

# Cash transfers: New research finds combining demand and supply-side incentives improves longer-term

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Conditional cash transfers are popular programs used to reduce poverty by making social assistance conditional for recipients, often requiring school attendance and participation in health services. Since the late 1990s, such programs have become popular among governments and non-governmental organizations (NGOs) across the world. Evaluations of the near-term effects of such programs have found strong positive impacts on child health, nutrition, and education.

A new study led by Andrés Ham, a recent doctoral graduate of the Department of Agricultural and Consumer Economics at the University of Illinois and co-authored by Hope Michelson, assistant professor in agricultural and consumer economics, investigates the longer-term impacts of a conditional cash [transfer program](#) in Honduras, studying effects on municipal-level outcomes a decade after implementation.

The Honduran Family Allowances program was implemented with a special feature, in which the implementers randomly assigned three types of incentives: demand, supply, or both. Some people received payments conditional on [school attendance](#) and participation in health services, others lived in districts where schools and health clinics received direct support to invest in training education and health workers and to improve clinic and school facilities. Some participants received both conditional payments and exposure to such service improvements.

While conditional cash transfers are widely implemented in many countries, one designed to measure the effectiveness of different forms of delivery is rare. Ham and Michelson evaluated the consequences of this particular program in Honduras, focusing on two opportunities the program design made possible: to study the longer-term effects of these programs on educational and labor market outcomes and to assess whether the form of the investment makes a difference in those longer-term effects.

Michelson says that it is critical to understand the program's longer-term impact.

"We wanted to know what were the broader implications and bigger effects if you get people to meet those conditions. Would we see transformative effects on educational attainment and on [labor market participation](#)?" she says.

The researchers used district-level public data from the National Statistics Institute in Honduras. Results from the study showed that the form in which transfers were delivered influences their long-term impact. In particular, combining conditional payments and supply-side investments outperforms conditional payments alone.

"The evidence from the study suggests that combining the two kinds of transfers—giving money to families and investing in schools and clinics—leads to better longer-term results and outcomes," says Ham.

Michelson adds, "If you are using conditional payments to pump more people into a system that you haven't invested in, such as in infrastructure or teacher training, it is possible that you aren't going to impact those kids that much. But perhaps by simultaneously making the schools and clinics better, you will have an improvement in the services as you are inducing more people to use those services. It makes sense."

Interest in studying the conditional cash transfer program in Honduras had a personal relevance for Ham as he is originally from the country. He notes that this study can lead to assisting more people on a bigger level.

"It's two-tiered. We're going to help the users by giving them cash but we can also help the providers by making sure they have the capacity to better educate more kids, buy vaccines, and improve [health services](#)," Ham says.

The study, "Does the form of delivering incentives in conditional cash transfers matter over a decade later?" is published in the *Journal of Development Economics*.

**More information:** Andrés Ham et al, Does the form of delivering incentives in conditional cash transfers matter over a decade later?, *Journal of Development Economics* (2018). [DOI: 10.1016/j.jdeveco.2018.05.007](#)

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