Public Disclosure Authorized

Public Disclosure Authorized

Does Money Matter? The Effects of Cash Transfers on Child Health and Development in Rural Ecuador

Author(s)	Christina Paxson and Norbert Schady
Contact	nschady@worldbank.org
Country	Ecuador
Organizing Theme	Education and Skills, Voice and Agency
Status	The program is ongoing but the study is complete
Intervention Category	Cash Transfer
Sector	Social Protection
Abstract	The authors examine how a government-run cash transfer program targeted to poor mothers in rural Ecuador influenced the health and development of their children. This program is of particular interest because, unlike other transfer programs that have been implemented recently in Latin America, receipt of the cash transfers was not conditioned on specific parental actions, such as taking children to health clinics or sending them to school. This feature of the program makes it possible to assess whether conditionality is necessary for programs to have beneficial effects on children. The authors use random assignment at the parish level to identify the program's effects. They find that the cash transfer program had positive effects on the physical, cognitive, and socioemotional development of children, and the treatment effects were substantially larger for the poorer children than for less poor children. Among the poorest children in the sample, those whose mothers were eligible for transfers had outcomes that were on average more than 20 percent of a standard deviation higher than those for comparable children in the control group. Treatment effects are somewhat larger for girls and for children with more highly-educated mothers. The authors examine three mechanisms-better nutrition, greater use of health care, and better parenting-through which the transfers might influence child development. The program appeared to improve children's nutrition and increased the chance they were treated for helminth infections. But children in the treatment group were not more likely to visit health clinics for growth monitoring, and the mental health and parenting of their mothers did not improve.
Gender Connection	Gender Focused Intervention
Gender Outcomes	Gender disaggregated cognitive skills, non-cognitive skill, psychological agency
IE Design	Clustered Randomized Control Trial (The treatment is clustered at the parish level)
Intervention	In 2003, the government of Ecuador launched a new unconditional cash transfer program—the Bono de Desarrollo Humano (BDH)—targeted to poor families with children (so means-tested). The transfer is small—only $15 per month per family—but it represents a non-trivial 10 percent increase in family expenditure for the average eligible family. Transfers are distributed through the banking system, and are given directly to mothers rather than fathers.

Intervention Period	In 2003, the Bono Solidario cash transfer program was slowly replaced with BDH. As opposed to the Bono Solidario, the BDH is means tested. Transfers are given monthly.
Sample population	Six provinces comprised of 378 parishes in Ecuador were selected for the study. A total of 118 parishes were selected, 51 rural and 28 urban treatment, and 26 rural and 13 control parishes. From each parish, up to 50 eligible families were selected totaling 3426 families containing 5547 children.
Comparison conditions	Households in parishes that receive the transfer are compare to control households in parishes that do not receive the transfer.
Unit of analysis	Child level
Evaluation Period	October 2003-January 2006
Results	Relatively modest unconditional cash transfers raised the hemoglobin levels of the poorest children, improved fine motor control, improved cognitive outcomes, and led to a reduction in reported behavioral problems. Program effects on cognitive development were generally larger for girls than boys, and for children with more highly-educated mothers but differences by child gender are not big, and are precisely estimated. The implied program effects are much larger than would be expected from the cross-sectional elasticities of outcomes with respect to expenditures for households in the control group. The findings suggest that these gains may have been accomplished though better nutrition and the use of de-worming medication, although not through the use of growth monitoring check-ups and better parenting.
Primary study limitations	Since no one received the cash transfer but did not receive the social marketing campaign, it is difficult to interpret the independent impact of the social marketing campaign.
Funding Source	The Center for Economic and Policy Studies at Princeton University, the Government o Ecuador and The World Bank
Reference(s)	Paxson, C., & Schady, N. (2010). Does money matter? The effects of cash transfers on child development in rural Ecuador. Economic development and cultural change, 59(1), 187-229.
Link to Studies	http://www.jstor.org/stable/10.1086/655458
Microdata	