual schooling subsidy ranged between US$15.5 and US$20.5 per child, and the combined transfers were capped at US$75 per household per month.
16. A proxy index involves scoring the socio-economic situation of households according to a number of available indicators, e.g. quality of housing, health, education, and then using this index to identify poor households. Using a number of household attributes can better indicate the vulnerability of a household to poverty. The means tests are implemented by staff at the start of a programme.

positive impacts on school enrolments and attendance and on the health status of beneficiary households compared with control households can also be observed (ibid.).

These three programmes represent the spectrum of programme design, but there is considerable variation in the scope, design and objectives across the range of programmes. Brazil's *Bolsa Escola* and PETI, and Bangladesh's *Cash for Education*, focus on a single cause of poverty: deficient school enrolment and attendance. Mexico's *Oportunidades*, Nicaragua's *Red de Proteccion Social* (*RPS*), Honduras' *Programa de Asignacion Familiar* (*PRAF*), and Colombia's *Familias en Acción* have a broader range of components which address specific dimensions and correlates of poverty: household consumption, early childhood interventions, schooling and health care.

Targeted CCT programmes explicitly aim to exclude the non-poor, and are relatively successful in achieving this. Estimates suggest that as many as 40% of beneficiaries in Bangladesh's *Cash for Education* programme are among the non-poor, whereas only 20% of beneficiary households in Nicaragua's *RPS* and Mexico's *Progresa* can be classified as non-poor, which is largely a result of better targeting (Coady et al., 2004). The situation is more complex when we consider horizontal efficiency. The programmes are reasonably effective, by virtue of their design, in selecting poor households within the chosen target group of the poor, but they score less well if the focus is on the wider group of poor households. Because they focus almost exclusively on families with children of school age living in rural areas, and exclude households without children, as well as poor households, with or without children, living in better-off regions, their coverage of the poor is more limited. Conditionalities on education and health require that adequate education and health infrastructure is available, and may work to exclude remote or dispersed communities and their households. Targeted CCT programmes clearly exclude a significant proportion of the poor.

4 Concluding remarks: models and lessons

The central question which this article has addressed is whether cash transfer programmes that are targeted at children can be effective in reducing childhood poverty. The evidence reviewed here covering the child grant in South Africa, family allowances in the transition economies, and targeted CCT programmes in Latin America strongly suggests that cash transfers are an effective tool in reducing child poverty. What is particularly interesting is that different models of arranging cash transfer to children can have broadly similar effects on poverty reduction; in this sense cash transfers targeted on children in poor households are a sure thing. The strong correlation existing between childhood and poverty, and the positive correlation of the number of children in a household and the depth of poverty, ensure that cash transfers targeted on children have strong poverty effects. This is not to say that cash transfers can always be effective on their own. They require a significant investment in the provision of basic services – water, education, housing, health, transport – to ensure that the supply is able to respond to the increased demand supported by cash transfers. Cash transfers and the provision of basic services to the poor are complementary.

Is it possible to make some generalisations about the comparative effectiveness of different types of cash transfer programmes in reducing childhood poverty in developing and transition economies? Broadly speaking, targeted CCT programmes score well on vertical poverty-reduction efficiency, and also on horizontal poverty-reduction efficiency if the focus is on the population groups specifically targeted by the programme, for example children of school age. The situation is less clear-cut if the focus is on the universe of children in poor households. CCT programmes target mainly children of school age, with only some residual support for infants. Family allowances, especially those in transition countries, score less well on vertical poverty-reduction efficiency, but have very good horizontal efficiency. Finally, the Child Support Grant in South Africa scores well on both vertical and horizontal efficiency. A primary issue here is the age of the children targeted. Both the Child Support Grant and family allowances target all children below a specified age, and are therefore more likely to perform better on horizontal efficiency. This refers to the impact on a static measure of poverty, but when looked at in a more dynamic setting, the advantages of targeting early childhood are apparent.

Another factor restricting the horizontal poverty-reduction effectiveness of CCT programmes is their geographic scope. Both the Child Support Grant and family allowances are applied nationwide, whereas CCT programmes have inbuilt restrictions on the geographical areas in which they operate. Family allowances and the Child Support Grant are better described as policies, open-ended as regards time and with an unrestricted entitlement base; CCT programmes are just that, programmes with a specific time horizon and an entitlement base restricted to specific regions or communities. Having said this, there is some evidence of convergence across the three main types of programmes. The scaling-up of targeted CCT programmes – for example *Progresa* growing into *Oportunidades* in Mexico and *Bolsa Escola* into *Bolsa Familia* in Brazil – will improve their horizontal efficiency.

There has been some discussion among the agencies responsible for the implementation of CCT programmes about the value of conditionality (Ayala Consulting, 2003). The frequency, extent and mode of monitoring programme conditions all add to the costs of administering the programmes, which explains why these have not been implemented in full in several countries.[17] Conditionality may also create some perverse outcomes. Conditions may penalise the very households which are in most need of support but which are held back by social constraints or adverse outcomes. There is emerging evidence that non-compliance is rare when the programme has been in place for a while and beneficiaries are fully informed of their entitlements and responsibilities. This has prompted the suggestion that conditionality may therefore not always be necessary to guarantee the effectiveness of a programme (Ayala Consulting, 2003).

There is also continued discussion about the value of the cash transfers provided. This arises, in part, as a result of the variety of objectives of the programmes. For example, in the context of school attendance, the transfer ought to be set at a level sufficient to compensate households for the additional costs (direct and indirect) of sending children to school. A similar rule would apply to setting an appropriate level of transfer to secure use of primary health care. In the context of reducing child labour, the

17. For example, Jamaica's Programme of Advancement through Health and Education (PATH) involves monitoring 9 different conditions (Ayala Consulting, 2003).

transfer level should be sufficient to compensate households for the income forgone. If the objective is poverty eradication, transfers should be set at a level sufficient to bring households up to the poverty line. There are a number of additional factors, related to the level of transfer, that are necessary to ensure specific objectives. For example, transfers related to school attendance need to take account of the age of the child, or the school grade for which the child is enrolled. A child-labour reduction transfer must take account of local labour market conditions. There are also issues arising from the need to combine these objectives, as well as to prevent unintended outcomes, such as increased fertility or benefit dependence. In most cases, the level of cash transfers is set too low to bring poorer households above the poverty line (Sedlacek et al., 2000; Ayala Consulting, 2003; Case et al., 2005). Setting an optimal level for cash transfers requires clarity in setting the objectives of the programmes, but it is also a complex matter because of funding constraints and the need to ensure political support for the programmes.

Comparative study of three main types of cash transfers targeting children suggests that programmes focused on children in poor households are an effective instrument in poverty reduction because of the correlation between childhood and poverty. This ensures that different types of programmes may have similar effects. In the design and implementation of cash transfer programmes targeted on children, special attention should be paid to household arrangements. The implication is that poor households should be regarded less as clients and more as the main agents of change. More research is needed on how to ensure that programmes reach the groups of children at greater risk, such as orphans, street children and child-headed households, which are detached from adult-headed households.

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