FEASIBILITY AND APPROPRIATENESS OF ATTACHING BEHAVIOURAL CONDITIONS TO A SOCIAL SUPPORT GRANT FOR CHILDREN AGED 15-17 YEARS

Report prepared for Department of Social Development

by

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Acronyms

ASSA	Actuarial Society of South Africa
BDH	Bono de Desarrollo Humano
C A S E	Community Agency for Social Enquiry
CCT	Conditional cash transfer
CDG	Care dependency grant
CSG	Child support grant
DfID	Department of International Development
DG	Disability grant
DSD	Department of Social Development
EMIS	Education Management Information System
FCG	Foster child grant
FET	Further Education and Training
GHS	General household survey
ILO	International Labour Organisation
LURITS	Learner Unit Record Information and Management System
NGO	Non-governmental organisation
OAP	Old age pension
PCG	Primary caregiver
PETI	Programa de Erradicacao do Trabalho Infantil
PROGRESA	Programa Nacional de Educación, Salud y Alimentación
RPS	Red de Protección Social
StatsSA	Statistics South Africa

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Executive summary

Background

This report investigates the feasibility and appropriateness of attaching behavioural conditions to a social assistance grant – and more specifically the child support grant – to children aged 15, 16 and 17 years. The Department of Social Development commissioned this report because it wanted a review that presents the arguments and evidence for and against conditionalities and, in particular, conditionalities for this particular age group. The focus is thus primarily on the question on conditionalities, rather than on expansion of the age group covered by the CSG.

The investigation reviewed international experience of conditional cash transfers (CCTs) for children of this age, including the rationale for attachment of conditions. CCTs in ten countries informed this aspect of the research. The investigation then explored the relevance of the international experience for the South African context taking into account the socio-economic situation of children of this age, policy prescriptions and implementation, and government capacities. More than ten stakeholders from key governmental, non-governmental, academic and international institutions were interviewed to obtain their views on the feasibility and desirability of an extended CSG with conditions. Finally, a model was developed to provide estimates of the cost and reach of the grant under different assumptions.

The report is grouped into five sections, as follows:

- Section 1 provides a short introduction to the report.
- Section 2 describes and discusses the international experience of CCTs
- Section 3 focuses in on South Africa, summarising the literature related to impact of unconditional grants, presenting the socio-economic profile of 15-17 year olds, describing and discussing relevant policy, and summarising views presented in interviews conducted with key informants. Against, this background, it ends with a reflection as to what some of the issues that emerge from the international literature imply in respect of an extended CSG with conditions attached
- Section 4 presents the modelling of an extended CSG with behavioural conditions attached
- Section 5 consists of a brief summary and conclusion.

The last sub-section of section 3 and section 5 present the main findings of the report in respect of the feasibility of extending the CSG to children aged 15-17 years with conditions attached.

Findings

In terms of **purpose**, the literature suggests that whereas an unconditional grant is often intended to alleviate immediate poverty, conditional grants are intended – by increasing human capital – to impact on middle- and long-term poverty and thus on inter-generational poverty.

The CSG was designed primarily as a poverty alleviation grant and is widely seen as forming a key part of the South African government's poverty alleviation efforts. The fact that the amount remains the same for all age groups, despite the well-known fact that the cost of food as well as other requirements increase with age, suggests that the grant was not intended to cover particular elements important for human capital at particular stages in a child's life. Instead, it was intended as a contribution towards meeting the needs of children. Consideration of purpose thus suggests that if the grant were to have a human capital purpose, it would need to be redesigned to have different amounts for different ages reflecting the different human capital needs as the child gets older.

Grants are seen as constituting an important element of the post-1994 South African government's **rights-based approach**, in line with the right to social security granted in the Constitution. In addition, the cash that households access through the grants facilitates their access to a range of other rights, including education and health. The same concern with rights is not found in the literature in relation to countries that have implemented CCTs outside of the case of Brazil. Even with Brazil, the country is portrayed as wanting to move towards a rights-based approach rather than having this already. And the evidence on the ground suggests that at this point neither beneficiaries nor officials see the grants as a right.

The literature suggests that conditions might be more **acceptable politically** than a fully rights-based approach in Latin America. This assertion is backed up by evidence of a general perception that poverty is the "fault" of the individual. This perception is less likely in South Africa where our history of apartheid means that most people readily understand that societal policies have been and remain a strong determinant of a person's socio-economic situation and life chances. The fact that an estimated 80% of children are eligible for the grant under the revised means test also means that the group that might feel others were benefiting while they were not would be relatively small.

Some of the international literature suggests that conditions are necessary because individuals do not appreciate the **externalities** of certain behaviour, i.e. the benefits that will accrue to society more generally. More generally, conditions can be seen as suggesting that individuals and families **do not always know what is best for themselves** and their members. The paternalism apparent in this reasoning is problematic. The reasoning also ignores the fact that there are usually very good reasons for families and individuals choosing behaviour such as non-attendance. Until government can ensure that good quality and affordable services are available and accessible to all those who need them in areas such as care of young children and for those who are chronically ill and elderly, the choice to keep a child out of school to provide this care cannot be seen as "wrong".

The literature repeatedly notes that CCTs are based on the assumption that the main reason that children are not attending school (or not using health services) lies on the demand side. There was unanimity among key informants about the poor quality of schooling in a large number of South African schools and especially those serving the poor. Until these **supply-side problems** are addressed, it seems unwise to force attendance of children when they might gain little, if any, benefit from attending yet incur costs in doing so.

The review of international literature shows clearly that in most cases the conditions relate to **education and health.** Education conditions are imposed for children of school-going age while health conditions are generally imposed in relation to very young children and, in some cases, pregnant and lactating women. From this evidence as well as from the key informant interviews, it seems clear that if conditions are attached to a CSG for children aged 15-17 years, they should focus on education. Several informants noted that reproductive health issues and knowledge become especially important at this age, but none had workable suggestions as to what conditions might be imposed related to these.

The question then arises as to whether an education condition should relate to **enrolment, attendance, or performance.** One argument against enrolment is that this is a once-off measure, at the beginning of the year, and that enrolment without regular attendance brings little, if any, benefit. The argument for enrolment is that by early 2010 government expects that virtually all schools will be covered by a centralised information system that will provide individual information as to whether an individual child is enrolled and, if so, at which school and in which grade. Similar comprehensive information systems in respect of attendance and performance will not be in place in the foreseeable future. Further, the available evidence suggests that non-attendance is far less of a problem in South Africa than commonly thought. And it would be unfair to deprive a poor child of money on account of non-performance when the reasons for this will often lie beyond the child's control, for example in the quality of the schooling, their home environment, or their natural ability.

While conditioning on enrolment thus seems a possibility, **enrolment rates** are already relatively high in South Africa, and the extra effort involved in imposing a condition might thus not be worth the relatively small difference this could potentially make. The counter to this argument is that while the overall rate of non-enrolment is relatively low, it would be higher among the poorer groups whom the grant is intended to benefit.

An argument against both enrolment and attendance is that the **costs** of compliance are often prohibitive and would, in fact, exceed the amount received through the CSG. One counter-argument here is that beneficiaries of grants are automatically exempt from paying school fees. However, the available evidence suggests that the exemption policy is very poorly implemented. Further, school fees constitute only one of the costs of the grant. Before imposing enrolment as a condition, government would therefore need to ensure, at the least, that the exemption policy was properly implemented.

The international literature suggests that many of the countries with CCTs are not **monitoring** conditions effectively. Imposition of conditions that are not monitored or enforced runs the risk of sending a message that government is not serious when it makes rules, and that it is up to the individual to decide whether or not to obey government-given rules. This seems a dangerous message if we want to promote the rule of law. If conditions are introduced, they therefore need to be monitored effectively.

The international literature suggests that most existing monitoring systems are extremely complex and involve a large number of actors. South Africa has experience of the difficulties of **inter-sectoral coordination** in the grant arena in that one of the most important obstacles

to poor people accessing the grants has proved to be difficulties of applicants in obtaining identity documents. A further difficulty arises with lack of cooperation of police in assisting with affidavits. Conditions will add to the need for inter-sectoral coordination. If enrolment were the only condition, this might be relatively simple as the information system will be stored at the national Department of Education. However, if the condition also made allowance for participation in learnerships and skills programmes, this would imply several further agencies as the Department of Labour does not have a central record of individuals participating in these programmes.

The international literature suggests that in some cases **lack of knowledge** on the part of the various actors has resulted in the grant system not functioning well. The South African literature suggests that even with a relatively simple unconditional CSG, officials administering the grant sometimes impose non-existent and/or unlawful conditions and that in at least one case written provincial directives have been incorrect. To the extent that this incorrect administration is due to lack of knowledge, it raises concern as to what will happen when conditions are introduced, in that the grant will then be more complicated and there will be more things for officials to misunderstand. To the extent that incorrect administration is deliberate, it raises a concern as to how conditions might encourage petty power-mongering and deny poor children benefits to which they are entitled.

In designing the CSG, the Lund Committee was at pains to propose a system that was as **simple** as possible. Conditions could add significantly to the complication in terms of monitoring, enforcing, the number of actors involved, the range of considerations that officials will need to take into account, the differences in how children of different ages are dealt with, etc. There is a real danger that these complications will undermine constitutional rights to social security.

In terms of **costs** of a CSG with conditions, the modelling is intended to reflect the outcome of imposing a minimal condition which involves annual monitoring of school enrolment. The modelling suggests that the grant is most expensive if imposition of this condition results in full enrolment of children in this age group. At a take-up rate of 90%, the annual cost of the grant for children aged 15-17 years is estimated at R6.6m. At a take-up rate of 70% the annual cost would be R5.2m. The cost is lowest if imposition of the condition does not result in any improvement in enrolment. Here the estimated cost would be R6.1m at a 90% take-up rate and R4.7m at a 70% take-up rate. The full impact scenario is 0.8% more expensive than a grant without conditions, while the no impact scenario is 8.6% cheaper regardless of whether take-up stands at 70% or 90%. The estimates therefore suggest that if a minimalist condition based on enrolment and with very cheap monitoring costs is imposed, the additional cost to the state is at best minimal, while there might be a large saving. This saving will, however, come at the expense of the out-of-school children who are denied access to the grant.

The international evidence suggests that CCTs have had a range of **positive impacts** on beneficiaries. However, there is very little evidence that it is the conditions that have brought about these changes rather than simply the injection of additional cash into the household. The South African evidence reveals noticeable positive impact of the *unconditional* grants. If

the positive impacts are not the result of the conditions, there seems little reason for the state to face the challenges associated with implementing conditions and for beneficiaries to face the difficulties that conditions will create for them.

Recommendation

On the basis of the evidence, we therefore recommend that the South African government build on its own positive experience and achievements in respect of the CSG and extend the grant to children aged 15-17 years with no conditions attached beyond the current administrative requirements.

1 Background

The child support grant (CSG) is an unconditional grant that was first introduced in South Africa in 1998. The grant was initially available to the primary caregivers (PCGs) of children under seven years of age who passed a means test. In the early 2000s, the age limit was extended in a phased manner until the grant reached children up to the age of 14 years. In February 2008, the Minister of Finance announced that the grant would be available to the primary caregivers of children up to the age of 15 years as from January 2009.

This report was commissioned by the Department of Social Development, which is the department with direct responsibility for policy formulation in the area of social security. The report investigates the feasibility and appropriateness of attaching behavioural conditions to a social assistance grant – and more specifically the CSG – to children aged 15, 16 and 17 years. The extension of the CSG would mean that social security would be available for the full age range of children as defined in the Constitution. The Department's interest in learning more about conditionalities mirrors a strong surge of interest in conditional grants for children by players that include the World Bank, United Kingdom's Department of International Development (DFID) and the International Labour Organisation. The interest also reflects positive reports of the achievements of such grants in Latin America, in particular.

The Department commissioned this report because it was keen to understand whether attaching conditions to the grant – such as required school enrolment or attendance or visits to a health centre of the child – would enable it to improve achievement of other human capital development goals beyond the reduction of income poverty to which such grants obviously contribute. The tender document notes a special interest in education-related conditions for children over 14 years given that enrolment rates are noticeably lower among those who have passed the age – 15 years – of compulsory education.

The Department is, however, also aware of arguments that conditionalities might not be appropriate in the South African context. It thus wanted a review that presents the arguments and evidence for and against conditionalities and, in particular, conditionalities for this particular age group. The focus is thus primarily on the question on conditionalities, rather than on expansion of the age group covered by the CSG.

1.1 Scope of the work

The tender document listed eleven elements under the scope of work. This report deals with all eleven elements.

The first three elements ask for investigation and assessment of experience and arguments in respect of conditional cash transfers for children aged 15, 16 and 17 years. They are framed as follows:

- Provide a review of international experience/case studies on conditional cash transfers for children aged 15, 16, and 17 years.
- Provide the rationale for linking grants to conditions for children aged 15, 16 and 17 years.

- Provide an international assessment of the weaknesses and strengths of conditional cash transfers for children aged 15, 16, and 17 years.

A caveat in respect of the above elements relates to the fact that the increased interest in conditional grants is relatively recent. Where grants have only recently been introduced, there is unlikely to be much reliable evidence of impact and effectiveness or even of operational achievements and challenges. The review of international experience and case studies thus attempt to indicate the extent to which evidence from various sources and on different grants is relatively reliable or based more on speculation and prediction. The assessment of international experience also takes into account the type of conditionalities imposed in each case, and the local context, such as levels of enrolment and attendance and availability of facilities, and discusses to what extent these are similar to the situation in South Africa.

The next set of elements specified in the tender document require recommendations in respect of the specific conditions that might be imposed, how they might be operationalised, and what factors would need to be taken into account in monitoring and enforcing them. The elements read as follows:

- Identify and motivate appropriate conditions that should be attached to children aged 15, 16, and 17 years. In doing this, a full examination of the socio-economic situation of these children must be conducted with specific reference to South Africa.
- Provide options on who should directly or indirectly receive the grant and the implications for each of the modalities.
- Assess the feasibility and practicality of these conditions both from the demand and supply side including, legal, organizational and communication implications.
- Provide options for linking the conditions to other forms of schooling in the event that the child is forced out of the "traditional" schooling system.
- Make recommendations on how these conditions should be attached
- Make recommendations on how these conditions should be monitored

The information presented on the socio-economic situation of children focuses on aspects of direct relevance to a CSG with conditions. The other elements require application of the learnings from the first three elements in making recommendations. In addition to international evidence, the recommendations also draw on an understanding of the South African situation, for example in respect of availability of "traditional" and alternative forms of schooling and government plans in this respect.

The tenth element was:

- Identify, interview and document the views of the key stakeholders.

For this element, Community Agency for Social Enquiry (C A S E) – with guidance from the Department – identified representatives of relevant government agencies, international agencies, civil society organisations and academics with experience in this area. The

interaction with these people was not intended to be comprehensive given both the limited time available and the fact that the people concerned are all very busy.

The most important stakeholders in respect of the proposed extended CSG are the poor children and their caregivers who might benefit from an extension of the grant. Engagement with this large group was not within the scope of this investigation. Analysis of data from the general household survey of 2007 does, however, give some insights into the situation of these children.

The final element reads as follows:

- Provide a cost benefit analysis of conditionalising the Child Support Grant for children aged 15, 16, and 17. Evaluate the benefits in terms of fiscal saving versus the cost of administering the conditional cash transfer and any consequence for take up.

The C A S E proposal noted that any costing would be very approximate given, among others, the commitment of Government to adjust the means test, non-recording of the urban/rural variable by Statistics South Africa, and the impossibility of predicting what behaviour change would result from the conditionalities. It noted that construction of a full-scale model would therefore not be appropriate at this point. Fortunately, the recent issuing of new regulations means that we now have details of the revised means test. Further, the urban/rural distinction has been dropped, so the lack of this variable is no longer a hindrance. However, it still remains virtually impossible to predict what behavioural change would result from conditionalities. Other factors – such as population growth for these years, wage trends, and inflation – are also not known. However, we have a fairly recent data-set, the general household survey (GHS) of 2007, on which we can base the model, as well as population projections from the Actuarial Society of South Africa's Demographic and HIV/AIDS model. These make rough predictions less difficult.

1.2 Structure of the report

The different aspects overlap with each other to some extent and are also often closely linked. The report is therefore not structured strictly according to the eleven elements, but instead is grouped into five sections, as follows:

- Section 1 provides a short introduction to the report.
- Section 2 describes and discusses the international experience of conditional cash transfers (CCTs), with a focus on the aspects most relevant for the topic under discussion.
- Section 3 focuses in on South Africa, summarising the literature related to impact of unconditional grants, presenting the socio-economic profile of 15-17 year olds, describing and discussing relevant policy, and summarising views presented in interviews conducted with key informants. Against, this background, it ends with a reflection as to what some of the issues that emerge from the international literature imply in respect of an extended CSG with conditions attached
- Section 4 presents the modelling of an extended CSG with behavioural conditions attached
- Section 5 consists of a brief summary and conclusion.

Those who are more interested in the findings of this investigation than in the detail of the evidence should focus on the last sub-section of section 3 and on section 5, as these contain the “findings” in respect of the feasibility of extending the CSG to children aged 15-17 years with conditions attached.

2 International experience of conditional cash transfers

2.1 Description of the grants

Soares & Britto (2007) report that CCTs have been established in more than 12 Latin American and Caribbean countries over the past decade, while Adato & Hoddinott (2007) claim that about 20 countries have implemented a pilot or full-scale CCT, with a further 20 countries showing interest in doing so.

Although there are some common patterns across the countries and grants, there is also great variety in the detail of geographic coverage, proportion of the population covered, eligibility rules, number of years for which a household is covered, components of the grant, age groups covered in respect of particular elements, groups covered in respect of particular elements, amounts related to each element, nature of conditions, and monitoring and enforcement of conditions.

The examples below introduce the main CCTS discussed in the literature as well as some that are less well-known. Most of the examples are from Latin America, as CCTs are far less common in other parts of the world. In Africa, in particular, there are no substantial examples beyond small experimental CCTs. The examples in the paper are not intended to provide a comprehensive picture of all CCTs. Instead, the examples describe elements such as eligibility, components, and groups covered, highlighting aspects that are unusual or that have special relevance for our topic.

As will be clear from these descriptions, unlike the CSG and other South African grants, the CCTs in other grants are conceptualised as family or household grants, although particular components of the grants may be dependent on the presence and behaviour of individuals from particular groups defined by age, gender or pregnancy status. Another common characteristic across the CCTs is that in most cases the grant is paid to a woman in the household. This is, in practice, similar to the CSG, where the vast majority of primary caregivers are women. However, the CSG is probably more explicit than CCTs in other countries in defining a primary caregiver and specifying that this is not necessarily the mother. As will be clear from the demographic patterns in respect of children aged 15-17 years presented below, this is especially important in the South African case where significant number of mothers will be deceased, and many children with living mothers will not be living with them. The CCTs sometimes require particular behaviour on the part of the woman receiving the grant, such as attending meetings, information or training sessions and/or performing unpaid community tasks.

One important finding from the descriptions below is that not all of the CCTs provide assistance in respect of the presence in the household and behaviour of children aged 15-17

years. Further, where parts of the grants are linked to this age group, the conditions relate primarily to education. Health-related conditions usually related to preventive health care and are generally attached to grants for much younger children or for pregnant women. However, in Mexico and Jamaica other adults must also go for health check-ups once a year (Rawlings & Rubio, 2005). Thus Rawlings & Rubio's (2005) six-country study notes that in Colombia, Familias en Acción covers age group 7-17 years in respect of grades 2-11 for education, while the age group for health is 0-6 years. Honduras' Programa de Asignación Familiar II covers age 6-12 for education where the child has not completed the fourth grade while the health grant covers pregnant women and children under 3 years. In Jamaica, Program for Advancement through Health and Education covers children aged 6-17 years for education, while pregnant women, children under six years, those aged 65 and above, people with disabilities and "destitute" adults are covered in respect of health. In Mexico, education coverage has since 2001 been provided for the age group 8-20 in respect of education, while the health grant is targeted at pregnant and lactating women, babies aged 4-24 months, and malnourished children between the ages of two and five. In Nicaragua, Red de Protección Social (RPS) covers children aged 6-13 who are in grades 1-4 for education, while the health grant is targeted at children aged 0-5 years. In Turkey, children age six years and above who are in grades 1-11 are covered for education and those aged 0-15 years for health. Among these six countries, four therefore cover children 15-17 in respect of the education component while none cover this age group in respect of health.

Beyond the six countries covered by Rawlings & Rubio, Lund et al (2008) note that Argentina's Programa Nacional de Becas Estudiantiles is intended to encourage transition to and progression through secondary school. They do not provide the age range but it is likely that this programme also covers children aged 15-17 years. In contrast, El Salvador's Red Solidaria covers children only up to age 15 while Peru's Juntos covers children up to age 14. Brazil covers children 7-17 in respect of education. Thus, overall, about half of the programmes for which we have information include children aged 15-17 for their educational components.

The education-related condition is usually that the child must be present on 80-90% of the school days. In Honduras, the child must not be absent for more than 7 days over a three-month period while in Nicaragua, the child must not be absent without adequate excuse for more than seven days and must also be promoted each year (Rawlings & Rubio, 2005).

In terms of size, in Honduras, Mexico and Turkey the education grant is large enough to cover direct costs such as school fees and supplies and transport as well as income lost through not working. In the other countries covered by Rawlings & Rubio (2005), the grant does not cover direct costs, but only the estimated income lost through not working. In Nicaragua teachers also receive a small grant in respect of each beneficiary child, half of which is meant to be spent on school materials while use of the other half is more flexible. As noted below, in some cases the education grant is larger for girls than boys. The extra for girls is motivated by the fact that girls' enrolment is noticeably lower than boys' in the countries concerned. Handa & Benjamin (2006) suggest that the higher amount might be counter-productive as the opportunity costs might be greater for boys than girls in that boys are more likely to find paid work and more likely to have higher pay than girls. In commenting

thus, Handa & Benjamin assume that it is opportunity cost that is the key reason for not sending children to school. This assumption is questionable in all countries and especially in those where employment of children is uncommon. The reasoning is also flawed in not recognising the social factors that cause parents to enrol boys more readily than girls.

The basis for setting the health grant also varies. In Honduras, for example, it is meant to be equivalent to the value of time spent by the mother in travelling to and waiting at the health centre. In Jamaica it is more than twice average monthly expenditure per person on health care.

In describing the different country programmes, we start with **Brazil's Bolsa Familia**, as interviewed informants named this programme more often than others as one that might have lessons for South Africa. The reasons for thinking this were not always clear, and it could be simply that there has been more contact with people who know about this programme than with those from other countries. Nevertheless, there are important similarities between Brazil and South Africa, including in terms of extremely high levels of inequality, very clear racially-linked socio-economic conditions, and a significant number of women with children living without their partners (see, for example, Suarez et al, 2006). The literature on Brazil also includes discussions of rights, an issue that tends to be missing from discussion of the programmes in other countries.

Bolsa Familia was created through the consolidation of a number of pre-existing grants into a single grant. One of the pre-existing components was the Bolsa Escola, which was targeted at school-going children. Da Silva (2008) claims that by 2007 the consolidated grant reached more than 11 million families. While this is a large number of families, it must be seen in the context of a total population of close to 200 million. Initially the grant was geographically targeted, but since 2006 it has covered all of the more than 5 500 Brazilian municipalities. If the household passes the means test, the size of the family grant is determined by the composition of the household and, in particular, how many children of various ages it contains. The conditions are that children aged 7-17 years must remain in school, while those aged 0-6 years must be immunised. In addition to the cash transfer, adults in the family are offered literacy classes, professional training, agricultural support and small-scale credit. In recent years, there is also a small grant component for families without children.

Alongside Bolsa, Brazil has a further CCT that covers children of the age in which we are interested. The Programa de Erradicacao do Trabalho Infantil (PETI) is the only programme in Latin America specially designed to withdraw children between the ages of 7 and 17 years from dangerous, heavy, unhealthy or degrading forms of labour, including commercial sex work. PETI was launched in 1996 and had two conditions: that the child enrols in school and attends after-school activities known as Jornada Ampliada on at least 75% of days. The after-school component, which focuses on culture, play, art, and sports activities, is meant to prevent the child doing work after school. Municipalities receive an additional small amount for each child participating in the after-school programme to assist with funding its delivery. For both Bolsa Familia and PETI the means test is set at half the minimum wage (Barrientos & DeJong, 2006).

Several sources (e.g. Britto, 2008; Suplicy, 2008) suggest that Bolsa Familia is the first step in establishing a basic income grant, as foreseen in a law approved by the Brazilian National Congress in 2003. This basic grant would go to all those living in Brazil for at least five years, regardless of their income. In line with this view of the grant, it falls under the National Secretariat for Citizenship Income within the Ministry for Social Development.

Mexico's Programa Nacional de Educación, Salud y Alimentación (PROGRESA), now renamed **Oportunidades**, is probably the most well-known of the CCTs. Both it and the Bolsa antecedents were established before the current donor interest in CCTs. PROGRESA was established in 1997 and by 2005 reached 4.5 million families, or 20% of the total Mexican population. The education component of the grant is higher for children in secondary school than for those in primary school, and higher for girls than for boys in secondary school (DFID, 2005). The secondary level amount is almost double that for primary school – a similar pattern to that found in Colombia (Handa & Benjamin, 2006) Besides ensuring attendance at school and health clinics, family members – usually the women – are often also required to perform community tasks unpaid (Latapi & de la Rocha, 2008).

Turkey's Social Solidarity Fund is less often cited in the literature, and a major evaluation report on it does not seem to be publicly available. It is included here as an example of a non-Latin American grant. The grant is far more recent than the two named above, having been introduced in 2001 as part of a World Bank-funded Social Risk Mitigation Project following the 2001 economic crisis. The programme was introduced in six pilot districts after the necessary infrastructure had been constructed and rolled out to the full county by mid-2004. The target group is much smaller than for Oportunidades, encompassing the poorest 6% of the population. Education and health grants are provided for twelve months for children in the specified age groups, with a pregnancy grant covering eight months of the pregnancy and two months post-birth. An additional amount is given if the birth takes place in hospital. Given the significant gender gaps in the country, the education grant amount is larger for girls than for boys at both primary and secondary level (Turkey, 2006).

Chile's Puente ("bridge") conditional cash transfers constitute one component of the **Solidario** programme, with the other two components being family subsidies, potable water subsidy, and disability and old-age non-contributory pension; and priority access to other forms of social protection. Puente serves as the entry-point as the other components are only available to those who participate in the Puene programme. As with some of the other CCTs, support is provided for a limited period – in this case only two years (Soares & Slater, 2007) After this period, the family may be eligible for some other forms of social protection. Soares & Britto (2007) observe that Solidario has much less of a focus on human capital than most other CCTs. Instead it emphasises the psycho-social support which accompanies the cash transfer, and hopes in this way to help the family "exit" from poverty. Fairly intense assistance is provided by "family guides" employed by the programme. Soares & Britto note that the cost of hiring these guides limits the extent to which it can be extended to a larger number of families (Soares & Britto, 2007)

In **Paraguay's Tekoporã** there is a basic household benefit, with a further amount for each child under fifteen years up to a maximum of four children. In addition, each family is allocated a "family guide" to assist them to develop a strategy for increasing their "productive potential" (Soares & Britto, 2007). As in many other countries, the programme is targeted geographically. In addition to taking basic needs into account, the implementers also assessed the availability of infrastructure which would allow families to meet the conditions. As a result, some of the poor areas that should have been covered could not be included in the programme (Soares & Britto, 2007)

Nicaragua's Red de Proteccion Social (RPS) includes a household food component, the bono alimentario, which is contingent on the beneficiary attending a monthly educational workshop and taking their children for preventive health-care appointments. The bono escolar constitutes the education attendance component, and covers children aged 7-13 years who have not completed the fourth grade of primary school. Each eligible child also receives an annual transfer, the mochila escolar, which is intended to cover the cost of school supplies and is contingent on enrolment. The bono escolar is a fixed amount, regardless of the number of eligible children, while the mochila escolar is given for each eligible child. The small teacher incentive referred to above, the bono a la oferta, is intended to compensate for the fact that teachers were likely to face larger classes and would also have additional reporting duties, as well as to cover some additional supplies. The bono a la oferta is provided to the child, who is required to pass it on to the teacher. The teacher keeps half the grant and must pass on the other half to the school for supplies. Use of the funds by the school and teacher is, however, not monitored (Maluccio & Flores, 2005).

RPS is unusual in the extent to which the programme allocates money to enhance the supply of services. The educational supply aspects in respect of school supplies and the teacher grant are described above. In respect of health, for example, RPS trains and pays private providers to monitor children's growth and development and vaccinate them, as well as provide antiparasites, vitamins, and iron supplements. These are all provided to beneficiaries for free. These supply-side aspects add significantly to the cost of the programme.

Honduras' Programa de Asignación Familiar also has more emphasis on the supply-side than most other CCTs. Honduras gives grants as incentives to some schools and health centres, while beneficiaries receive nutrition and health vouchers on the demand side. The supply-side grants are not provided to schools and health centres in all areas as they programme has been designed as an experiment in which different combinations of demand and supply interventions happen in different areas (Rawlings & Rubio, 2005).

El Salvador's Red Solidaria is relatively recent, having been initiated in 2005. In addition to the cash transfer, it provides for improved supply of social services and infrastructure, and improved productivity and diversification of income sources of beneficiary families. The education grant is given in respect of children under 15 years who have not completed 6th grade, while adult family members attend lifelong learning sessions. The services and infrastructure component includes schools and health services alongside improvements in basic infrastructure such as water, sanitation, electricity and rural roads (Britto, 2007).

Peru's Juntos was also introduced only in 2005 and, as noted above, benefits families with children up to age 14 years. Unlike in most other programmes, the benefit amount is fixed per family irrespective of household size and the number of children under 14 years. In addition to ensuring 85% school attendance of the children, the woman beneficiary must also ensure that she and all the children have identity documents, that children are vaccinated and go for health check-ups, that they go for post-natal checks, that they utilise the National Nutritional Assistance Program package for children under three years of age, that they use chlorinated water and anti-parasite medication and that they attend awareness-raising programmes on child-rearing (Jones et al, 2007).

Finally, **Ecuador's Bono de Desarrollo Humano** (BDH), like the Brazilian CCT, was created in 2003 as a consolidation of several previously existing grants, including a Beca Escolar. The difference from Brazil is that in the case of Ecuador the previous grants were unconditional. The education component of BDH, which targets children 6-15 years, has a 90% attendance requirement – higher than that of other countries. The health component requires bimonthly health check-ups for children under six years. Nutritional supplements are provided at these check-ups. The cash transfer is, unlike in other countries, a flat rate per family and amounts to about 15% of the average monthly expenditure of the target group. In 2004, BDH reached about 1.1 million households, equivalent to 40% of the population (Ponce & Bedi, 2006).

One aspect which might not be clear from the above descriptions, but which is important, is that most of these grants are much more specifically targeted than the South African CSG. Often there are several levels of targeting. Typically there is geographical targeting, followed by targeting of households within the chosen areas. In terms of households, instead of a relatively simple means test, eligibility is generally determined by more complicated formulae which often include a range of factors besides income and in some cases do not include income at all. The information for this test is sometimes collected through special censuses conducted in the municipalities in which the grant is to be implemented, sometimes through filling in of forms, and sometimes through compilation of detailed administrative records on each household. In at least some cases the formula is not made public so as to discourage applicants from biasing the information they provide so as to be eligible. The down-side of the complicated formulae and the lack of transparency is that it is difficult for applicants to know whether they are eligible or not. This difficulty is increased by the fact that most of the grants are made up of several components, each of which is assessed and calculated separately. Thus even those who get grants may often not know how the amount received is made up. This point is not pursued in this paper as it is not directly relevant when considering conditions. It nevertheless highlights that there are a range of respects in which the CCTs are quite different from the relatively straightforward and simply conceived CSG.

We would argue that the CSG is superior in this respect in requiring far less administrative and other labour to implement, imposing less costs on government and applicants, being much more transparent, and thus enabling poor people to have a better sense of their rights and better ability to know if government is denying them these rights. Handa & Benjamin (2006) also point out that, despite the added cost and administrative burden, a more

complicated system is not necessarily well protected from manipulation – and we might add fraud. Latapi & de la Rocha note that Oportunidades' selection function gives very different results from those produced by the statistical bureau's income studies (Latapi & de la Rocha, 2008)

2.2 What is a condition?

While there is significant variety across the grants described above, there is less basic variation in the type of conditions imposed. It is nevertheless worthwhile to consider briefly what we understand by "conditions" and, in particular, by "behavioural conditions", which the terms of reference define as the focus of this study. The discussion in Lund et al (2008) of what constitutes a condition is useful here, although the paragraphs that follow amend their classification to some extent.

Lund et al note that legislation in relation to unconditional transfers defines a right which becomes an entitlement for people with specified characteristics who meet specified qualifying requirements, such as passing a means test. CCTs also specify characteristics and qualifications but, in addition, require that the applicant must behave in a specified way to continue receiving the grant. Within this category Lund et al (2008) distinguish between conditions that require ongoing proof of certain behaviour, such as school attendance, and those that require once-off performance, such as the child being fully immunised.

Lund et al note that apart from such behavioural conditions, there might be other requirements that can serve to exclude some applicants who have the specified characteristics and meet the qualifications. They are therefore similar to conditions to the extent that they can serve as an exclusion mechanism. One such potential barrier involves administrative requirements, such as possession of an identity document. A second involves what Lund et al refer to as "normative injunctions", such as requiring that the child be properly fed and clothed. The authors distinguish between these and true behavioural conditions by pointing out that the normative injunctions cannot easily be monitored and do not have clear rules attached which allow objective determination of whether the condition is met. They note that, as a result, these injunctions open the way for abuse by officials.

The international literature on CCTs includes both one-off and ongoing behavioural conditions in its description of conditions as well as, in some cases, conditions that might be considered normative injunctions. The literature generally does not categorise administrative requirements as conditions.

2.3 Impact of conditional cash transfers

There is a fairly extensive literature on the impact of CCTs. The size of the literature has been encouraged by the fact that the international financial institutions and donors have been strong supporters of the spread of these grants. In this respect Handa & Davis (2006) note that it is only the Brazilian and Mexican CCTs that were initially designed and funded without external assistance. For all other external CCTs, the donors and/or international financial institutions have played a role from the start. And even in Brazil and Mexico, the governments used external loans to finance subsequent expansion. In the case of El Salvador Rohregger (2008) notes that the CCT is currently subsidised by the European

Commission, Luxembourg and Spain but that the government plans to establish a solidarity fund based on taxes on alcohol, tobacco and firearms to provide local revenue for the grant.

The fact that there is an extensive literature is helpful for our purposes. But there is also need for caution. An informant who had worked in several different Latin American countries noted that one should not expect governments to give completely honest accounts of how well the grants were implemented and their impact. They would, naturally, want to emphasise the successes and might downplay the weaknesses. Similarly, the fact that the donors are committed to supporting the spread of CCTs and have spent significant amounts of money on doing this could mean that the literature generated by them sometimes errs on the optimistic side. Further, evaluators who know that the results of their assessment could mean the difference between the continuation or stopping of a grant (for example, Maluccio & Flores, 2005) would generally be very careful about how they present less favourable findings. Further, it is common practice when presenting the results of econometric analysis that researchers emphasise the findings where there are strong correlations, and omit or comment only in passing on non-significant findings. Finally, we note that often the results depend on the particular "model" or assumptions used by the researchers, particularly where econometric analysis is used. Different models and assumptions would yield different results – sometimes better and sometimes worse – in terms of the extent or even direction of impact.

Even more important for our purposes, is to bear in mind that the vast bulk of the literature on impact reflects the impact of the grants as a whole, rather than particular aspects of the grants such as the conditions. Where there is a strong impact, it could thus well be the money or other support that is provided rather than the condition that is making the difference. The likelihood that this is so is strengthened by a range of research in South Africa that finds similar impacts to those found for the CCTs despite the fact that the South African grants have no conditions. (The South African literature is discussed elsewhere in this report.) Similarly, beyond South Africa, Adato & Bassett (2007) report impact on schooling in Kenya, Malawi, Zambia, Mozambique and Namibia when cash transfers are unconditional. Comparing within a single country, Lund et al (2008) quote research by Soares et al which found that the unconditional grant for the elderly and people with disabilities had a similar poverty reducing impact to the CCT. All these examples call into question Handa & Benjamin's (2006) assertion that a cash transfer without a condition or expectation of school enrolment is unlikely to lead to an increase in enrolment.

Nevertheless, some of the findings on impact of the CCTs are worth summarising briefly to give an idea of the kinds of changes they have brought about. And while we caution against placing too much weight on the exact extent of the impact in particular cases, there is certainly sufficient evidence to be able to claim confidently that grants "make a difference".

In summarising the findings, we omit those in relation to the impact on poverty rates. We do this for two reasons. Firstly, a finding that the income of recipients has gone up is rather trite, given that the grant consists of income. Research which measures the extent to which the grant has changed the number of households or individuals below the poverty line is also somewhat questionable given the relative arbitrariness of delineating poverty lines.

Measurement of impact in terms of a poverty line is particularly problematic for South Africa, where there are so many very different poverty lines. For example, Woolard & Leibbrandt (2006: 51) show that for 2006 the level of the poverty lines ranged from R81 per capita in 2000 rands for the international US$ 1 per day equivalent to R593 per capita for the upper bound proposed by Statistics South Africa. Secondly, the question of impact on poverty lines is important mainly as a way of assessing the size of the grant. This question is not a primary focus of this paper.

We also do not report findings on the impact that grants might have on lifetime earnings as these results are derived from modelling rather than from empirical evidence about what has happened. We do not believe that results based on the heroic assumptions that are necessary for such modelling into the future are reliable enough to warrant basing policy on this "evidence".

We do not report impact on health because, as seen above, the health-related grants do not focus on 15-17 year olds in any of the countries.

We do not report increases in enrolment in any detail as here too the impact could be seen as trite as enrolment and attendance are conditions for receiving all the grants. As noted by Cardoso & Souza (2003) these results are more a measure of uptake rather than of impact and, as discussed further below, the ultimate objective is not simply to have children sitting in schools, but for their presence in schools to make a difference to their life chances of future well-being. We therefore only discuss results relating to enrolment where they show something more than simply that there was some increase.

Maluccio & Flores' (2005) evaluation of RPS in Nicaragua has some thought-provoking findings in terms of **education**. Firstly, they found that enrolments of the youngest children increased, suggesting fewer delays in school entry, along with older out-of-school children returning to school. They note that the latter could cause problems as the older children then joined classes of younger children. The evaluation found that the impact on attendance was even larger than the impact on enrolment. Unexpectedly, they found that the programme resulted in an increase in the number of children moving on to sixth grade from fifth grade despite the fact that this was not a condition. They suggest that this impact might have resulted from the increase in income, confirming the point raised above about the difficulty of knowing whether it is simply the income or the condition that has impact. Alternatively, they suggest that beneficiaries might have thought that this was one of the conditions.

Latapi & de la Rocha (2008) discuss the educational impact in Mexico at some length. They note that the gender gap has narrowed at primary level and disappeared in grades 7-12 but observe that this might well be the result of international migration by boys in search of jobs, reduction in fertility leading to less discrimination against girls in smaller families and greater involvement of women in the paid workforce rather than the CCT. However, they note that the gender gap persists in rural areas and here the CCT seems to be making a difference. Unlike in Nicaragua, Rawlings & Rubio (2005) report that PROGRESA's impact on enrolment was greater than that on attendance.

There are differing views on how already-high enrolment rates affect impact. Adato & Hoddinott (2005) claim that the small impact at primary level in Colombia, Mexico and Turkey alongside a larger impact at secondary level can be explained by the differences in starting enrolment rates at the two levels. Similarly, Adato & Bassett (2007) argue that the small impact on primary school enrolment in Turkey and the much bigger impact on enrolment for secondary school girls, especially those in rural areas, can be explained by very different starting rates. Latapi & de la Rocha (2008) report that enrolment rates are stagnating for grades up to grade 9. For the lower grades this can be explained by rates around 97%, while at secondary level there is stagnation despite rates as low as 50% for grade 9. For grades 10-12, they report ongoing marked increases in enrolment and feel that the CCT has played a definite role in this respect.

As noted above, the grant programmes in some countries have supply-side elements that are intended to improve the available infrastructure. Infrastructure alone is, however, not enough. Equally important is that there are willing and able teachers in the schools. As noted above, in Nicaragua there are also small grants for teachers. In Peru, an impact in respect of teachers was found even without this element. Thus Jones et al (2007) report that the requirement in Juntos that teachers and principals monitor attendance resulted in decreased teacher absenteeism, which had been a serious problem in Peru's rural schools.

Enrolment and attendance are important, but they are a means to an end rather than an end in themselves. As or more important is that the children learn – that they perform well. In this respect, Ponce & Bedi (2006) provide a useful discussion of the ways in which CCTs might be expected to lead to either improvements or deterioration in school performance. On the positive side, CCTs could be expected to improve performance through increased attendance, better nutrition and reduced engagement in work. On the negative side, the increased enrolment would increase class sizes, and so reduce children's chances of performing well.

Lund et al (2008) cite evidence that Argentina's Becas increased attendance, reduced repetition rates, and improved school performance. Here again the contrast is firstly with PROGRESA where Ribas (2008) reports that beneficiary children do not perform better than non-beneficiaries. Similarly, Ponce & Bedi (2006) find that Ecuador's BDH has no impact on performance, in contrast to other research suggesting significant impact on enrolment of children and also on child work. The finding of lack of impact in respect of performance cannot be explained by the fact that targeted children are likely to attend poor quality schools, because the method controls for this by comparing children whose households are just below and just above the cut-off line for receiving the grant.

De la Briere & Rawlings (2006) quote even more worrying evidence showing that children in communities eligible for Oportunidades had serious cognitive deficits, worse motor skills and more socio-emotional problems than those in non-eligible communities. Somewhat similarly, in Brazil, the likelihood that children beneficiaries of Bolsa Familia will fail has been found to be four percentage points higher than that for non-beneficiaries. Ribas (2008) suggests that the reason could lie, at least partly, with the quality of schooling received by beneficiary children. The patterns reported in both Mexico and Brazil could also reflect the more

deprived conditions under which beneficiary children grow up. Latapi & de la Rocha suggest that the very success of the CCT programmes, by increasing the numbers of children in schools, increases the chances of poor results as less able children are joining the system and classes become bigger in schools whose quality was already poor. Cardoso & Souza (2003) observe that the fact that many of the children in Brazil move from a situation of work to one of combining work and schooling does not encourage good school performance.

The above findings in relation to performance are of concern because if performance does not improve, there is little likelihood of the grant having the impact on inter-generational poverty which is the motivation behind CCTs.

Handa & Benjamin (2006) summarise a range of impacts in respect of **child labour**. For Bolsa Escola in Brazil they report a relatively small impact, but a bigger impact is reported for Nicaragua in respect of children aged 7-13 years and for boys in Mexico. For Mexican girls, there is a decrease in leisure as the time spent on unpaid domestic work is not reduced because it can be done even by children attending school. In Colombia's Familias en Acción, for both boys and girls increased attendance results in reduced time spent on both leisure and unpaid domestic work with no change in engagement in income-earning work. Rohregger (2008) reports that dropout rates have dropped in both El Salvador and Paraguay as children combine work and schooling. At least some of these results relate to children under 15 years of age. Da Silva (2008) reports that the incidence of child labour decreased from 18.7% in 1995 to 11.1% in 2006 for children aged 5 to 17 years, but does not give a further age breakdown.

The above examples of impact are mostly reported in quantitative terms. There are also some claims of more qualitative impacts. In particular, there are many references to the fact that, because a woman is the recipient of the grant within households, the CCTs should help in empowering women. Suarez et al (2006) take issue with this claim. Drawing on evidence from their engagement with women beneficiaries in Brazil, they note that women might be more advantageously placed as a result of this feature, but they will not necessarily be empowered. They note repeatedly that the majority of the beneficiaries are geographically and socially isolated even after receiving the grant. Other commentators (see, for example, Razavi as quoted in Unicef, 2008) note that the CCTs can be unhelpful for women as they place extra uncompensated time and work burdens on those who already are overburdened with both unpaid care work in their families and income-earning. They argue further that the imposition of these burdens on the recipient women reinforces gender stereotypes as to childcare being the responsibility of women.

In the case of Oportunidades, Latapi & de la Rocha report that the burden of attending the required meetings has resulted in women dropping out of the programme or leaving their income-earnings jobs, as well as exclusion of some of the poorest households because the women are unable to comply with these requirements. Other working women were excluded because they could not devote the necessary time to the selection and "verification" processes as they needed to spend the time earning money. The various tasks expected of women beneficiaries were also difficult to fulfill in the case of women responsible for caring for chronically ill household members. This is an important consideration for South Africa

given the HIV/AIDS epidemic and the resultant increased likelihood that there will be ill household members. The authors note that the programme works best for nuclear families in which the woman is not employed full-time. Similarly, for Peru Jones et al (2007) report that some women beneficiaries were complaining about the time-consuming nature of the capacity-building aspects of the programme that they were required to attend.

There are several references in the literature to perverse incentives. Adato & Hoddinott (2005) suggest that the reduced weight gain in the early years in Brazil might have been caused by mothers' believing that they would lose the grant if their children were not underweight. Britto (2007) notes that the fact that El Salvador provides grants only to those who have not completed sixth grade could discourage working towards grade promotion. In Paraguay, the operational manual specifies that a family is eligible for three years, after which they will be assessed. If they are found to have achieved the programme targets, they will be removed from the programme, whereas if they have not, they will remain for another two years during which they receive smaller amounts. The majority of beneficiaries thought that compliance would ensure that benefits continued whereas, in truth, the opposite was the truth (Soares & Britto, 2007).

As noted above, most of the reports on impact do not and cannot distinguish whether it is the conditions specifically, the extra money that the grant brings, or some other aspect of the grant that results in the impact. There are, however, a small number of examples of research that suggest that conditions make a difference in terms of impact. The examples are as follows.

De Braauw & Hoddinnott (2008) use the fact that some beneficiaries of Mexico's PROGRESA did not receive the attendance monitoring forms to divide beneficiaries into two groups. The experimental group consisted of those who received forms and are thus presumed to be monitored. The control group consisted of those who did not receive forms, were therefore not monitored, and thus essentially received the equivalent of an unconditional grant. The authors find that children in the experimental group were 7.2 percentage points more likely to enrol in school, with a larger impact for children transitioning to lower secondary school but no observable impact for children at primary level. The unknown in this finding is whether non-receipt of a monitoring form reflects some other difference between the two groups of children that might account for this difference.

In Ecuador, the test on the impact of conditionality took advantage of the fact that while the enrolment conditions of the Bono de Desarrollo Humano are not, in fact, monitored, many households believe that they are. The experimental group therefore consisted of households that stated that there was an enrolment requirement with the control group consisting of those who said there was not. After controlling for other observable differences between the two groups, the increase in enrolment was significantly larger for the experimental than for the control group (Adato & Bassett, 2007). The weakness in this test is that it is well-known that responses to interview questions that enquire whether respondents "know" something are unreliable. Further, the difference in level of knowledge might well reflect other unobservable differences between the two groups that are the real cause of the differences in enrolment.

The above two examples are based on actual impacts in cases where, fortuitously, there was a way of constructing experimental and control groups. There are also several examples of research that involves ex ante modelling i.e. predictions of what is likely to occur given certain assumptions.

Adato & Bassett (2007) quote the findings of simulation (modelling) exercises using data from PROGRESA and Bolsa Escola that attempt to compare the impact of conditional and unconditional grants. These simulations suggest that most of the enrolment impact is due to the conditionality rather than the increased income. This conclusion is reached on the basis that most of the change results from the opportunity cost i.e. what the child could earn if they were not in school (Bourguignon & Ferreira, 2002). Similarly, Kakwani et al (2005) model the likely impact of cash transfer programmes in 15 sub-Saharan African countries (South Africa is not included) both with and without conditions. All such ex ante modelling is hypothetical – predicting what will happen if certain assumptions are true. Kakwani et al's work is even more hypothetical than that on the two Latin American programmes in that the 15 African countries concerned do not currently have either conditional or unconditional cash grants for children. Kakwani et al focus their attention on the poverty impact and state that their modelling suggests that conditions are necessary if grants are to end the intergenerational cycle of poverty. As with the Latin American simulations, however, these conclusions seem to rest on the opportunity cost i.e. the employment-related choices. This in turn rests on a range of assumptions about the availability of cash-earning employment for out-of-school children. These are of limited relevance for a situation, such as in South Africa, where children's engagement in income-earning it at a low level, as shown below.

Moving beyond education, Ribas et al (2008) suggest that only half of PROGRESA's impact in terms of families having a more diversified diet is a result of the increase in cash. They attribute the remaining impact to the talks on health and nutrition that mothers are required to attend.

2.4 Rationale for grants

Having described the various CCTs as well as some of the impacts, we move on to discussing the rationale for grants in general, and then the rationale for having behavioural conditions. While it may seem strange to have the description of the grants and impact before this more general discussion, this order of presentation was chosen as it allows the discussion of rationale to draw on concrete examples from the different countries.

The CSG forms part of South Africa's strategies to address poverty. It does this alongside a range of other grants, but not all grants are primarily focused on poverty alleviation. Thus the old age pension (OAP), disability grant (DG) and CSG are all clearly intended to provide financial assistance in respect of those who cannot or should not be expected to be able to support themselves, and the foster child grant (FCG) has as its primary intention to provide for the care of vulnerable children. The care dependency grant (CDG) is intended to assist with the care of severely disabled children. It could be seen as a poverty grant to the extent that the caregiver of a severely disabled child would not be able to engage in income-earning work because of the full-time care demands of the child.

The CCTs introduced in Latin America are all broadly intended to assist with poverty alleviation, and all explicitly target poor households. However, while the South African grants are seen primarily as addressing current poverty, with the CCTs the policy makers often motivate for conditional grants on the basis that they will address future poverty, by improving the health and education of household members, and of children in particular.

Several authors (see, for example, Handa & Benjamin, 2006) note that the two aims – of alleviating current as well as future poverty – can lead to contradictions in that design elements that are appropriate to one may not be appropriate to the other. The critics point, in particular, to the fact that some of the grants are provided over a fixed period or 2-5 years, and that this would not be sufficient to enable people to develop their human capital sufficiently to avert future poverty. To the extent that the CSG extends over a longer period, it does not have this drawback in that it provides the potential for a longer build-up of human capital. However, stopping the grant at age 15 cuts of assistance at a critical point in terms of developing human capital as it is well-known that a young person who has not got matric has very limited labour market opportunities, and thus will be vulnerable to poverty in their adulthood.

2.5 Rationale for conditions

Adato & Hoddinott (2005) suggest that there are four broad arguments offered in support of conditions, as follows. The first argument relates to what economists term "externalities", namely the benefits that might be felt beyond the immediate child and family. The argument states that individual families might not, for example, take into account the benefit that society derives from a more educated citizenry and workforce when deciding whether or not to send their child to school. As discussed below, this argument is expanded in some of the literature to the assumption that the poor do not always know what is best for themselves. The second argument relates to the existence of "sociocultural" biases, where more powerful groups (such as men) might be disinclined to favour schooling for the less powerful (their daughters). In this case, the condition is seen as the state providing support to the less powerful. The third argument relates to the fact that people might feel stigmatised if they receive a grant. Finally, conditions may make grants more politically acceptable to those who are not eligible.

In relation to the first argument, as noted above there is often also the implication that the poor and socially marginalised people do not make good decisions even in terms of their own interests. This is sometimes extended to the fear that these groups will become dependent on handouts (Kohler et al, 2008). Bernd & Slater (2006) observe that perceptions of what constitutes "inappropriate" behaviour are determined by the observers' culture as well as the mandate of the organisations (e.g. donor agencies) for which they work. The Turkish example referred to above suggests that sometimes behaviour deemed inappropriate by outsiders makes good sense in the context of poor families. Brazilian Senator Suplicy (2008) states in somewhat similar vein that poor families, if given a basic income, are likely to make the same effort to improve the education and health of their children as richer families do. Zimmerman (2006) observes that even if the objectives of the conditions are well-intentioned, the imposition of conditions reinforces dependency and lack

of autonomy of poor and marginalised people. Standing (2007) similarly observes that CCTs are “inherently paternalistic” in their assumption that poor people are irrational or lacking in knowledge about what is in their own self-interest.

In relation to the second argument, in several countries the grant is argued to increase gender equity by increasing the chances that girls will be enrolled. This is particularly the case where girls’ grants are larger in size than those for boys. Adato et al (2007) note that in Turkey parents’ reluctance to enrol their daughters reflected the fact that it would be their in-laws that benefited after the girl married, as well as a perception on the part of some parents that a more educated girl would find difficulty in finding a marriage partner. Adato & Bassett (2007) argue that this example illustrates that the state does not necessarily always know best what is good for a child and family in different economic, social and cultural circumstances.

In relation to the third argument, relating to stigma, Jones et al (2007) suggest that the emphasis by government officials in Peru on the need for beneficiaries to improve their personal appearance, care of children and domestic living conditions sends a message that they are perceived as “dirty” and “idle”. This suggests that conditions, instead of avoiding feelings of being stigmatised, might increase such feelings.

In relation to the fourth argument, of politics, the basic argument is that the wealthier and more powerful in the society, who will bear some of the costs of the grant, will be more inclined to support it if it is not seen as a hand-out. However, several writers note that what is politically acceptable differs according to context. Thus Bernd & Slater (2006) point to research that suggests that Latin Americans tend to be similar to United States citizens in feeling that poverty is caused by an individual’s failure rather than the situation in which the individual finds themselves and the opportunities they are offered. This same attitude would not be found in all other parts of the globe. Handa & Benjamin (2006) note that the perception that the poor should in some way earn the grant is likely to be greater where the poor are more easily distinguished from middle-class people, for example where they are of a different race, geographically separate, or different in some other way. They note that this is the situation in Latin America, where the populations targeted for the grants are often noticeably different from others in several respects. The third argument is related to the first argument to the extent that it reflects a perception that poor people behave irresponsibly (Bernd & Slater, 2006).

The imposition of conditions is probably rarely driven by real knowledge of what wealthier and middle-class people think in this respect. Instead, it is based on policy-makers’ perceptions of how they think. De Braauw & Hoddinott (2007) suggest that policy-makers’ own motivations for imposing conditions could also be affected by the knowledge that their own performance will be assessed against concrete indicators such as changes in the health and educational conditions of the population during their time in power. By imposing conditions, policy-makers might hope to increase the chances that they will be able to produce these concrete indicators even if they cannot show strong evidence of having reduced poverty. The same considerations might apply to donors who must report to their own governments and boards as to what their spending has achieved.

Some countries may impose conditions because doing so has been imposed on them as a condition for obtaining financial and technical support in implementing a grant. Thus Kohler et al (2008) note that while the World Bank does not have a "dogmatic" position on conditions, its Board of Directors will only allow loans to support cash transfers if they include conditions.

Adato & Hoddinott (2005) do not summarise the counter-arguments in the same way as they summarise the arguments for conditionalities. One of the counter-arguments that is found repeatedly in the literature – and particularly that on Brazil – relates to rights.

Some argue that the imposition of conditions is not appropriate in a rights-based framework. For example, Zimmerman (2006) argues that rights are based on personhood, and that access cannot have additional requirements such as those imposed by conditions.

Some of the literature on Brazil suggests that while the grant is a right, the conditions encourage the poor to realise the right. De la Briere & Rawlings (2006) report that this argument was advanced by the federal managers of Bolsa Familia who were interviewed. The managers argued that conditions incorporate a less paternalistic approach than previous approaches to social assistance. In contrast, Suarez et al (2006) see the officials as supporting conditions out of an interest in "disciplinary control" and as part of a "traditional bureaucratic morality" that are far removed from a rights-based perspective. Suarez et al further report that the beneficiaries they interviewed did not see the grant as a right, but instead as some form of compensation for the mothering role they played. This perception is promoted by conditions that allocate mothering-related tasks to the women.

Hailu & Soares (2008) note that conditions, rather than ensuring access to rights, can result in the exclusion of people living in areas that have inadequate services. They see this realisation as having provoked the shift in some Latin American countries from talking about conditions to talking about "co-responsibilities". Under the new discourse, the conditions imposed on beneficiaries are meant to be counter-balanced by the responsibility of the state to ensure that services are available.

Britto (2007) describes how, in accordance with this discourse, beneficiaries and government in El Salvador's Red Solidaria sign a "convenio" (agreement) that sets out the conditions for each, and what behaviour on the side of the beneficiary will result in suspension. The "conditions" specified for government are that the Ministry of Education must provide basic education up to 6th grade for beneficiary children aged 5-14 years, the Ministry of Health must provide basic health services through health units or other sub-contracted institutions, and government must "promote" lifelong learning sessions for beneficiary families.

In Paraguay, the co-responsibility agreement does not list any government co-responsibilities other than payment of the monthly stipend and monitoring of the family (Soares & Britto, 2007).

It is not clear to what extent this shift from “conditions” to “co-responsibilities” is more than semantics, in that while the state can penalise the non-complying citizen by withholding the grant, the citizen does not have the same ability to penalise the state if it does not provide services. Nevertheless, some claim that while conditions impose administrative costs and might be seen as going against a right-based position, there might be some possibilities for “good conditionalities” that support positive changes in behaviour, changes in power relationships such as those between women and men in the household, and allow citizens to receive more and better services. As before, however, this assumes that there is some way of enforcing the co-responsibility of the state.

An informant who works for a donor that provides financial and technical support for CCTs in Latin America explained that they preferred to talk about “developmental conditionalities” rather than the more punitive approach of immediate withdrawal of the grant which characterises a programme such as Oportunidades. She highlighted the example of El Salvador’s Red Solidaria where, when the beneficiary fails to observe the condition, social workers then investigate the reason for non-observance rather than immediately withdrawing the grant. She acknowledged that this approach is much more difficult to administer and manage than the punitive model, and also more expensive in terms of staff time and money. She noted that El Salvador’s approach was modelled on that of the Puente programme in Chile, with its strong psycho-social emphasis.

Those who support the co-responsibility approach and associated agreements feel that this encourages beneficiaries to exert political pressure on government to deliver decent services. However, Jones et al (2007) report that women in Peru described their co-responsibilities as tasks that they had been instructed to do rather than responsibilities associated with increased rights and balancing responsibilities for government.

The literature reviewed included minimal discussion of the danger that unconditional grants might encourage dependency. This is not all that surprising as the grant is targeted at children who, it is generally agreed, should ideally be learning and developing rather than forced to earn money. Further, there are likely to be few who would seriously argue that an amount of R220 per month could encourage dependency. The omission of this argument is nevertheless interesting as it is an argument which is sometimes raised in South Africa.

2.6 Monitoring and enforcement of conditions

Handa & Benjamin (2006) state that conditions constitute “one of the most attractive features” of CCTs, presumably on their assumption, noted above, that without conditions cash alone will not bring about the same extent of improvements in enrolment and health-related behaviour. Nevertheless, they acknowledge that the extent of the administrative burden incurred with conditions raises the question as to whether conditions are worthwhile and, if so, how and by whom they should be monitored. They note that these questions are particularly pertinent in countries with weak institutions.

Monitoring is complicated by the fact that the institutions responsible for health and education, and thus best placed to monitor performance, differ from those responsible for management of the CCT. The grants thus require considerable inter-sectoral collaboration

and coordination, both of which most governments find difficult to achieve. Further complications are introduced by the fact that responsibility for implementation is usually shared between federal agencies and local institutions, as well as in many cases by specially constituted local structures that include community representatives.

The literature reviewed contains less discussion of monitoring than of other aspects of the CCTs. Nevertheless, there is enough evidence to confirm that the extent to which conditions are monitored varies widely across countries and also within countries, and that there are also differences in the extent to which different conditions within the same programme are monitored. De la Briere & Rawlings (2006: 12) report that most countries experience many difficulties in setting up and maintaining the monitoring systems. At a general level, Rawlings & Rubio (2005:35) observe that "programs have not always enforced all conditions". There is even less discussion of what happens if a family is found to be in default. The discussion below highlights the limited evidence that was found in the documents reviewed and through interviews.

As in earlier sections of the report, we pay particular attention to the situation in Brazil given the interest this example has evoked in South Africa.

An informant explained that Bolsa Familia is managed by a national Council which reports to the Ministry of Social Development, and the Ministry is responsible, among others, for operationalising the monitoring and evaluation and for ensuring coordination with the sub-national agencies that implement and manage the grant. The federal Ministries of Health and Education are responsible for establishing the rules to be applied for the conditionalities and monitoring whether families comply, for managing the technical system in which school attendance of children is recorded, as well as monitoring the supply of services by sub-national agencies and ensuring that weaknesses in this respect are addressed. State governments also have responsibilities related to the grant, but it is not clear from the description provided that any relate directly to monitoring. Instead, the municipal governments are the main managers of the programme at the level of interaction with beneficiaries. This role involved, among others, maintaining the Unified Registry System that records details of each beneficiary, although de la Briere & Rawlings (2006: 12) state that Brazil does not have the same "extensive" records of beneficiaries that are found in Mexico, Colombia and Nicaragua. The municipal head of education is responsible for ensuring monitoring of attendance at local level. At local level there are also local "social control" committees or councils that the municipalities or federal districts are required to establish. These councils must include representatives of the various government agencies working with children. Their tasks include monitoring and evaluation of implementation and monitoring processes related to registration and selection of beneficiaries, distribution of benefits, control of conditionalities and dealing with appeals. School attendance is meant to be checked on a monthly basis. In addition to the above, monitoring and control of compliance in respect of PETI is also done by municipalities. For PETI, municipalities are required, among other tasks, to train and hire monitors to work in the after-school programme related to the PETI programme.

The system is clearly very complicated. Corrêa & Ribas (2008) suggest that the decentralised targeting works in Brazil because of the prior existence of social policy management systems at local level, whereas it might not work well – and could result in "clientelism" (or patronage) – in countries without this history. The same could, perhaps, apply in respect of monitoring. There is, however, other evidence that suggests that there are weaknesses in monitoring in Brazil. Indeed, Handa & Benjamin suggest that the haphazard approach to monitoring in Brazil might be intentional, with the inclusion of conditions intended primarily to gain middle class support for the budget related to the grants.

De la Briere & Rawlings (2006) report that their study of 261 of Brazil's more than 5,500 municipalities found very uneven performance of social councils. Many of the municipalities had, in fact, not established such councils, although they were mandatory. Where they existed, they often did not function well.

Soares & Slater (2007) observe that allocation of responsibility for monitoring of conditionalities to municipalities results in "loose" control but claim that qualitative studies confirm that families generally comply. However, the qualitative study by Suarez et al (2006) again suggests great unevenness. Firstly, these researchers report differences in who manages the programme at local level, significant variation in the level of interest and energy put into the programme across municipalities, and limited ability of municipalities to address tasks other than maintenance of the Unified Registry. In particular, the inter-sectoral components of the programme and links with other government and non-government agencies tend to be relatively neglected. The researchers heard repeated stories of the burden imposed by the programme on the municipality, with one of their informants describing it as "arriving like a derailed train, knocking down everything in the way" (2006: 29). They learnt that the fact that the Unified Registry was managed at federal level and beneficiary cards issued from there meant that they could not, at local level, explain to beneficiaries why they had been allocated a particular amount. They also reported significant data disparities between the Unified Registry related to Bolsa and another registry. These disparities were reported to have necessitated 27 000 home visits to investigate the cause of the divergence. It is not clear if any of the disparities related to information on conditions.

In respect of conditions more specifically, Suarez et al report that the education conditions seemed to be better known and accepted than those relating to health. Government officials reported that families that did not comply could have payments suspended but none of the 145 beneficiaries interviewed knew anyone who had been suspended for not fulfilling conditions. The officials tended to emphasise the education conditions and, when prompted, acknowledged that the health conditions were not monitored and enforced. Many informants from within health expressed their opposition to monitoring compliance.

In El Salvador's Red Solidaria there is a technical secretariat in the Office of the President at central level which is responsible for overall policy and technical management. The CCT and social infrastructure components fall under the social investment fund. The Ministries of Education and Health are responsible for service provision, which is very centralised in El Salvador, unlike many of the other countries with CCTs. The Ministry of Agriculture and

Livestock and Banco Multisectorial de Inversiones are responsible for the productive enhancement component. As in other countries, there is thus need for intersectoral collaboration but GTZ (2008) suggests that this is facilitated in the El Salvador case by the fact that all the relevant ministries were involved in the design of Red Solidaria from the start.

The programme is implemented at municipal level through three-year signed agreements with mayors. The social investment fund outsources monitoring of conditions to NGOs who are also responsible for disbursement of the cash transfers. NGOs utilise the services of young people who are recruited from the community to act as local promoters, with each youth assigned 150-160 families. The tasks assigned to NGOs require frequent visits to households, which can mean travel over significant distances. The non-governmental organisations (NGOs) and local promoters serve alongside municipal liaisons, community leaders and health and education officials on municipal committees which are meant to monitor updating of the list of beneficiaries and serve as a channel for complaints. Britto (2007) notes that these committees have not all functioned well and that community leaders are often absent, perhaps because they do not get paid for costs related to attendance. There is also meant to be a beneficiary committee made up of at least three beneficiaries from each district whose task is to liaise with the NGO.

Britto (2007) reports that the condition – or what we might call a normative injunction – relating to using the CCT for food is not monitored and that officials feel that this restriction is not appropriate. Participation in lifelong learning, which is provided by the NGOs responsible for monitoring, is monitored, but non-participation does not affect receipt of the grant. Beneficiaries are not told that it does not affect receipt.

Turkey appears to have a somewhat simpler monitoring system for its relatively small CCT. Again, it is the Ministries of Health and Education who are responsible for monitoring data. Forms for recording school attendance are sent to the schools on a monthly basis, and the schools are required to return them to the local offices who enter them into a web-based system which then automatically calculates the amount due to the beneficiary. The fact that all data are recorded on a common platform allows monitoring of districts at national level. The system provides for appeals and complaints, of which there are a large number. This is attributed to the low educational levels of applicants which might prevent their understanding how the grant works.

For Nicaragua's PRS there is again a specially designed management information system. The system consists of a relational database that records beneficiaries, schools and health-care providers and that is continuously updated. At local level, monitoring and enforcement are supported by an unpaid cadre of "promotoras" who are women beneficiaries chosen by the community. The promotoras are responsible, among others, for reminding beneficiary households about health-care appointments, payments and failures in meeting conditions.

Ribas et al's (2008) discussion of the PRS is one of the few sources that provide evidence of serious enforcement. They report that about 10% of beneficiaries received less than the full grant at least once during the first two years of implementation on account of non-compliance. Less than 1% of households were expelled from the programme during the first

two years, with the reasons for expulsion including, among others, repeated failure to comply, more than 27 days' absence from school in one year without adequate excuse, and failure to be promoted to the next grade. The condition in relation to progression was no longer enforced after it was discovered that some schools were automatically promoting all children. Similarly, the vaccination condition was dropped when it was discovered that the reason for non-compliance often related to late delivery of vaccines to health centres. Further, a condition related to weight gain was dropped after the pilot due to concerns about measurement error as well as the realisation that this condition tended to penalise the poorest households. More generally, Ribas et al note that health conditionalities are more difficult to monitor and enforce than those related to education because of lesser availability of health services and the greater difficulty in changing attitudes towards preventive health than attitudes towards school attendance.

Paraguay originally intended monitoring compliance through lists sent to schools and health posts. This did not work well because they did not have the necessary information as to which schools and health posts were utilised by beneficiaries. The programme then introduced a system of family guides who are responsible, among others, for checking compliance, while the mother is required to obtain stamped proof from the school and clinic. The health guides are young people with high school education and social work experience. While monitoring compliance is among their tasks, the bulk of their time is spent assisting with the productive enhancement aspects of the programme, as well as dealing with social problems such as substance abuse and domestic violence. Soares & Britto (2006) report that non-compliance results in loss of 30,000 guaranies (Gs.) per child for non-compliance with health check-ups and Gs. 15,000 for non-compliance with other conditions. These are substantial deductions as the total educational and health amount per child is Gs. 30,000, for a maximum of four children per household. The authors do not report how often these deductions are imposed.

In Paraguay, beneficiary "co-responsibilities" include that the education stipend should be used for school-related material, but this condition is neither monitored nor enforced. Soares & Britto (2007) report further that 4.8% of beneficiaries interviewed in an impact evaluation did not know that there were any conditionalities at all, while awareness of conditions among other beneficiaries varied from 85% knowledge of the condition relating to educational attendance to much less for other conditions.

Handa & Benjamin (2006) suggest that monitoring was also taken seriously in PROGRESA. Indeed, transfers were regularly delayed by several months because verification of compliance for all beneficiaries was not complete. The authors suggest that this could be considered over-concern given that over 90% of beneficiaries complied.

Several countries have parallel methods of checking what is recorded through the standard monitoring systems. For example, Colombia conducts random audits of the records of school and health centres and Argentina compares results from its quarterly household survey to those emanating from the standard monitoring system (de la Briere & Rawlings 2006).

In Peru, Juntos falls under the Presidential Council of Ministers rather than under the weaker Ministry of Women and Social Development that is responsible for other social programmes. This location was chosen to promote better implementation and, in particular, an inter-sectoral approach (Jones et al, 2007). Monitoring of conditions as well as implementation more generally is meant to be overseen by local Committees on Supervision and Transparency made up of church and civil society representatives, and which coordinate with provincial and district officials. At the time when Jones et al conducted their research, monitoring had been done in only 20 communities, in which committees had uncovered examples of teachers and parents colluding to hide absenteeism, professionals charging beneficiaries for filling in forms, poor treatment of beneficiaries by Bank officials responsible for payouts, and use of transfer money to buy alcohol. Like some of the other programmes, RPS also provides for community facilitators, who are elected from the beneficiary population and are mostly women. The facilitators are meant to link families with services, give public talks, and monitor compliance with conditions. However, low levels of literacy and consequent lack of ability to give correct information about the programme have meant that this feature of Juntos has not been very successful.

2.7 The costs of conditions

Separating out the costs of the different aspects of a CCT is not easy. There are some estimates, but these estimates differ widely across programmes and even for the same programme.

For PROGRESA, there is a wide range of estimates. Adato & Hoddinott (2005) report that monitoring of conditionality accounted for a low 2% of total costs. However, Kakwani et al (2005) report that in the first year monitoring conditions accounted for 8% of the total cost, which increased to 24% in 2000, while Handa & Benjamin (2006) quote an estimate of 18% for the monitoring share.

Kakwani et al claim that the distribution of costs across monitoring, targeting and other functions was similar to that in Mexico for the Honduras and Nicaragua CCTs except that these two programmes also included funds to improve supply in targeted communities. In addition, in Nicaragua education workshops were reported to add an additional cost of $50 per beneficiary per year while health services for children under five years cost about $110 (Maluccio & Flores, 2005: 9-10). Jones et al (2007) report that in Peru only 60% of the total budget is spent on the actual cash transfers, with a further 30% spent on supplying basic services to meet the increased demand and 10% on operational costs. But there is no indication of what proportion of the operational costs were spent on monitoring.

Handa & Benjamin (2006) note that the share of the cost relating to monitoring is likely to increase over the life of a programme as the costs related to establishing the grant diminish. They also note that the monitoring estimates usually exclude the costs of evaluation which, if added, would push up the costs associated with conditionality even further. De Braauw & Hoddinott (2008) mirror Handa & Benjamin's observation of the steep cost of monitoring conditions with their observation that this constitutes the "primary" public cost of the CCTs.

Kohler et al (2006) compare the cost of a pilot CCT introduced in Nepal by the Asian Development Bank with the cost of UNICEF's proposal for a universal grant for children. They estimate that if there are an average of three children in a household, the ADB's grant would benefit 3 000 children at a cost of 4,000 rupees per year. If the costs of technical assistance were included, the cost would be even higher. Even with the lower estimate, the cost is twice as expensive as the lowest estimate for the alternative proposal. As serious is the fact that the necessary services that would allow compliance with conditions would not be available in many parts of Nepal.

The above estimates focus on "public" costs, i.e. cost to government and their funders. Kakwani et al (2005) stress that there are also private costs associated with conditions. These include costs of complying, such as travel costs and costs of certification, as well as income foregone both by the children and by the mothers who must comply with conditions such as attendance at meetings or taking children to a health centre. They quote research that suggested that such private costs could amount to more than a quarter of total programme costs. None of the literature that discusses costs highlights the costs imposed on the various volunteer cadres that work at local level to monitor conditions. If a monetary value were calculated for the time spent on these tasks, the additional private costs could be substantial for programmes that utilise such cadres.

2.8 Preconditions for successful conditional cash transfers

The literature repeatedly emphasises the importance of considering the supply side when considering the introduction of a CCT. This is important because the logic of a CCT is that it is a failure on the demand side, within families, that is causing under-utilisation of health and education services. This logic assumes that the services are available if the demand increases. This assumption is often faulty, including in countries that have implemented CCTs. Aggravating the situation is that where CCTs are successful in increasing demand and utilisation of services, this increase can itself cause deterioration in the quality and availability of services.

In Brazil, Suares et al (2006) found that close on half (44%) of beneficiaries said that the quality of services was poor. While education services scored better overall than health services in this respect, there were nevertheless complaints of lack of school places in which to enrol the children, transport and other problems related to access, and the costs associated with obtaining a good education.

For Turkey, Adato & Bassett (2007) quote an evaluation that found that a range of issues, many related to supply, were often as important as having more money in determining whether a child would be sent to school. The other issues included too few available schools nearby, inadequate transport facilities, lack of safety in schools, a perception that work was of more value than school in the case of boys while marriage was more important in the case of girls, as well as further gender issues relating to honour, reputation and sexuality. In this situation, ensuring better supply would not be enough to ensure the CCT's success.

Soares & Britto (2006) note the importance of involving all agencies that will play a part in delivering services and monitoring compliance when designing the grant. They note that the

fact that the Ministries of Health and Education were not part of the planning in Paraguay hampered successful implementation, especially when these ministries were not allocated more money to cope with the increased demand. To address this problem, in mid-2006 the Peruvian Cabinet decided to allocate additional money for this purpose. Jones et al (2007) note that in Peru the expansion in demand without an expansion of services led to frustration on the part of nurses who felt unable to deliver quality services. As discussed above, in recognition of the need to expand supply to accommodate the hoped-for expansion in demand, from the start the Nicaragua and Honduras CCTs have provided for part of the programme money to be allocated for improving the supply of education. This recognition that there are supply- as well as demand-side problems to be addressed is important, but the additional elements obviously add to the total costs of the grant programme.

Latapi & de la Rocha (2008) discuss the advantages and disadvantages of linking the CCT and its beneficiaries to other social policies and programmes. They note that in 2002 government began giving beneficiaries of Oportunidades free coverage by Popular Health Insurance, thus providing free hospitalization, long-term treatment and surgery where necessary. On the negative side, they note that this access has not been accompanied by an expansion of service availability, creating pressure on the existing services. In addition, they question the wisdom of privileging Oportunidas' beneficiary families over other similarly poor families in this respect.

Barrientos & DeJong (2006) are among several writers who note that the grant must be of sufficient value to cover both the direct and indirect (including opportunity) costs of school. DFID (2005) suggests that school fees should be abolished when implementing the CCT to avoid their using up all the additional money.

3 South Africa's experience of grants

3.1 Conditions attached to grants

Lund et al (2008) discuss the extent to which the supposed unconditional South African grants have incorporated aspects that might be considered conditions. Firstly, they note that all grants have administrative requirements, such as possession of an identity document and proof of citizenship or permanent resident status. These are not, strictly speaking, conditions. Secondly, some versions of the social security regulations have included normative injunctions, such as that the child must be properly fed, and that the grant must be spent on the child. Thirdly, although the law and regulations do not allow for this, some officials have imposed behavioural conditions, such as that the mother must have tried to get private maintenance from the father, that the child must be immunised, that the applicant must have registered as unemployed with the Department of Labour, or that the child must be enrolled in school. The situation in this respect is complicated by the fact that the regulations have changed over time in respect of some of these conditions. It is unclear to what extent the officials concerned are imposing conditions in the belief that these conditions are required, are imposing conditions because they believe that they know better than the beneficiaries what is in the beneficiaries' "best interest", or are simply purposefully abusing their power. Budlender & Woolard (2006) quote fieldwork research in which Gauteng officials produced an official departmental circular of 2003 stating that applicants must prove that

they had applied for private maintenance. Yet by 2003 this condition was no longer in place. It therefore seems that there might be confusion even among some top-level provincial levels. The fact that this can happen with a fairly straightforward grant raises concern as to what would happen if further conditions were added.

Lund et al note that where regulations have at some points provided for conditions, these have almost always been one-off in nature, rather than conditions requiring ongoing behaviour such as school attendance.

Lund et al note that other health-related conditions were considered when the CSG was being designed. Both of those considered were of the one-off type, namely possession of a Road to Health card and a health check-up between the ages of 24-30 months. The Health Department advised that it was not in favour of these conditions and the idea was dropped, but the Road to Health card was at a later point included as a requirement for a period. Lund et al also record a more recent suggestion by a DSD official who is now with SASSA that conditions could be explored in relation to nutrition, early childhood development and immunisation. All of these suggestions are not particularly relevant to children aged 15-17 years.

Leatt & Budlender (2007) explain that the conditions that were legally provided for in the first years included proof of immunisation, and that the applicant was participating in development programmes, had not refused reasonable employment offers, and had tried to get private maintenance. The development programme condition was dropped when the supply-side constraint was recognised, namely that very few such programmes existed. The reason for dropping the immunisation condition also related to supply-side constraints, namely the recognition that children with poor access to health services, who are often the most disadvantaged, would be excluded. It was felt that both of these conditions were contributing factors to the low initial take-up of the grant. On the demand side these conditions prevented some applicants from applying or, if they applied, from being successful. On the supply side, they encouraged the perception on the part of officials that the grant had to be "earned" and should not be easily granted.

On the "illegal" side, i.e. imposition of conditions that were never included in regulations, Leatt & Budlender cite research that found evidence of officials requiring clinic cards and proof of registration as a workseeker. Budlender & Woolard (2006) cite research findings that in some areas officials were insisting that the child be brought along when the application is made.

Leatt & Budlender (2007) note that draft regulations gazetted in 2005 provided for a range of conditions for the CSG, namely that the child should have accommodation and be fed and clothed, that the child should be immunised and use other health services, that school-age children should attend school regularly, and that the grant should be used for the benefit of the child. (The school attendance condition was not included in final version of the regulations gazetted in February 2005.) Some of these are what Lund et al (2008) categorise as normative injunctions. Further, the regulations did not specify how those who did not comply would be penalised, nor how these conditions would be monitored. There was also

ongoing confusion as to whether the 2005 regulations were operative or not as there were disputes as to whether the process of developing and gazetting them had been properly done. In mid-2008 a new set of regulations was published which makes no mention of conditionalities.

3.2 The impact of grants

It seems unnecessary to include in this report a full description of the research and literature on the impact of the grants in South Africa as there are several existing descriptions where the focus is similar to that of the current investigation. In particular, Budlender & Woolard (2006) provide a detailed summary of all the literature relating to impacts of importance to children as well as an annotated bibliography, while Leatt & Budlender (2007) and Lund et al (2008) summarise the impact findings that are relevant when considering whether or not conditions would be advisable in the South African context.

Some, but not all, of the same caveats apply to the South African literature on impact as were highlighted above in respect of the international literature. One difference is that donors and the international financial institutions have not had a real role in the development and funding of the OAP and CSG in South Africa and it is these grants on which most of the impact analysis to date has focused. A specific weakness in respect of the South African literature is that fewer studies are available on the CSG than on the OAP because of its more recent origin. Further, there is almost nothing in respect of the older age groups covered by the CSG as the grant was only fairly recently extended and the necessary datasets not yet become available.

In brief, we note that the existing literature provides evidence of impacts on poverty, education and health that are significant in both the statistical sense of the word and in terms of the "everyday" meaning of significance. There is also some limited evidence that grants could decrease the incidence of child labour. In relation to education, a range of studies show that grants have an impact on enrolment, including for those who are not the direct beneficiary of the grant but are members of a household in which other members are grant beneficiaries. There is some evidence that the impact of the CSG on enrolment is stronger for rural than urban areas. There is also evidence that receipt of the CSG reduces the impact of orphanhood on school attendance. In addition, both qualitative and quantitative research find that grant money is commonly spent on children's education, including for grants not targeted at children.

In terms of education and other aspects, the OAP generally has greater impact than the CSG. This is expected as the OAP is substantially larger than the CSG in terms of the amount given each month. Nevertheless, despite its small size, the CSG also has significant impact on school enrolment and progression, health and nutrition. Further, several studies of the OAP find greater impact for female elderly than for male elderly, suggesting that some of the impact of the CSG might be attributable to the fact that it targets mainly female primary caregivers.

The analysis by Budlender et al (2008) was not publicly available at the time the other summaries were compiled. The findings, summarised briefly below, provide some further

evidence of the impact of the current unconditional South African grants. The analysis in this case was of data from the second phase survey conducted by Geospace and the Human Sciences Research Council in 2005/06 of recipients of the five main grants as well as of non-recipient "neighbours" of the recipient household. The analysis in respect of the OAP found a statistically significant impact on hunger, nutritional outcomes, and illness, but not on school attendance or grade repetition. In contrast, the analysis in respect of both the foster child grant and the CSG found an impact on enrolment rates, but no association with reduced reported illness or better nutritional outcomes.

The fact that these impacts are found across a range of datasets collected using different questionnaires, in different localities, and in different years increases confidence in the findings. All of these impacts are found despite the non-imposition of conditions on the OAP or CSG.

Leatt & Budlender (2007) take issue with arguments that conditions will help prevent dependency. They note, in particular, that the existing grants in South Africa are all targeted at people who should not be expected to work, namely children, those with serious disabilities, and the elderly. Noble (2008) quotes results from the South African Social Attitudes Survey which counter claims that South Africa has, or is likely to develop, a "dependency culture". The survey found that both employed and unemployed people felt paid work was important and conferred dignity, and the unemployed did not feel that their situation was "normal" and showed evidence of strong motivation to find work.

Finally, we note that the Human Sciences Research Council has plans for a five-year experimental research project in Vulindlela in which households with children in the chosen district are divided into three experimental groups (Richter et al, 2006). The sub-groups for selection will match the catchment areas of primary schools so as to allow the different experimental conditions to be implemented. 40 of the catchment areas will have a simple unconditional cash transfer, a further 40 with have a conditional cash transfer, and the final 40 will receive additional and "integrated" social development services in the form of income-generating expanded public works and community home-based care. These grants will be in addition to the standard CSG. The conditionalities will be immunisation and growth monitoring for preschool children and 85% school attendance for children of school age. The experiment will focus on children 0-14 years as the research is being funded by an American agency, the National Institute of Health, whose interest lies in this age of children. This limits the usefulness of the research for our purposes because the enrolment profile of children under 15 years is, as noted elsewhere in this report, different from that of children aged 15-17 years as is the relevance of the law in relation to compulsory education. Further limiting the usefulness is that the decision about extension of the grant and the form this will take cannot wait five years. In particular, the fact that extension of the grant is included in the Child Labour Programme of Action suggests that it needs to happen sooner.

3.3 Socio-economic profile of children 15-17 years

This section of the report relies primarily on analysis of data from the General Household Survey (GHS) conducted by Statistics South Africa (StatsSA) in mid-2007. This survey, as in other years, covered a sample of around 30 000 households spread across the households,

and the results are weighted so as to be representative of the full population. The questionnaire includes a wide range of questions on socio-economic and other aspects, and is thus ideal for our purposes. The same data-source is also used as the main basis of the model presented below, thus enhancing consistency between the different parts of the report.

Table 1 shows a total of just over 3 million children in the 15-17 year age group in mid-2007. The children are spread more or less evenly across the three years. Just over half (51.4%) of the children are boys. (The 587 unspecified represent only one observation before weighting.)

Table 1 Population aged 15-17 years by sex and age

Age	Male	Female	Unspecified	Total
15	444632	477465	0	922097
16	572275	505947	587	1078809
17	550145	496811	0	1046956
Total	1567051	1480223	587	3047862
% of total	51.4	48.6	0	100

Table 2 suggests that more than 91% of these children – both male and female – were attending school.

Table 2 Children aged 15-17 years by school attendance

Gender	Yes	No	Unspecified	Total
Male	1438371	127778	903	1567051
	91.8	8.2	0.1	100
Female	1353814	126409	0	1480223
	91.5	8.5	0.0	100
Total	2792772	254187	903	3047862
	91.6	8.3	0.0	100

Note: Unspecified sex omitted from table

Table 3 confirms that for both boys and girls attendance falls slightly as age increases. For boys it falls from 93.5% for 15-year olds to 90.0% for 17-year olds, while for girls it falls from 95.4% to 86.1%. These data thus suggest more serious dropout among girls than among boys. Analysis of 2006 GHS data shows a similar sharper drop-off for girls than boys, with boy's attendance dropping from 95.2% at 15 years to 87.8% at 17 years, while girls' attendance drops from 93.9% to 82.4%. This pattern merits further investigation as the fact that women now outnumber men in South Africa's tertiary institutions has generally been interpreted to mean that gender is not an important issue in relation to educational enrolments.

Table 3 School attendance of children aged 15-17 by sex and age

Age	Yes	No	Total
Male 15	415789	28297	444632
	93.5	6.4	100
Male 16	527330	44944	572275
	92.2	7.9	100
Male 17	495251	54537	550145
	90.0	9.9	100
Male Total	1438371	127778	1567051
	91.8	8.2	100
Female 15	455241	22224	477465
	95.4	4.7	100
Female 16	471055	34891	505947
	93.1	6.9	100
Female 17	427517	69294	496811
	86.1	14.0	100
Female Total	1353814	126409	1480223
	91.5	8.5	100

Note: Unspecified attendance omitted from table

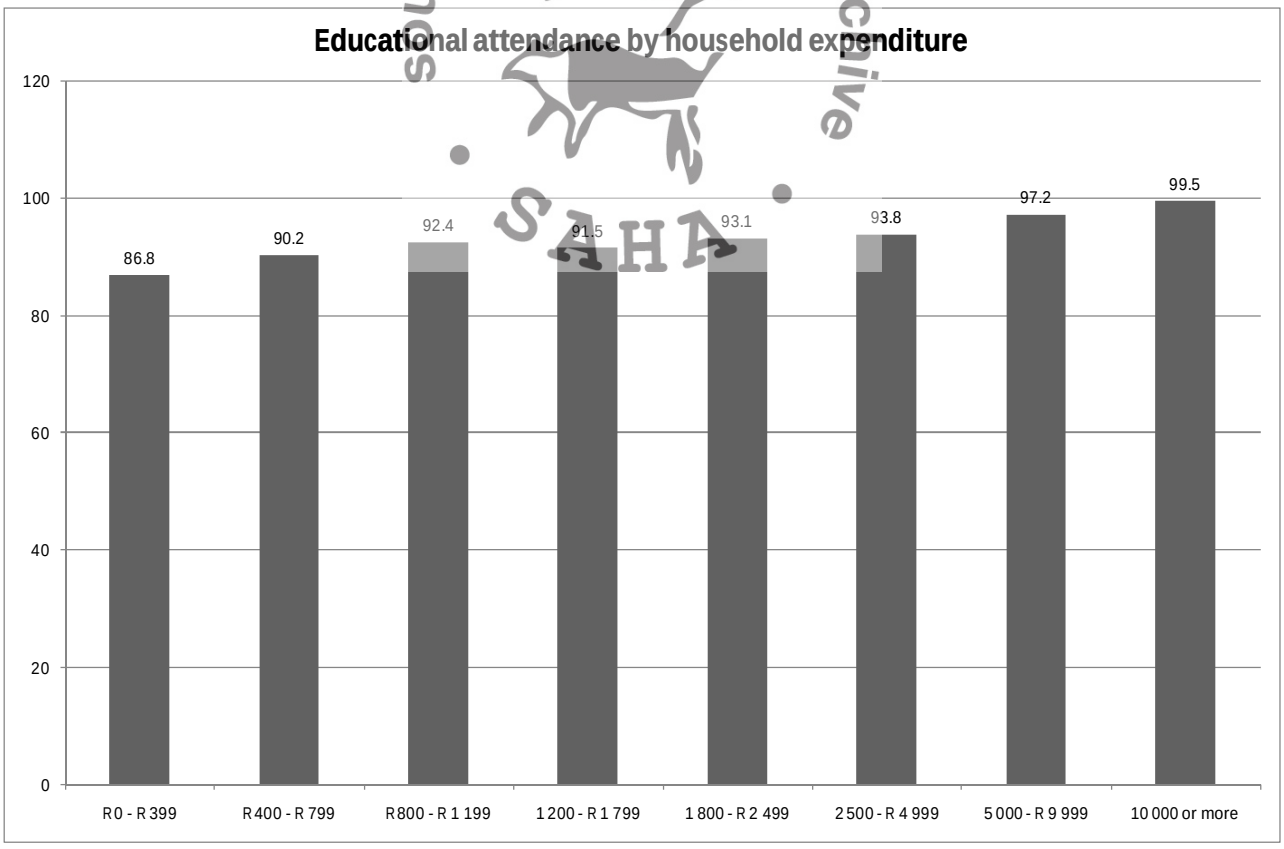
Table 4 shows the distribution of monthly expenditure of the households in which these children reside by race. (For the purposes of the household-based tables, where a particular household contains more than one child, the household is "counted" as many times as there are children of the relevant age.) The table confirms that strong patterns persist on racial lines. If we take R1 200 as approximating the old higher means test threshold for the CSG, 69% of African households and 26% of coloured households fall under this threshold, compared to only 5% of white households. If we take R1 800 as approximating the R2 000 threshold that would have applied in mid-2007 if the new regulations were in place, 82% of African households are under this threshold, 45% of coloured households, and 5% of white households. (The CSG means test is based on the income of the applicant and their spouse rather than that of the household. The modelling presented later in this document takes this into account. However, the fact that the median number of employed people per household is 1 (or 0.77 for the poorer households) suggests that this is a relatively good proxy.)

Table 4 Percentage distribution of monthly expenditure of households of children aged 15-17 by race

Expenditure	African	Coloured	Indian	White	Total
R 0 - R 399	12%	2%	1%	0%	10%
R 400 - R 799	34%	11%	1%	2%	29%
R 800 - R 1 199	23%	13%	5%	3%	21%
1 200 - R 1 799	14%	19%	9%	0%	13%
1 800 - R 2 499	6%	13%	18%	9%	7%
2 500 - R 4 999	7%	22%	27%	19%	9%
5 000 - R 9 999	2%	14%	28%	35%	6%
10 000 or more	1%	2%	5%	28%	3%
Do not know	0%	1%	5%	1%	1%
Refuse/unspecified	1%	3%	1%	3%	0%
Unspecified	1%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%
Total (n)	2552773	255342	58042	178429	3047862

Note: Unspecified race omitted from table

The figure shows a fairly steady increase in the rate of attendance as household expenditure increases.



Further exploration reveals that, of the non-attenders, 9,6% are in households that report expenditure of less than R400 per month, a further 40.4% are in households between R400 and R1 199 per month, and 13.0% are in households with expenditure between R1 200 and R1 799. Thus 73% are in our approximation of the new CSG means test threshold.

The GHS asks for every household member, whether attending or not, the highest level of education successfully completed. For a child who is still at school and is not repeating a grade, this question should elicit a response referring to one grade lower than the one that they are in at the time of the survey. In practice, however, some respondents give the current grade. As a result, the information presented below is not completely exact. It nevertheless presents a picture close enough to reality for decision-making purposes.

Table 5 reveals that nearly 70% of children aged 15 years who are still attending school have not completed the compulsory years of schooling. This is also the case for more than 41% of 16-year olds and 26.3% of 17-year olds.

Table 5 Highest level of education of children aged 15-17 who are still attending

	15	16	17	Total
No schooling	0.0%	0.1%	0.0%	0.0%
Upto grade 8	69.5%	41.5%	26.3%	45.2%
Upto grade 12	30.2%	57.5%	73.1%	54.1%
Other	0.2%	0.9%	0.3%	0.5%
Unspecified	0.1%	0.0%	0.3%	0.1%
Total	100.0%	100.0%	100.0%	100.0%

Table 6 reveals that the percentage of children who report having completed grade 9 or higher tends to increase as household expenditure increases. This pattern is very clear for the 16- and 17-year olds, but less so for the 15-year olds. This could be explained by the fact that a 15-year old who has progressed through each year of schooling without any problems might well be in grade 9 rather than have completed it i.e. non-completion of grade 9 at age 15 is not a problem.

Table 6 Percentage of children aged 15-17 with grade 9 or higher by household expenditure and age

Household expenditure	15	16	17
R 0 - R 399	30%	44%	63%
R 400 - R 799	23%	49%	63%
R 800 - R 1 199	29%	53%	70%
R 1 200 - R 1 799	30%	61%	72%
R 1 800 - R 2 499	47%	62%	87%
R 2 500 - R 4 999	38%	80%	89%
R 5 000 - R 9 999	34%	82%	98%
10 000 or more	53%	96%	99%

Table 7 shows reported annual tuition fees for children attending educational institutions. Overall, 19% of the children reportedly pay no fees, and nearly half (48%) pay R200 or less. The table also confirms the fact that fees tend to be higher at higher levels of study. For example, 25% of those with grade 8 or less pay no fees, compared to 15% of those with grade 9 and above. A further 55% of those in the lower grades pay R200 or less, while this is the situation for 41% of those at higher levels.

Table 7 Annual tuition fees of attendees aged 15-17 by completion of grade 9

Fees in a year	Grade 9 & above	Grade 8 or below	Total
None	15%	25%	19%
R1-R100	19%	36%	27%
R101-R200	22%	19%	21%
R201-R300	11%	7%	9%
R301-R500	7%	3%	5%
R501-R1 000	7%	4%	5%
R1 001-R2 000	3%	2%	3%
R2 001-R3 000	3%	1%	2%
R3 001-R4 000	3%	1%	2%
R4 001-R8 000	4%	2%	3%
R8 001-R12 000	2%	0%	1%
More than R12 000	2%	1%	1%
Unknown	1%	1%	1%
Total	100%	100%	100%

Table 8 confirms that the fees for children from poorer households tend to be lower. For example, 24% of those in households with expenditure of R1 800 or less pay no school fees and 57% pay R200 or less, while this is the case for 8% and 23% respectively of children in the wealthier households. Nevertheless, this leaves 19% of children from the poorer households – about 386 000 children in absolute terms – with annual fees that were more than the monthly amount of the CSG in 2007.

Table 8 Annual tuition fees of children aged 15-17 by household expenditure

Fees in a year	R1 800 plus	Less than R1 800	Total
None	8%	24%	19%
R1-R100	11%	33%	27%
R101-R200	12%	24%	21%
R201-R300	9%	9%	9%
R301-R500	8%	4%	5%
R501-R1 000	11%	3%	5%
R1 001-R2 000	7%	1%	3%
R2 001-R3 000	6%	1%	2%
R3 001-R4 000	7%	0%	2%
R4 001-R8 000	10%	0%	3%
R8 001-R12 000	4%	0%	1%
More than R12 000	5%	0%	1%
Unknown	2%	0%	1%
Total	100%	100%	100%

Table 9 confirms that the fees for younger children tend to be lower than those for children 15-17 years. Part of this could be explained by the younger children who access grants being exempt from fees. However, the fact that no fees are reported for only 23% of younger children, whereas a much larger proportion of this age group accesses the CSG, suggests that the automatic exemption from fees for grant recipients is not being implemented consistently. Further evidence of non-compliance emerges if analysis is restricted to the 4.8 million children reported to be benefitting from a child support grant and also attending school. Of these children, only 24.5% are reported to have no school fees. Further, the difference in percentages paying no fees in the older and younger groups is relatively small. The information in the table thus supports the contention that fees tend to be higher at higher levels of schooling. The table also calls into question how well the no-fee policy is being implemented as this policy targets the lowest two quintiles, from which one would expect at least 40% of children to report no fees. Similar concerns are raised by Delaney et al (2008) who find that approximately two-thirds of the low-income households with school-going children aged 5-17 years that were surveyed were paying school fees, and that CSG recipients were just as likely as non-recipients to pay fees.

Table 9 Distribution of annual tuition fees by age group

Annual fees	8-14	15-17
None	23%	19%
R1-R100	42%	27%
R101-R200	12%	21%
R201-R300	5%	9%
R301-R500	3%	5%
R501-R1 000	4%	5%
R1 001-R2 000	2%	3%
R2 001-R3 000	2%	2%
R3 001-R4 000	2%	2%
R4 001-R8 000	2%	3%
R8 001-R12 000	1%	1%
More than R12 000	1%	1%
Unknown	0%	1%
Total	100%	100%

Table 10 reveals that 15-17 year old children from poorer households are more likely than their counterparts in wealthier households to report virtually all of the school-related problems asked about in the GHS. The only exception relates to fees. This exception could be explained by the pattern of lower fees shown above, as well as a greater likelihood that these children gain exemptions. The most commonly reported problem is lack of books, which affects 15% of children aged 15-17 years from the poorer households. The second most common problem is lack of teachers, affecting 12% of children. Both of these are important when considering a conditional cash grant. Lack of books illustrates the need for extra finances beyond fees. Lack of teachers suggests that there are real weaknesses in the schools on offer that would make them less attractive to children and their caregivers, and less effective in increasing their "human capital".

Table 10 Percentage of enrolled children aged 15-17 with listed problems by household expenditure

Problem	R1 800 plus	Less than R1 800	Total
Lack of books	7%	15%	13%
Poor teaching	7%	9%	8%
Lack of teachers	8%	12%	11%
Facilities in bad condition	4%	8%	7%
Fees too high	9%	9%	9%
Classes too large	6%	6%	6%

Table 11 shows the reasons offered for why children of this age were no longer attending school. Lack of money for fees emerges as the most common, accounting for a third of the poorer children and nearly a quarter of the ones from wealthier households. This should not be a problem for children who receive grants because, as noted above, such children are meant to be automatically exempt from paying fees (Smith, 2007). As noted, however, the

policy does not seem to be well implemented. Next most common is a perception that education is useless. This reason is again more common among children from poorer households than those from wealthier ones. A third reason that is noticeably more common for poorer than wealthier children is family commitments, for which the questionnaire offers the example of child-minding. This reason suggests that there would be opportunity costs if the child went to school, and the probable need for added expenditure to find other ways – such as crèche or paid childcare – of providing the services that the non-attending child provides.

Table 11 Reason for non-attendance of children aged 15-17 by household expenditure

Reason	R1 800 plus	Less than R1 800	Total
No money for fees	23%	33%	31%
Education is useless	15%	19%	18%
Illness	12%	8%	9%
Pregnancy	7%	8%	8%
Family commitments	3%	9%	8%
He/she is working	17%	5%	7%
Failed exams	6%	5%	5%
Other	9%	3%	4%
Unspecified	5%	4%	4%
Has completed school	3%	2%	2%
School/education institution	0%	2%	1%
Got married	0%	1%	1%
Too old/young	0%	1%	0%
Total	100%	100%	100%

Table 12 shows some important differences in the reasons offered for non-attendance of boys and girls aged 15-17 years. As expected, pregnancy is given as a reason only for girls – 16% of all non-attenders. This pattern is found despite the fact that legally these children are entitled to remain in school or return to school after the birth of the child. Family commitments are also far more common for girls than boys. In contrast, the uselessness of education is offered as a reason for far more boys than girls.

Table 12 Reason for non-attendance of children aged 15-17 by sex

School	Male	Female	Total
No money for fees	33%	29%	31%
Education is useless	24%	12%	18%
Illness	11%	7%	9%
Pregnancy	0%	16%	8%
Family commitments	4%	13%	8%
He/she is working (at home or job)	8%	6%	7%
Failed exams	6%	5%	5%
Other	4%	3%	4%
Unspecified	6%	3%	4%
Has completed school/education	2%	2%	2%
Education institution too far away	2%	1%	1%
Got married	0%	2%	1%
Too old/young	0%	1%	0%
Total	100%	100%	100%

Unfortunately, the 2007 GHS no longer contains questions about repetition of grades that were included in earlier surveys.

The GHS also does not contain questions that can give an insight into health-related aspects that might be relevant for a CSG with conditions. We therefore turn to an alternative data-source, the Demographic and HIV/AIDS model of the Actuarial Society of South Africa (ASSA), for estimates of HIV prevalence, as an issue that becomes important at this age as children start becoming sexually active. For 2008, the ASSA model predicts a prevalence rate of 7.5% for girls aged 15-19 years, while the predicted rate for boys of this age is 0.3%. The predicted rate for younger girls is very much lower than for older girls – at less than half a percent – confirming that for girls aged 15-19 years HIV infection presents a particular danger.

Returning to GHS 2007 data, among children in the poorer households, 13% (254 853) are reported to have benefited from fee exemptions or bursaries, while this is the case for 5% (38 366) of the children from households with expenditure of R1 800 or more.

Of the 2 792 772 children aged 15-17 recorded as attending an educational institution, 2 747 502 (98,4%) are reported to be attending a school. The next biggest category consists of children attending colleges, but these children account for less than 1% of the children. This finding may be surprising given the media and policy attention focused on FET colleges in recent years. FET colleges are discussed in more detail elsewhere in this report.

As highlighted by the literature review, children are often assumed to be out of school because of the opportunity cost of schooling in the form of the earnings lost by choosing to attend school rather than work. Simplistic analysis of the GHS data suggests that this would not be a major reason for not enrolling in school in South Africa as only 2.1% of all children aged 15-17 years are recorded as employed, where employment is defined as the child

having done at least one hour's work in the previous seven days, and where work includes work as an employee as well as self-employment and unpaid work on the family farm or in the family business. This is equivalent to only about 64 000 children. Further, close on half (45%) of the employed children are recorded as attending school despite doing some employment-related work. The employment rate among children aged 15-17 years is higher for boys (2.4%) than girls (1.7%), but still relatively low. The employment rate increases with age, from 1.7% among those aged 15-16, to 2.4% among the 17-year olds, but the rate even for the oldest children is low.

The issue becomes somewhat more important if we focus on those who are not in school. Here we find that 13.9% of the children aged 15-17 years who are not attending school are recorded as employed, with the rate markedly higher for boys (19.5%) than for girls (8.2%). In absolute terms, just over 35,000 children who are not attending school are employed. This way of looking at the data suggests that opportunity cost could be an issue for some children of this age, but not for the majority. However, the earnings of these children tend to be very low. Among employed children aged 15-17 years who are not attending school, the mean monthly wage is R715, while the median is R400. The fact that the median is so much lower than the mean reflects the clustering of earnings at low levels. Thus 25% of employed non-attenders earn less than R60 per month. At the other end of the spectrum, only 25% (fewer than 9,000) earn R1,000 or more per month.

The above relates to the opportunity cost of employment-related work. It does not take into account the unpaid care work done in the home in the form of housework and caring for other household members who are young, ill, elderly or disabled. Table 12 shows that family commitments, which could be taken as a rough proxy of unpaid car work, are an important reason for girls' non-attendance. The demand for this work has been heightened by the HIV/AIDS epidemic. The demand is also greater in poorer households than in wealthier ones because poorer households tend to contain more children. The opportunity cost here is not measured in money, as the children are not paid for doing this work. However, if they were at school and not available to do the work, the household would need to find other ways to provide care or face serious risk of household members facing neglect. The pattern of decreased enrolments among the older girls could perhaps in part reflect the fact that these children are needed to provide care in the home.

3.4 Schooling trends and policies

3.4.1 School fees

A condition that stipulates that a child must be enrolled in and attend school assumes that the family can cover the costs of schooling. At the very least, it must assume that when a child is provided with a grant, the cost of fees will be covered. This is, of course, a very minimal requirement as fees are by no means the only costs associated with schooling.

Budlender & Woolard (2006) summarise aspects of South African's schooling policy that are relevant school fees. They note, firstly, that the Bill of Rights states that everyone has the right to a basic education, while the Convention on the Rights of the Child, which South Africa has ratified, requires that primary education be free and that states make secondary

education “available and accessible to every child, and take appropriate steps such as the introduction of free education and offering financial assistance in the case of need”.

The Schools Act of 1996 describes how fees should be set through a vote at a meeting of parents, and that the fee policy should provide for exemptions that ensure that no child is denied schooling on account of their family situation. Regulations issued in 2006 provide the means test currently used in determining where full and partial exemption should apply. The regulations state that where the combined annual gross income of the parents (or guardians) is less than ten times the annual school fees and additional monetary contributions paid in relation to attendance or school programmes for a child, there should be full exemption. If the combined income is more than this, eligibility for a partial exemption depends on both the relationship of the combined income to the fees and the number of children of the same parent attending public schools. Budlender & Woolard quote research done in 2004 which found that the exemptions were poorly implemented, although children at secondary school were slightly more likely than those at primary schools to obtain exemptions.

In 2002, the Department of Education announced that school fees would be abolished in the lowest two quintiles of schools, and this policy was duly piloted in 2006 and implemented nationally in 2007. Budlender & Woolard refer to announcements that suggested that fees would be abolished only for Grades R through 9. However, a Department of Education informant stated that where a secondary school was included in the scheme, it would cover all grades. Thus while the regulations allow the Minister to prioritise primary schools for no-fee status if, for example, there are budget constraints, the policy has been rolled out to both primary and secondary schools, including some secondary schools that are not attached to primary schools.

A later amendment to the exemption policy declared that children for whom a grant was paid should automatically be exempt from fees. The amendments were meant to be implemented in 2006. However, the patterns in respect of school fees presented above as well as evidence gathered in a 2007 study of CSG beneficiaries (Delaney et al, 2008) suggests that these automatic exemptions do not always occur.

3.4.2 Absenteeism

The GHS reveals high levels of enrolment in school, but with a noticeable decrease with increasing age. The survey does not, however, tell us anything about attendance once the child is enrolled. Information on attendance is scantier than that on enrolment. There are some very worrying statistics. For example, Pauw & Mncube (2007) report that a 2002 investigation by the Department of Education found that 43% of teachers in the Eastern Cape and 26% of those in KwaZulu-Natal reported average attendance of less than 60%.

A more recent report commissioned by the Department of Education (Weidemann et al, 2007) presents a more optimistic picture. The study included a review of the international literature as well as the scanty local literature, as well as interviews, inspection of records and monitoring of attendance on two separate days at 30 schools. The report notes that the schools are not representative in the statistical sense. However, the sample covered all provinces, rural and urban, and primary and secondary schools. At least half of the schools

were secondary, and thus especially relevant for our purposes. Monitoring covered both a Tuesday and a Friday, so as to capture the possibility that attendance might fall off on Fridays. The fieldwork was conducted during February 2007. This could have resulted in a better result than might have been obtained later in the year as in February the children might still have “new year” enthusiasm.

Weidemann et al (2007) report that the absenteeism rate was 4-5% across the 30 schools. This rate that is relatively low in international terms. Closer examination of the detailed listings reveals that principals estimated absenteeism at between 1% and 8%, but the overwhelming majority gave estimates of less than 5%. The monitoring of the two days, found absenteeism ranging between 0.1% and 10.3% on the Tuesday if one excludes a single outlier of 47.8% at one primary school. For Friday the range was between 0.1% and 15.4% if one excludes the same outlier school, which recorded 44%. The existence of such a startling outlier suggests that for some children non-attendance does not reflect a failing on the part of the individual child who does not want to attend school, but instead reflects a systemic failure of the school as a whole or some other environmental factor.

The authors report that the local literature review found reported rates to be between 5 and 15%. Closer examination here reveals that most of the estimates are 5% or lower. For example, a baseline attendance study by the Eastern Cape Provincial Education Department found a rate of 5%, and a study by Servaas van der Berg in Limpopo found a rate of 2.2%. The outlier in the literature review is the study by the University of Cape Town’s Centre for Social Science Research based on data from the time use survey of 2000. This study found a rate of 15%. However, there are aspects of the methodology and questions on which the analysis is based that cast doubt on the reliability of this estimate. Most absenteeism rates reflect the percentage of children absent on an average day. A 2000 study by the South African Consortium for Monitoring Educational Quality used a different measure that reflects the average for individual children. This study found learners reporting an average of 1.6 days absence in the previous month, which would yield a rate of 7% for a 22 schoolday month. If these estimates are reliable, the situation in respect of attendance is, overall, far less serious than sometimes suggested as some degree of absenteeism is “normal”, resulting for example from illness.

Weidemann et al (2007) found that almost all schools kept daily attendance registers that recorded attendance and absenteeism by class, grade and gender. However, this suggests summaries for each class, rather than necessarily an individual record for each child. Schools submit the summaries to the district offices, which in some cases at least then submit them to the provincial departments. However, only four of the nine provincial departments said that they analysed and reported on the information. Where this was done, the frequency varied between annual and quarterly.

Weidemann et al (2007) discuss the reasons for absenteeism offered in the literature, as well as those offered through interviews with principals, representatives of school governing bodies, circuit managers and representatives of the provincial education departments. The following reasons, ranked by frequency of mention, are reported in respect of the interviews: Poverty (level of household income, 35 mentions and underpins most of the other reasons);

transport (27 mentions); illness among learners, educators and parents (27); lack of parental involvement (27); food insecurity (18); disintegration of family unit (16); drug abuse and availability (15); teenage pregnancy and teenage parenting responsibilities (15); classroom overcrowding (10); violence and bullying (10); lack of water, electricity and sanitation (9); grant and pension payout days as accompany older members to payout point (8); absence of appropriate disciplinary methods (7); inefficient management of schools (7); negative attitudes of learners (6); poor academic performance (5); psychological problems (5); lack of educator skill and commitment (5); negative relationship of learners and educators (3); traditional rites (2); lack of policy on absenteeism (1). The frequent mention of poverty suggests that a grant could assist in addressing this cause. However, neither a grant nor conditions would directly address many of the other reasons offered.

3.4.3 Quality of learning

As pointed out in the discussion of the international experience, attendance is a means to an end rather than an end in itself (unless school is seen as a way of keeping children "out of mischief" or off the streets). We therefore need to look beyond attendance for evidence about performance of children at school.

The report of the Ministerial Committee on Learner Retention in the South African Schooling System (2007) is very helpful in this respect. One of the main messages from this report is that the extent of dropout in South Africa is often exaggerated, and that many of the commonly quoted statistics were derived through methods and using data that are not scientifically sound. Nevertheless, even after correcting for these errors, while the dropout rate below Grade 9 is very low, it increases rapidly for the final three grades of schooling. The authors estimate that just under 90% of youth with Grade 9 reach Grade 10, about three-quarters reach Grade 11, and a little under 60% reach Grade 12. A senior Department of Education official suggested that the percentage would be higher than 60% if those studying part-time were included. In terms of population group, coloured youth tend to drop out earlier than other groups, followed by Africans.

The report notes that research around the world has repeatedly found that grade repetition – or lack of progression – is usually the single largest factor determining the likelihood of dropping out. Unfortunately, the authors find that available data on both progression and dropout in South Africa are poor, including the data and estimates emanating from the information systems of the Department of Education. In addition to incorrect calculation methods, the standard calculations usually omit some groups of learners, such as those at FET colleges and those in home schooling. The Department's policy is that a primary school child should not be permitted to repeat any grade more than once but should instead be promoted after one repetition. This policy does not apply to secondary schooling.

Table 13, based on data sourced from the Department of Education's Education Management Information System (EMIS), provides some hint of the extent of repetition at the levels in which we are interested. Unfortunately, the EMIS data record enrolments by grade, rather than by age. Nevertheless, we can assume that grades 8 to 12 will cover most of the children in whom we are interested, although it will also include some older youth. The table confirms that the overwhelming majority of children attend public rather than

independent schools, and that this is true for both girls and boys. What is interesting in respect of progression is the fact that far more children are recorded in Grade 10 than in either Grade 9 or Grade 11, whereas for all other years there is a decrease in the number enrolled in each succeeding year. A Department of Education official explained that the unexpectedly large number in Grade 10 is explained by the fact that schools make those learners who they feel do not have sufficient grounding to succeed in Grades 11 and 12 repeat Grade 10. There is thus significant repetition at this level and, if the international literature is correct, we can expect this to contribute to higher dropout. The high rate of repetition is also an implicit indicator of the poor quality of schooling that many children receive.

Table 13 Enrolments in grades 8-12, 2008

2008		Grade 8	Grade 9	Grade 10	Grade 11	Grade 12
Independent	Female	14054	12872	14860	15607	15619
	Male	13452	12641	13793	14020	13137
	Total	27506	25513	28653	29627	28756
Public	Female	447593	429931	536256	468270	307761
	Male	451504	447212	511618	404855	258699
	Total	899097	877143	1047874	873125	566460
Both	Female	461647	442803	551116	483877	323380
	Male	464956	459853	525411	418875	271836
	Total	926603	902656	1076527	902752	595216
Both	% female	49.8%	49.1%	51.2%	53.6%	54.3%

While emphasising the impact of grade repetition, the authors of the Ministerial report acknowledge the very wide range of other factors that can encourage dropouts. Thus, for example, Table 4.2 of their report lists over 50 factors that have been identified in the literature as encouraging dropout. Some of these factors relate to the individual child, but others relate to the school and the family. They refer in particular to a critique of literature which assumes that it is primarily personal background characteristics (including household income) that determine whether a child drops out or not, rather than considering factors in the environment and, in particular, how the school operates.

If we move beyond progression and dropout as indicators of the quality of schooling, there would be few who would argue with the fact that the quality of schools varies widely across South Africa, with the quality generally being worst in schools serving the poorest communities. The fact that there is widespread acknowledgment of the very poor quality of teaching in many South African schools, and the fact that children who study at these schools face high unemployment rates, raises the difficult question of whether a policy should be forcing children to attend a school if it will do very little to increase their life chances.

3.4.4 Information systems

If enrolment or attendance to be specified as conditions for a CSG for children 15-17 years, we would need to be confident that systems existed, or could be relatively easily created, to

monitor observance of these conditions. At present this is not the case, but there are at least two ongoing initiatives that should improve the situation relatively dramatically over the next few years.

With enrolment, currently all schools are required to report their enrolment figures on the tenth day of the school year. This is reportedly done by about 97% of all ordinary public and independent schools (Department of Education, 2008). However, the reports currently do not provide a record of the individual children enrolled, but instead only summary information, such as the number per grade.

The good news here is the ongoing introduction of the Learner Unit Record Information and Tracking System (LURITS), which was formally launched in late September 2008. This is a national web-based system that will eventually house individual data on all learners. Schools with computerised school administration system will be able to generate and upload files from these systems into LURITS. Schools without such packages will be provided with scanning enabled forms so as to avoid the need for manual capture.

In respect of learners, the system will track movement from school to school. By the end of the first phase of implementation in March 2010 all ordinary and special schools should be covered. At that point, the system should be able to provide information and progression information on all learners from Grade R to Grade 12 in the ordinary and special schools.

LURITS will provide individual student records on enrolment. It will not record attendance. For attendance, the relevant development is the SA-SAMS software, a computerised school administration system which has been developed by the Department of Education and is being made available at no cost to schools. Rollout is being done by provinces, and the speed of rollout differs across provinces. By September 2008, about 5 000 schools around the country had been trained in the use of SA-SAMS.

Although all schools will be required to record learner attendance in a systematic way, unlike with LURITS, use of SA-SAMS will not be compulsory. Firstly, those without computers or electricity will obviously not be able to utilise this system. Secondly, those with computers will not be forced to use SA-SAMS if they use an alternative system that meets basic minimum standards. The Department is still in the process of developing these standards. Of added concern is that the 2006 assessment of public schools, early childhood development centres and adult basic education and training centres found that 16.1% of schools still did not have electricity (Department of Education, 2007). Further, more than two-thirds (67.9%) of public ordinary schools did not have computers. These schools would thus not be able to use SA-SAMS or equivalent computer packages. Individual attendance records will therefore not be available for all schools even by March 2010 when this is the case for enrolment.

3.4.5 Further education and training

The above discussion focuses on the “ordinary” schooling system. Many might assume that further education and training (FET) is also of relevance when considering 15-17 year olds. Those who advocate children remaining in educational and training institutions at this age

might argue that FET colleges provide an opportunity for poor children to gain real skills that will assist them in subsequent labour market engagement.

Some of the literature on FET colleges (for example, Butler et al, 2007) and a special FET website (http://www.fetcolleges.co.za/fet-colleges.asp?PageID=4) encourage this view with their explanation that a grade 9 certificate meets the minimum entry requirements for an FET qualification. Butler et al's (2007) description of the new National Certificate (Vocational) as providing "Grade 9 learners a vocational alternative to an academic Grade 10 – 12 by offering industry focused training on the NQF levels 2-4" provides further encouragement, as does their suggestion that there is a new "younger cohort of learners, with students as young as 15 years old now able to seek entrance to the NCV programs."

According to Butler et al (2007), some FET colleges also offer learnerships and skills programmes, the two new forms of vocational training introduced by the Skills Development Act of 1998. Theoretically children who are no longer covered by compulsory schooling because of having reached the end of the year in which they turned 15 or completed grade 9, should be eligible for these programmes as the Basic Conditions of Employment Act of 1997 permits these children to be employed. If these programmes were considered as a form of education for the purposes of a conditionality, there would likely be challenges in monitoring attendance because these programmes typically include workplace experience, and also do not run in neat calendar years. Unfortunately, we could not obtain estimates of how many children aged 15-17 are enrolled in these programmes. Friedman & Bhengu (2008) quote the Minister of Finance as reporting in early 2006 that just over 200 000 "young people" had enrolled in learnerships, but the age group covered by this category is not elaborated and almost certainly extends beyond 17 years.

As seen above, a very small proportion of children aged 15-17 attend FET colleges. This might seem to contradict sources (see, for example, Budlender, 2008) which report marked increases in FET college enrolments since the late 1990s and that, in addition, these increases have been higher for the youngest age group than for older people. The apparent contradiction could be explained by the fact that the youngest age group is defined as 15-19 years, suggesting that the bulk of the increase has occurred among 18 and 19 year olds.

A senior Department of Education official reported that they discouraged children aged 15-17 years from enrolling in FET colleges, and estimated that there would be "only a couple of hundred" in this age group among FET enrolees. In particular, she said that they were not in favour of children progressing straight from Grade 9 into these colleges as they felt they were not adequately prepared at that stage for the college environment. The informant noted that while Grade 9 was the minimum enrolment, the "better" colleges had a minimum qualification of Grade 10 or higher, particularly for areas of study such as engineering and information technology. Ideally, however, they would prefer children to complete Grade 12 before proceeding to the colleges. However, the informant noted that many of the college principals as well as school teachers who advised children did not understand the policy in this way.

The small proportion of 15-17 year olds who attend colleges might imply that one should be less concerned about the capacity of FET colleges to fit into a system of monitoring and reporting on attendance. However, these colleges are often seen as being particularly appropriate for children who have not performed well academically, among whom the poor predominate. Enrolment is not costless as fees are charged by the colleges, although the national Department of Education has facilitated access for pooorer children by capping fees for the new certificate (Butler et al, 2007). If conditions were introduced and a way not found of monitoring and reporting on attendance, these children would be disadvantaged.

3.4.6 Schooling and work

As noted in passing above, the Basic Conditions of Employment Act permits a child to be employed once they have reached the end of the year in which they turn 15 or completed grade 9. Currently there are therefore some children who are neither eligible for the CSG nor permitted to be employed and thus earn money that can contribute to their upkeep. These children are thus forced to be "idle", with the resultant temptation to become involved in gangs, crime or other unhealthy behaviour. This mismatch between the educational, labour and grant policies will be partly addressed through the extension of the grant to children up to their 15th birthday in January 2009. The mismatch will persist in respect of children between their birthday and the end of the year in which they turn 15.

3.5 Views of key informants

A total of eleven interviews were conducted using a standard schedule of open-ended questions. Nine of these interviews were conducted telephonically while the remaining two informants – both government officials – responded by email. In addition, information was obtained telephonically from two officials from the Department of Education using questions specific to these informants, and detailed information was obtained by email from an official of the International Labour Organisation (ILO) who previously worked in Brazil and had knowledge of the child CCTs there, as well as from officials of several other donors whose work encompassed CCTs or social protection. This section of the report summarises responses to the standard schedule of questions, while the information obtained from the other interviews is found in other parts of this report.

The eleven informants responding to the standard schedule included government officials (National Treasury, Office of the President, and Department of Social Development), researchers and academics based at universities and research institutions, representatives of NGOs that have been involved in litigation, advocacy and service delivery in respect of the grants, and representatives of international agencies who have worked on children's issues in South Africa. One of the informants had worked in Latin American countries with CCTs, at least two had gone on visits to Latin American countries which included a focus on the CCTs, and some others had met Latin Americans with knowledge of the grants. The informants are listed in an appendix to this report. While they cannot be said to provide a "representative" spread of South African opinion, they nevertheless provide a good idea of current thinking among those who have thought about the issues. The one important gap among informants is SASSA. Unfortunately, the identified informant from SASSA did not respond to telephonic or email messages.

The first question on the schedule enquired whether the informant **supported the extension of the CSG to children aged 15-17 years**, without at this point considering the further question as to whether, if it were extended, it should have conditions attached. This question was considered important as a background against which to understand responses in relation to behavioural conditions. Informants were asked to give reasons for their responses as well as providing an indication of any counter-arguments which they considered to have validity.

All but two of the informants expressed unequivocal support for the extension of the CSG to children aged 15-17 years. One of those who did not said that before the previous extensions she would have supported giving younger children a higher amount rather than extension if both options were not possible. However, now that extension had happened up to age 15, she would probably support further extension. The remaining respondent felt that the case for extending the grant to this age group was not as "compelling" as for younger children. His first reason – that the need for care of this age group did not provide the same constraint to labour market participation of the primary caregivers as the need in respect of younger children – was an issue that was not raised by any other informants as possible counter-arguments. The same was the case in respect of the second reason – that there might well be higher "leakage" of the grant to other family members with older children. The more general point behind both these reasons was that he would like to have better evidence on the impact on children aged 10-13 compared to that on the youngest children before extension was supported given the significant expense attached to extension and the possibility that alternative ways of spending this money – including interventions targeted at the 15-17 age group – could perhaps be more effective. In terms of possible alternative uses, he referred in particular to expanding and improving further education and training, including the senior secondary phase of schooling.

Those who supported the grant most commonly offered the constitutional argument that the Bill of Rights, Constitution as well as the Convention on the Rights of the Child defined childhood as ending at eighteen years and also established the right to social security. Several emphasised that the Constitution was the supreme law of the land. Several referred to the fact that children of this age remained vulnerable and, in fact, had special vulnerabilities. In this respect they mentioned increased vulnerability to pregnancy, becoming street children, child labour, dropping out of school and "losing direction". Several also noted that children of this age did not have access to some of the services and benefits available for younger children, such as the school nutrition programme and free health care. One noted that school fees were higher for children of this age, while others noted that lack of money was an important contributory factor to the higher dropout at this age as well as to poor educational enrolment, attendance and performance.

Several informants spoke about poverty. One pointed to the fact that the HIV/AIDS epidemic had increased the number of parents who were too ill to earn and provide for their children. The same informant noted that the CSG could be seen as a preventative and early intervention mechanism which contributes to family preservation. From the broader economic perspective, one informant noted that the current economic situation in the country

made an increase in the skilled workforce especially important, and an extended grant could contribute to this.

When asked about counter-arguments, the fiscal argument was the one most commonly offered, but one of those who pointed to this argument noted that the CSG was more cost-effective than alternative ways of spending the available money. One informant observed that some people might argue that an extended CSG would create dependency but argued that this was not a valid argument given that one was talking about children, as well as the fact that several studies had refuted this argument even in respect of adults in South Africa. One noted concerns that the money might be spent on alcohol and drugs.

One informant noted that some of those opposing extension offered the "bad" argument that the Basic Conditions of Employment Act allows children of this age to work, and they should therefore provide for their own needs. She questioned what this would mean for their ability to contribute to their own well-being and that of the country in the middle- to long-term given their lack of appropriate skills.

Many informants emphasised that an extended CSG would not solve all the needs of this age group of children, and improvements in respect of other services and interventions were needed alongside.

The second question asked informants whether, assuming that government had decided to extend the grant, **behavioural conditions should be attached**. Here informants were more evenly divided in their responses. Nevertheless, overall more were opposed to having conditions than supported them. One of those who supported conditions said that these should not be applied to the existing grant amount, as this was to address poverty. Instead, she suggested that conditions could be considered in respect of the additional amount if there was a top-up that had other objectives, such as human capital development or ending inter-generational poverty. This informant also felt that more research was needed into reasons for drop-out before imposing educational conditions. Similar research would be needed if health-related conditions were considered to determine whether non-use of services reflected demand- or supply-side problems.

Of those who said they supported conditions, several went on to elaborate that they would nevertheless foresee practical difficulties if they were implemented. In particular, they referred to problems in access to services and poor quality of available services.

Most of those who supported conditions seemed to support "soft" conditions i.e. conditions that are not strictly monitored and where non-performance does not result in the beneficiary being penalised. One of those who emphasised that conditions should not be "stringent" further noted that he changed his mind from time to time on whether there should be any conditions at all. Later in the interview he elaborated that he would like to see conditions imposed on all grants except the OAP, and that he saw such conditions as a form of "moral persuasion", giving parents or communities responsibilities to govern themselves.

Another informant who advocated soft conditions felt that government needed to build the capacity in social welfare offices to hold caregivers to account for their parental responsibilities. However, he noted that this would apply for younger children as well, or even before birth in respect of problems such as foetal alcohol syndrome. Rather than hard conditions, he therefore advocated finding ways of improving linkages between welfare case management, child-focused social programmes and the grant system.

Finally, one of the supporters of conditions noted that the conditions would need to be appropriate for the context in which South African children of this age find themselves. A simple educational enrolment or attendance requirement would, for example, be inappropriate as it would not cater for cases where it would be more in the child's interest to be accessing vocational training or benefiting from services that assisted with work-seeking.

Those who opposed conditions tended to have much stronger views than those who supported them. Almost all referred in some way to the supply-side problems that would prevent conditions from being effective or even make them regressive. A range of problems in this respect was raised. The problems in relation to performance of government officials led one informant to suggest that conditions should be placed on the officials rather than on families. One informant cited recent research by C A S E (Delaney et al, 2008) that shows that current provisions meant to assist children receiving grants were not working. For example, some beneficiary children were still paying school fees. Beyond problems in particular services, informants highlighted that they could not see the South African government agencies being able to cope with the operational and logistic aspects of CCTs, including the required inter-agency and inter-sphere coordination, and the necessary monitoring of compliance with conditions. Several referred to household economics – that compliance with conditions would add to the costs and that the small current amount of the grant could not be expected to cover all the education-related costs. Others noted that educational enrolment and achievement had been shown to increase without conditions and questioned whether conditions would bring "added value" or instead impose "blocks". Similarly, several emphasised that government should be finding ways to assist poor people and "open doors" rather than imposing conditions.

One informant questioned whether the caregiver really had the power to ensure conditions were met in respect of the behaviour of a 15-17 year old child. She questioned whether the caregiver's telling the child that money would be forfeited if they did not go school would necessarily be enough to get the child into school. A similar point about the agency and malleability of teenagers was raised by another informant in discussing a later question. A third informant said that imposing conditions on 15-17 year olds and not on younger children could be seen as stigmatising the older children.

Finally, one of the informants pointed out that if conditions were being considered to as to garner political support for the grant among middle-class and wealthier individuals, the recent changes within government and the African National Congress would mean that this was now less of a concern than it might have been previously.

Thirdly, informants were asked what the **nature of the conditions** should be if government decided to attach conditions. The schedule prompted informants in relation to educational enrolment and attendance at a health clinic as these were highlighted in the terms of reference. However, the schedule also asked if informants had other suggestions. While the question on nature of conditions was asked of all informants, including those who said they did not favour conditions, one or two of the latter did not feel able to make any suggestions on the type of conditions that might usefully be imposed.

There was limited support for having enrolment as a condition. As one informant explained, it is too easy to prove that a child is enrolled. Others pointed out that this condition would only be feasible if the grant was increased to cover the full private (household) cost of school attendance. Another, who favoured having this condition, noted that it would have to include enrolment for vocational training, including learnerships, internships and skills development programmes.

School attendance was probably the most popular choice. But all who proposed it pointed out that the supply-side issues would make it problematic. In addition, one pointed out that schools did not all currently have adequate record-keeping systems that would allow monitoring. The only informant who discussed progression as a possible condition said that it was not appropriate because it was too dependent on the quality of services, over which the beneficiary had virtually no control.

Many informants noted that health conditions, especially those such as immunisation, were not appropriate for this age group. Several suggested that conditions related to reproductive health might be useful for this age group, but they generally struggled to know how this condition would be framed. The inclination seemed to be for education about reproductive health and risk-reducing behaviour more generally. However, one informant noted that this was in any case meant to happen within schools as part of life skills.

The informant who supported having soft conditions as a form of “moral persuasion” suggested that there could be conditions related to participation in community life, for example by participating in development projects.

Informants were then asked what **challenges they foresaw would arise in implementing** an extended CSG with conditions attached, and how these challenges might be overcome. This question generated a range of issues from all informants.

Many informants again referred to supply-side problems that would prevent beneficiaries from being able to comply. One noted that if the measure increased enrolment and attendance, this would place further pressure on schools that were already not coping. Several noted that the small size of the grant was not sufficient to cover the costs that households would incur in ensuring attendance. One worried that some teachers might ask for a bribe before recording the child’s presence.

Many likely challenges related to monitoring and enforcement were highlighted. Several informants pointed to current inadequacies in school-based information systems. One noted

that while South Africa might be sophisticated enough technologically to design an appropriate system, this would likely exclude schools without computers or without electricity. She noted further that even where a school was on the electricity grid, non-payment of electricity fees often meant that the school was effectively without electricity. Several informants noted that there would not only need to be an effective system of recording attendance of individual children, but that this information would need to be transferred regularly and speedily to those responsible for managing the grant. If this did not happen, it would result in delays and exclusions, wasting the time and offending the dignity of beneficiaries in the process. Achievement of cooperation and efficiency would be hampered by the fact that education was a provincial competency while the grants are managed and disseminated by a central government agency. The situation would be further complicated by the need to incorporate the full range of training agencies into the system to cover all recognised alternatives to enrolment in a school.

Many informants pointed to the added administrative costs that would accompany conditions. They questioned whether this money could not be used more effectively for other purposes. One informant noted that this question was especially pertinent for the CSG as the small size of the grant would increase the disproportion between the monitoring costs and the size of the grant. The costs in terms of both time and money would increase if attendance were monitored on a monthly basis. If, to save costs, attendance was monitored far less regularly, the benefit of having conditions would diminish. Beyond administrative costs, several informants questioned the administrative capacity of government agencies. One noted that these could be partly addressed by hiring more staff, but that this money might be better spent on hiring more social workers and early childhood development practitioners.

One informant went beyond monitoring to discuss enforcement. This informant had experience and/or knowledge of grants across a number of Latin American countries. He estimated that probably about half of the countries in that region took monitoring seriously, but that having an effective monitoring system did not necessarily mean that there was also enforcement of conditions.

There were relatively few suggestions as to how these challenges might be overcome. One informant stated simply that the civil service should be redesigned. Another suggested learning from other countries that had implemented CCTs, research, and consultation with youth to understand their needs. One of the proponents of soft conditions suggested mobilisation and moving gradually from a “discourse” about conditionalities to actual implementation and enforcement.

The next question enquired whether informants knew of any **local evidence** supporting arguments for or against extension of the CSG with conditions attached.

Several responded that there was not any research evidence related to extension with conditions both because this age group had not yet been reached by grants, and because there had been minimal imposition of conditions for any of the grants. Therefore the existing

literature and research could be used to draw inferences, but not as solid evidence on this specific topic.

An informant whose work involves interaction with poor people noted that from this, as well as from newspaper reports, she was convinced of the need for the grant to be extended and for measures that facilitated school attendance. A second informant who worked with poor clients said they had many cases of people not being able to afford schooling. Another who had been involved in research on children's rights noted that high levels of mobility among children would mean that some of the most vulnerable would be denied a grant because of an interrupted record of attendance. An informant from an international agency noted that there was evidence that operationally the country was not ready for conditions, and that implementing before it could be done effectively could aggravate the situation rather than improve it. The same informant noted that there was empirical evidence that the grant was too small to cover the actual costs of secondary education.

Some informants referred to the literature that has been generated on the South African grants over recent decades. They referred, in particular, to research that countered the argument that grants discourage labour force participation, as well as research suggesting why conditions were inappropriate or unnecessary in South Africa. One also referred to the arguments contained in affidavits connected to the current Constitutional case against government for the extension of the grant to children aged 15-17 years.

Informants were then asked what **experience or evidence they had from beyond South Africa** that would support arguments for or against extension of the CSG with conditions attached. More informants knew of the CCTs in Brazil than of those in other countries, and several had visited Brazil. Other Latin American and Caribbean countries that were specifically mentioned were Mexico, Ecuador and Jamaica. One informant referred to universal child grant or benefit systems in some European countries which provided a job-seekers' grant to those who left school early or gave them entry to other programme preparing them for the labour market.

Several of the informants seemed to have read quite widely. One of these noted that all the reading had not shifted her initial feeling that conditions were inappropriate for South Africa. At least two of the informants noted that there was very little evidence of the impact of the conditions. Where impact was found, it was usually impossible to distinguish which feature of the package was causing impact. One of the informants who made this point referred to two studies, both described in the earlier section of this paper, which had been unusual in attempting to separate out the impact of the conditions.

Several informants emphasised that lessons from other countries could not be implemented in South Africa without very careful consideration of the local circumstances. None seemed to be advocating for adopting even particular features from other countries without such consideration. However, one suggested that one of the most interesting lessons from elsewhere concerned be the possibilities of linking grants and other social services.

On Brazil, one informant noted that comparison was difficult, but that the size of the grant and number reached seemed to be relatively small. In relation to child labour, there was evidence of a distinct drop in child labour which coincided with implementation of the PETI CCT. Indeed, the significant decrease in child labour internationally reported in the ILO Global Report on 2007 was driven primarily by the change in Latin America, and the change in that region was driven largely by the change in Mexico and Brazil. However, the informant who highlighted this noted that the ILO Global Report estimate was based at least partly on modelling, and that some people in Brazil had questioned the figures. Further, there was again no concrete evidence that it was the conditions of the grant rather than other aspects that caused a decrease.

Finally, informants were asked whether they would recommend **any other changes** to the CSG if it were extended. Many of the responses involved reiteration of points raised previously and already discussed above. The most common new response related to the need to adjust the means test. Those who raised it were not always aware that recently issued regulations had adjusted the threshold so that there would be an immediate adjustment for past inflation and ongoing adjustment proportionate to the increase in the grant amount. Next most common was the suggestion that the amount of the grant be increased. Here informants pointed to the extra costs and needs that children aged 15-17 years faced. One informant suggested that the grant could be paid directly to the child for children of this age rather than to a primary caregiver in circumstances where there was no easily identifiable adult, such as in child-headed households or children living alone. Another informant suggested that a parallel programme of public education be launched to raise awareness about the purpose of the grant and, in particular, that it was not intended for purchase of fancy uniforms.

At the end of the interview, when informants were asked if they had **anything to add**, an informant with fairly extensive knowledge of CCTs in other countries emphasised a number of issues. Firstly, he emphasised that a conditional grant for this age would have a different purpose, and therefore require different design, than the standard CSG. He therefore suggested that a CCT for this age would need to be considered as a different grant, whereas an unconditional extension could be seen as part of the CSG. If a new grant were introduced, he advised that all aspects of the design would need to be carefully considered. He acknowledged that CCTs in other countries had in some cases helped agencies move away from a compartmentalised way of working, or at least start talking about this. But he stressed that such development did not happen overnight and did not think that conditions were appropriate for an extended CSG.

He also warned that conditions sometimes, unintentionally, incorporated perverse incentives and gave several examples of where this had happened. In Brazil, for example, at one point there was a perception among mothers that they would be excluded if the child was no longer malnourished, so malnutrition increased. In Nicaragua, some local districts in an effort to stimulate improved diet stopped the grant if the weight-for-age measure deteriorated for four consecutive months. To get around this obstacle, mothers filled their children's stomachs with water before they were weighed. After giving these examples, the informant

warned that one needed to be particularly careful in imposing conditions related to food intake or sexual behaviour.

3.6 Reflections on relevance of key issues for South Africa

The first question concerns the **purpose** of the CSG. As discussed above, the literature suggests that whereas an unconditional grant is often intended to alleviate immediate poverty, conditional grants are intended – by increasing human capital – to impact on middle- and long-term poverty and thus on inter-generational poverty.

The CSG was designed primarily as a poverty alleviation grant and is widely seen as forming a key part of the South African government's poverty alleviation efforts. The fact that the original amount proposed by the Lund Committee that designed the grant was based on the amount estimated to be needed to buy food for a very young child can be seen to confirm that the intention was to satisfy immediate need. It could, however, also be argued that to the extent that avoiding malnutrition in these very early years prevents long-term impact on the child's development, this approach was also in line with a human capital-enhancing purpose. This logic does not, however, extend beyond the youngest age as malnutrition at older ages does not have the same long-term impact. The fact that the amount remains the same for all age groups, despite the well-known fact that the cost of food as well as other requirements increase with age, suggests that the grant was not intended to cover particular elements important for human capital at particular stages in a child's life. Instead, it was intended as a contribution towards meeting the needs of children. This can be contrasted with the practice in other countries where, for example, amounts are higher for children in secondary school than primary, and/or higher for girls than boys. Consideration of purpose thus suggests that if the grant were to have a human capital purpose, it would need to be redesigned to have different amounts for different ages reflecting the different human capital needs as the child gets older.

A second issue concerns **rights**. Since 1994 South Africa's policy approach is strongly rights-based. Grants are seen as constituting an important element of the rights-based approach, in line with the right to social security granted in the Constitution. In addition, the cash that households access through the grants facilitates their access to a range of other rights, including education and health. A number of court cases have confirmed that the grants are a right that government needs to respect and promote.

The same concern with rights is not found in the literature in relation to countries that have implemented CCTs outside of the case of Brazil. Even with Brazil, the country is portrayed as wanting to move towards a rights-based approach rather than having this already. And the evidence on the ground suggests that at this point neither beneficiaries nor officials see the grants as a right.

Above we quote literature which suggests that conditions might be more acceptable than a fully rights-based approach in Latin America. This assertion is backed up by evidence of a general perception that poverty is the "fault" of the individual, and by the fact that poor people are relatively easily distinguishable from the rest of the population. The view that poverty is the fault of the individual is less likely in South Africa where our history of

apartheid means that most people readily understand that societal policies have been and remain a strong determinant of a person's socio-economic situation and life chances. This view could change over time with the growth of the black middle class. However, the African National Congress's explicit support for extension of the CSG to children aged 15-17 years at the Polokwane Conference of late 2007 suggests that this point has not yet been reached.

In addition, poor people are not easily distinguishable from the rest of the population in South Africa. This lessens the likelihood that there would be stigma attached to grant receipt in South Africa, thus weakening the argument that conditions would lessen stigma. The fact that an estimated 80% of children are eligible for the grant under the revised means test (see below) also means that the group that might feel others were benefiting while they were not would be relatively small. And it is difficult to imagine a situation in which serious stigma is attached to a situation or characteristic pertaining to such a large proportion of the population.

Some of the international literature suggests that conditions are necessary because individuals do not appreciate the externalities of certain behaviour, i.e. the benefits that will accrue to society more generally. More generally, conditions can be seen as suggesting that individuals and families do not always know what is best for themselves and their members. The paternalism apparent in this reasoning is problematic. The reasoning also ignores the fact that there are usually very good reasons for families and individuals choosing behaviour such as non-attendance. One example relates to the need for care of other household members, especially in the context of high HIV prevalence. Until government can ensure that good quality and affordable services are available and accessible to all those who need them in areas such as care of young children and for those who are chronically ill and elderly, the choice to keep a child out of school to provide this care cannot be seen as "wrong". It is also not unlawful in terms of current legislation on schooling.

The literature repeatedly notes that CCTs are based on the assumption that the main reason that children are not attending school (or not using health services) lies on the demand side. The CCTs either assume that supply is sufficient or, alternatively, contain elements that address the **supply** problems.

If we confine the discussion to education, informants seemed to be divided on the nature of the supply-side problems, although all agreed that they existed. At least one informant felt that there were sufficient schools, while others suggested that secondary schools were not always easily accessible. The greater distances for secondary schools recorded above suggest that access is more difficult at this level than at primary school. However, beyond access to the physical school is the question of what happens in the school. Here there was unanimity about the poor quality of schooling in a large number of South African schools and especially those serving the poor. Until these supply-side problems are addressed, it seems unwise to force attendance of children when they might gain little, if any, benefit from attending yet incur costs in doing so.

An issue that did not receive the attention it probably deserves from the key informants is what would happen in respect of children who have already left school. However, one of the

government informants said that the education-related condition would need to have a way of allowing children who were looking for a job or receiving on-the-job training to receive the grant. This view is in stark contrast to the approach of CCTs in other countries, which often have as a primary aim keeping children out of the labour market.

South Africa's provisions for **out-of-school children** are currently not good. The FET option is – as explained above – not as much of an option as many might think. Learnerships and skills programmes are also unlikely to be available for significant numbers of children of this age. The real challenge comes in respect of those who have left school and who will find it difficult to go back to school in a class with younger children and will cause difficulties for the schools if they attempt to do so. Excluding these children, who will often be from the poorest families, is clearly not sensible or equitable. Yet it is not clear how the policy could be designed so as to ensure that they have a good chance of getting the grant.

The review of international literature shows clearly that in most cases the conditions relate to **education and health.** Education conditions are imposed for children of school-going age while health conditions are generally imposed in relation to very young children and, in some cases, pregnant and lactating women. From this evidence as well as from the key informant interviews, it seems clear that if conditions are attached to a CSG for children aged 15-17 years, they should focus on education. It is difficult to think of sensible health-related conditions for children of this age. Several informants noted that reproductive health issues and knowledge became especially important at this age, but none had workable suggestions as to what conditions might be imposed related to these. The informants noted the dangers of ill-conceived conditions related to reproductive health.

The question then arises as to whether an education condition should relate to **enrolment, attendance, or performance.** One argument against enrolment is that this is a once-off measure, at the beginning of the year, and that enrolment without regular attendance brings little, if any, benefit. The argument for enrolment is that by early 2010 government expects that virtually all schools will be covered by LURITS, a central system that will provide individual information as to whether an individual child is enrolled and, if so, at which school and in which grade. Even here, however, it is probable that the 3% of schools that currently do not submit summary enrolment data for the EMIS system might also not collect and submit LURITS data. The added concern in this respect is that it is probably the poorest schools, and thus those most likely to serve children who are eligible for a CSG, that will fail to submit LURITS data, thus preventing needy children from accessing grants. If enrolment were imposed as a condition, there would therefore need to be some allowance for a form of alternative proof for these children.

Another argument against enrolment is that **enrolment rates** are already relatively high in South Africa, and the extra effort involved in imposing a condition might thus not be worth the relatively small difference this could potentially make. The counter to this argument is that enrolment, although still relatively high in international terms, shows a noticeable decrease after Grade 9. Further, while the overall rate of non-enrolment is relatively low, it would be higher among the poorer groups whom the grant is intended to benefit.

The argument for attendance is that **regular attendance** could be assumed to facilitate learning and thus human capital development. One argument against this requirement is that we do not have strong evidence either locally or from the countries with CCTs to show that regular attendance improves performance, and thus subsequent opportunities in the labour market. A second argument against it is that attendance data covering all enrolled children will not be available even by early 2010. And again, the data are less likely to be available for the children who are poorest. Given this logistical problem, as well as the evidence presented above suggesting that non-attendance is a far less serious problem in South Africa than previously thought, one could argue that enrolment would serve as a good-enough proxy indicator that would be much easier and less burdensome to collect and monitor.

An argument against both enrolment and attendance is that the **costs** of compliance are often prohibitive and would, in fact, exceed the amount received through the CSG. One counter-argument here is that beneficiaries of grants are automatically exempt from paying school fees. However, the evidence presented above suggests that the exemption policy is very poorly implemented. Further, school fees constitute only one of the costs of attendance. Before imposing enrolment as a condition, government would therefore need to ensure, at the least, that the exemption policy was properly implemented. This would not be an easy task given the very large number of schools in the country.

Many of the **costs imposed on beneficiaries** would fall particularly hard on women, as they account for the overwhelming majority of PCGs. Some of the international literature highlights the fact that CCTs impose additional burdens on women beneficiaries. Above we quote evidence that in Brazil this might prevent some of the more disadvantaged women, for example those living without men and thus needing to combine earning and caring, from benefiting. The negative impact is likely to be heightened in South Africa, where we have an unusually large number of children who live with their mother but without their father. Previous research in South Africa (Budlender et al, 2005) suggests that at that time applicants for the CSG incurred an average monetary cost of R25 and a time cost of close on six hours in going through the application process. The monetary cost would be higher several years later because of inflation. Beneficiaries would incur additional time and money costs each month in collecting the grant. While the amounts might seem small, they are relatively large in relation to the total size of the grant received. If conditions were imposed, one would need to consider what additional time and money costs would be incurred in complying and proving that one had done so.

The literature suggests that **performance** is very rarely used as a condition. This seems sensible as it feels unfair to deprive a poor child of money on account of non-performance when the reasons for this will often lie beyond the child's control, for example in the quality of the schooling, their home environment, or their natural ability.

If conditions are imposed, the question arises as to whether and how they will be **monitored and enforced**. Above we present evidence that suggests that many of the countries with CCTs are not monitoring conditions effectively. Even among those that do monitor, the conditions are not necessarily enforced. In the key informant interviews several informants,

in suggesting that South Africa introduce “soft” conditions, appeared to be suggesting that conditions could be introduced, but need not be immediately and effectively monitored and enforced. Instead, the conditions could act to encourage attendance or whatever condition was stipulated. However, this approach runs the risk of sending a message that government is not serious when it makes rules, and that it is up to the individual to decide whether or not to obey government-given rules. This message might well be interpreted by ordinary people to extend beyond the condition to other rules and regulations. This therefore seems a very dangerous message if we want to promote the rule of law. If conditions are introduced, they therefore need to be monitored effectively.

The descriptions of the systems established for monitoring in countries with CCTs give an idea of the extreme complexity and the large number of actors involved. The situation is aggravated in many of these countries by the fact that the grant is often **implemented at local level** by the municipality. South Africa needs to avoid designing any form of local implementation of this nature given the very uneven capacities of local government and the fact that municipalities are already struggling to cope with their existing tasks. Allocating responsibilities to community structures rather than simply to government is likely to accentuate unevenness in access to grants, and also introduce the danger of access being influenced by local politics. Currently the grants are among the smoothest-functioning of government services, and the fact that the system is centrally managed and controlled is an important contributory factor to the smooth functioning. Indeed, the establishment of the central SASSA rather than leaving administration to the provincial governments was motivated by recognition that a central system would be likely to deliver a more standardised, smooth and efficient service. Introducing local responsibility would work against this.

Even if responsibility remains at national and/or provincial level, challenges must be foreseen given the difficulties that government experiences in working **inter-sectorally**. In the case of the CSG, one of the most important obstacles to poor people accessing the grants has proved to be difficulties of applicants in obtaining identity documents. This is a simple once-off requirement. A further difficulty arises with lack of cooperation of police in assisting with affidavits (see Budlender et al, 2005) which are, again, a once-off requirement. How much more difficult would it be with conditions that require more than once-off collaboration of SASSA with other government agencies in respect of each beneficiary?

Restricting the condition to education would imply the addition of at least one additional sector with which SASSA would need to collaborate. If enrolment were the only condition, this might be relatively simple if LURITS worked as planned as the central LURITS database will be stored at the national Department of Education. However, if the condition also made allowance for participation in learnerships and skills programmes, this would imply several further agencies as the Department of Labour does not have a central record of individuals participating in these programmes.

As noted above, some countries with CCTs have systems that provide support to families to assist them with complying. This can take the form of information provision, but can also go beyond that in the form of services that more closely resemble social work. The El Salvador

CTT, with its "**developmental conditionalities**" is an example of this approach. One of the government interviewees suggested that such a system is desirable in South Africa. He suggested that in this way the grant system could serve to link families in which caregivers are not fulfilling their responsibilities with social workers. This does not seem feasible when the country already has a serious shortage of social workers – a shortage that is aggravated by the recent passing of new laws such as the Children's Act which will require more social workers than before. Use of social workers in this way could also add considerably to the cost of the grant, and diminish the proportion of money allocated for the grant that directly benefits poor children.

One might suggest that an alternative could be a system of less skilled (and lower paid) **community workers**. Indeed, the literature reveals that several of the countries with CCTs rely on family guides or similar workers. Again, there would be challenges. South Africa is already not meeting the need for services provided by community-based workers of types already agreed to, such as the home-based care workers or community development workers. Until we are confident that the country is providing sufficient trained community workers in the already agreed areas, it does not seem sensible to create new areas of work. Uneven provision in an area related to grants would arguably be even more problematic than in areas such as home-based care which are not as strongly perceived as rights. Further, while employment of such community-based workers might be seen as a way of providing employment and avenues for "community involvement", unless these workers are adequately paid, it is they – usually poor women or youth – who subsidise government. Inadequate pay also endangers quality of service and commitment to the work. Yet providing adequate pay, and providing the training and supervision that would be necessary to ensure good service, would add to the cost of the grant and diminish the proportion of money directly benefiting poor children.

Information does not only need to be provided to beneficiaries. In particular, the officials who administer the grants and related conditions and the community workers need to be very well informed. The international literature suggests that in some cases **lack of knowledge** on the part of community workers has resulted in the system not functioning well. The South African literature suggests that even with a relatively simple unconditional CSG, officials administering the grant sometimes impose non-existent and/or unlawful conditions and that in at least one case written provincial directives have been incorrect. To the extent that this incorrect administration is due to lack of knowledge, it raises concern as to what will happen when conditions are introduced, in that the grant will then be more complicated and there will be more things for officials to misunderstand. To the extent that incorrect administration is deliberate, it raises a concern as to how conditions might encourage petty power-mongering and deny poor children benefits to which they are entitled.

This leads on to the final issue, relating to **simplicity**. In designing the CSG, the Lund Committee was at pains to propose a system that was as simple as possible. Conditions could add significantly to the complication in terms of monitoring, enforcing, the number of actors involved, the range of considerations that officials will need to take into account, the differences in how children of different ages are dealt with, etc. There is a real danger that these complications will undermine constitutional rights to social security.

4 Modelling a conditional CSG for children 15-17 years

This section first derives estimates of the number of children who would be eligible for a CSG and subsequently, using these estimates, develops estimates of the costs to the state of implementing a CSG for children aged 15-17 years with conditions attached. The estimates do not take into account any set-up costs that would be incurred. They also do not take into account costs that might be incurred in evaluating the effectiveness and impact of the conditional grants.

4.1 Designating a caregiver, calculating income and estimating eligibility

To estimate the numbers eligible, we use a similar method to that used in an earlier paper that estimated the cost of applying the means test for the CSG (Budlender et al, 2005.). One criticism of the approach, which uses reported earned income, is that survey respondents tend to under-report income. However, it is likely that they would also under-report income when applying for a grant.

One important difference from the approach used previously is that we use data from the GHS of 2007 rather than that of 2003. We also offer some refinements of the method, especially in respect of estimate of income. The method is not described in detail in this paper as it is fully describe in the earlier paper. We do, however, highlight where our method differs from that used previously.

Probably the biggest refinement involves the approach for estimating income for those who report earned income in terms of a bracket rather than an exact amount. For the previous paper, the logarithmic mean of the bracket was imputed for these respondents. The drawback of this approach is that all those reporting a particular bracket are allocated exactly the same amount. For this paper we use instead a randomised estimate based on responses from those who gave exact incomes between the relevant upper and lower bounds. These estimates were calculated and assigned to each respondent using a method devised by former University of Cape Town actuarial student, Daniele Bieber. This is a more sophisticated approach than that used in the CSG costing. It will tend to generate somewhat higher estimated incomes than the logarithmic mean approach and thus could reduce estimated eligibility to some extent.

As before, the employed respondents (1887 in total) who reported zero income or did not respond to either of the income questions were assigned a monthly income equal to the sex-specific weighted median income for those to whom incomes had already been assigned (R2324 for men and R1600 for women). We used the median to avoid distortion by outliers at the top and bottom end. We use sex-specific estimates because of the marked differences between average male and female incomes, and because the majority of PCGs will be female.

Another refinement relates to the treatment of marital status. The GHS of 2003 did not distinguish between married people and those living together, while the GHS 2007 allows this distinction. Both the old and new regulations apply to the income of a spouse or "spousal partner". The new regulations define a "spouse" as "the spouse or partner of a person in

according with the Marriage Act, 1961 (Act No. 25 of 1961), the Recognition of Customary Marriages Act, 1988 (Act No. 120 of 1998) or the Civil Union Act 2006 (Act No. 17 of 2006) or the tenets of any Asiatic religion." For this report, we therefore exclude those reported to be living together when applying the rules applicable to spousal income.

Before calculating the income of primary caregivers, we need to know who the primary caregiver of each child is.

The assumptions, and the estimates we need for each, are as follows:

- All children who are living with their mothers have the mother as primary caregiver. For these children, we need to know the income of the mother, if any. If the mother is married, we also need to know the income of her husband. In the earlier paper we included an estimate for maintenance if the mother was not married and not widowed. For this paper, we omit this refinement given the low levels of payment of maintenance and the small amounts involved. The recent significant increase in the means test threshold means that the minimal amounts involved would have even less impact than before on eligibility.
- All children who are living with their father but not with their mother have the father as primary caregiver. For these children, we need to know the income of the father, if any. If the father is married, we also need to know the income of his wife.
- All children who are not living with either parent but are the grandchild of the household head have a grandparent as primary caregiver. For these children we need to know the income of the head of household and their spouse.
- All children who are not covered by any of the above categories have an adult woman as their primary caregiver. For these children we take the mean income of all employed adult women in the child's household. We do not include a spouse's income as we are not identifying a specific woman in the household.

Table 14 reveals that 74% of all children are assigned their mother as PCG, while 2.9% have their father, 14.8% a grandparent, and 8.3% another woman in the household. For children aged 15-17 the profile is, however, somewhat different. Just under three-quarters (64.4%) of the children of this age have their mother assigned as PCG, while the percentage assigned another woman in the household doubles, to 16.8%.

Table 14 Imputed primary care giver by age

PCG	0-14	0-14	15-17	15-17	Total	Total
Dad	404081	2.7%	117602	3.9%	521684	2.9%
Grandparent	2254965	14.8%	455950	15.0%	2710915	14.8%
Mom	11579635	76.0%	1963164	64.4%	13542798	74.0%
Other	1005917	6.6%	511145	16.8%	1517062	8.3%
Total	15244598	100.0%	3047862	100.0%	18292459	100.0%

The percentage living with their mother is also important in terms of conditionalities as conditional cash transfers in other countries generally assume that the grant will be paid to the mother, who will also take responsibility for seeing that the conditions are observed. The

relatively low percentage of children aged 15-17 years living with their mother would mean that this could not be assumed in South Africa.

Having allocated income to the presumed caregivers of all groups of children, we can estimate how many children will be eligible for the CSG. To determine eligibility, we use a threshold of R2 000 per month, 10 times the value of the grant in middle 2007 when the GHS fieldwork was done. This corresponds with what the threshold would have been at that time had the recent regulations, with the new means test, been in place.

Table 15 suggests that 82.1% of children would be eligible under the new means test, with a slightly lower percentage for 15-17 year olds (80.6%) than for younger children (82.4%).

Table 15 Eligibility under new means test by age group

Status	0-14	%	15-17	%	Total	
Ineligible	2690182	17.6%	592091	19.4%	3282272	17.9%
Eligible	12554416	82.4%	2455771	80.6%	15010187	82.1%
Total	15244598	100.0%	3047862	100.0%	18292459	100.0%

4.2 Brief reflections on the eligibility estimates

Before proceeding with the modelling of costs to government of a CCT for these children, we consider how these estimates might have differed if the means test had not been amended. This discussion is not directly relevant to the conditionalities debate, but is useful in highlighting why the estimates presented here differ from those presented elsewhere, for example in the Children's Institute research (Budlender et al, 2005) and the affidavit (Budlender, 2008) for the court case relating to extension of the grant. We then look briefly at the educational profile of the eligible children.

If we set the threshold at the previous upper income threshold of R1 100 that was applicable to rural children and those living in informal dwellings in urban areas, the percentage falls to 66.9% overall and 64.4% for children aged 15-17 years. In absolute terms, the total number of eligible children falls from 15.0 million to 12.2 million. The GHS dataset of 2007 does not have a rural/urban variable. If we could distinguish urban and rural children and apply the lower cut-off to those in formal urban dwellings, the percentage and number eligible under the old rules would drop still further.

The increase in the percentage eligible is partly the result of the shift in the threshold, but is also due to the change in the way the income of spouses is considered. Under the old rules, the income of the spouse was added to the income of the applicant and the sum was subjected to the means test. Under the new regulations, the income is added and *half* the sum is subjected to the means test.

If the sum of the applicant's and spouse's incomes were not halved, 62.9% of children would be eligible using a cut-off of R1 100 – 60.2% of 15-17 year olds and 63.5% of younger children. If the sum of the two incomes were not halved and the higher threshold of R2 000 were used, 70.2% of children would be eligible – 67.7% of 15-17 year olds and 70.8% of younger children. This result is fairly similar to Samson et al's (2007: 10) estimate that three-

quarters of all children would be eligible for the CSG if the means test were adjusted for inflation and the rural/urban distinction abandoned.

Reverting to eligibility under the current means test and focusing in on 15-17 year olds, we find a difference in school attendance between those who are eligible for the CSG and those who are not. (As before, we note that the GHS question does not distinguish between enrolment and attendance.) Among the ineligible, 96.3% are attending school, while among the eligible 90.5% are attending. In absolute terms, the CSG has the potential to assist about 235 000 children of this age to enrol in school. At the same time, it could assist 2.2 million children who are already attending school. Thus to monitor the extent to which the out-of-school children are "saved", government would have to monitor nine other children's attendance for every potentially "saved" child.

Table 16 School attendance of 15-17 year olds by eligibility

Status	Ineligible	Eligible	Total
Attending	570 369	2 222 403	2 792 772
Total	592 091	2 455 771	3 047 862
% attending	96.3%	90.5%	91.6%

Of the eligible 15-17 year olds not attending school, 68% live in dwellings that are within 30 minutes distance from a secondary school, and 91% within an hour's distance of a secondary school using the usual means of transport. School attendance should therefore be possible for most of the children, but they could incur substantial time and money costs in attending.

4.3 Modelling the cost to government of a CCT

To simplify the analysis, we estimate the costs for a single year. In this way we avoid having to predict future inflation rates, changes in labour market participation and earnings and changes in living patterns of children. In proposing that these estimates can be used for future years, we are implicitly assuming that the size of the grant, and thus also the size of the means test, will keep pace with inflation.

Fortunately for our purposes, the HIV/AIDS and Demographic Model of the Actuarial Society of South Africa predicts that the size of the population aged 15-17 years is likely to remain more or less constant over the next few years. If labour market participation and earnings and children's living patterns do not change, both the absolute number and proportion of eligible children should therefore remain the same. If economic growth happens, and in a way that increases employment and reduces the current high levels of inequality and poverty, then numbers and cost will be lower.

In modelling the costs we utilise some of the same assumptions that were used in an affidavit supporting the court challenge to government in respect of extension of the grant to children up to the age of 18 (Budlender, 2008). Thus for one set of projections we assume that 90% of those who are eligible would access the grant if no conditions were imposed. This percentage is based on evidence provided in an affidavit from the Department of Social Development in the same court challenge in relation to performance in respect of younger

children. This level would not be reached in the first years of extending the grant, and the costs would thus be an over-estimate for these years. For a second set of projections we use a lower take-up rate of 70%. This rate is based on the estimates of current take-up under the existing means test produced by Samson et al (2007: 58). Samson et al find an exclusion error of 45.4% and an inclusion error of 21.7%. This yields a take-up rate (number accessing the grant divided by number who are eligible) of just under 70%. However, recent research in low-income areas (Delaney et al, 2008) suggests that the errors are smaller than this, at 13% estimate inclusion error and 21% exclusion error, giving an overall take-up rate of 90%. Our second set of projections thus reflects a lower bound for the likely costs.

We use a grant amount of R220 per month, which is the amount applicable as from October 2008. To this we add a monthly administration cost of R30 per grant. This represents the cost of administering the grant without conditions. The amount is based, as in the affidavit, on information from the Department's affidavit and National Estimates of Expenditure 2006. The affidavit uses an administration cost of R27. We increase this by three rand, but note that this might again result in an over-estimate as government predicted that the establishment of SASSA would lower per-grant administration costs. This increased efficiency should therefore cancel out some of the inflation increase. Multiplying R250 by twelve months, we get an annual cost of R3 000 per child.

We then need to factor in the cost of imposing conditions. Here there is very little on which to draw. As discussed above, the estimates of the cost of conditions in countries with CCTs vary widely even for the same country. We therefore fall back on a local estimate of the cost to government of implementing the means test (Budlender et al, 2005) and make the heroic assumption that the cost of monitoring enrolment would be similar. The estimate of the cost of the means test was derived by interviewing all relevant types of officials from the Department of Social Development and South African Police Service on the time spent on tasks associated with the means test and then multiplying the time estimates by the relevant salary. This resulted in an estimate per application of R18.77. Adjusting this estimate for inflation using the consumer price indices for January 2005 and 2008, we arrive at the figure of R22.60. For the means test, this cost would be incurred only once, at the time of application. For a condition related to enrolment, the cost would be incurred annually. Adding together the monthly cost of grant and administration with the annual cost of monitoring, we arrive at a total of R3 022.60 per child per year. This cost needs to be applied to all children, whether or not they are currently in school. The additional cost incurred by having the enrolment condition works out at less than 1% of the total cost. International evidence suggests that such a low relative cost is very unlikely.

We do not provide an estimate for a condition related to attendance, as the available evidence suggests that the information to do this would not be available. If attendance was monitored, and this was done more than once a year, the cost would increase further. The increase could be substantial as far more effort would be required to obtain the data for each child and the monitoring would, presumably, also have to occur several times during the year.

The next challenge is to predict the extent to which imposing conditions would encourage children to enrol in school and thus result in children who are currently out of school becoming eligible. Here we model the two extremes, namely that all out-of-school children enrol as a result of the conditions, and that none of these children enrol. We name these the "full impact" and "no impact' scenarios. In the no impact scenario, the cost of the grant itself and related administration is not incurred, but the cost of the condition is incurred.

Table 17 shows the results. The total cost of the grant is most expensive if conditions are imposed and this results in full enrolment. The cost is lowest if conditions are imposed and this does not result in any improvement in enrolment. If we restrict our attention to the cost of the grant for children aged 15-17 years, the full impact scenario is 0.8% more expensive than a grant without conditions, while the no impact scenario is 8.6% cheaper regardless of whether take-up stands at 70% or 90%.

Table 17 Cost estimates for CSG with conditions (R1000s)

	0-14	15-17	0-17
No conditions – 90% take-up	33 896 923	6 630 581	40 527 504
Conditions full impact – 90% take-up	33 896 923	6 680 531	40 577 454
Conditions no impact – 90% take-up	33 896 923	6 060 038	39 956 961
No conditions – 70% take-up	26 364 274	5 157 118	31 521 392
Conditions full impact – 70% take-up	26 364 274	5 195 968	31 560 242
Conditions no impact – 70% take-up	26 364 274	4 713 363	31 077 637

Our estimates therefore suggest that if a minimalist condition based on enrolment and with very cheap monitoring costs is imposed, the additional cost to the state is at worst minimal, while there might be a large saving. This saving will, however, come at the expense of the out-of-school children who are denied access to the grant. The estimates also do not take into account all the other concerns raised in the paper and, in particular, the way in which poor functioning of systems would result in new challenges for beneficiaries in accessing a grant which is their right, and for officials would introduce additional tasks and complications. Given the lack of solid evidence that conditions would result in improvements in enrolment that would not anyway occur without conditions, it is not clear that the extra costs in terms of rights and complications are justified.

5 In conclusion

The CSG is part of the South African government's set of poverty alleviation initiatives. It was never conceived as a means of eradicating poverty. It was, instead, intended to assist poor caregivers in covering some of the monetary costs of the children in their care alongside other forms of support and services. The relatively small monthly amount of the grant reflects this purpose.

CCTs, in contrast, are conceived as a means of addressing long-term poverty through building the human capital of the population – particularly children – and thus giving them the means in the future to provide for themselves. The child-related grants are in most cases part of a larger "package" of grants and other assistance that are provided to households.

These packages thus provide assistance to the households in covering costs beyond education- and health-related expenses.

The international evidence suggests that CCTs have had a range of positive impacts on beneficiaries. However, there is very little evidence that it is the conditions that have brought about these changes rather than simply the injection of additional cash into the household. The South African evidence on the impact of unconditional transfers increases our doubt in this respect in finding noticeable positive impact of the unconditional grants. If the positive impacts are not the result of the conditions, there seems little reason for the state to face the challenges associated with implementing conditions and for beneficiaries to face the difficulties that conditions will create for them.

The international experience suggests that if conditions are to be imposed for children aged 15-17 years, educational conditions are the obvious choice. Both the international evidence and key informants refer to the extreme difficulties of devising a sensible condition related to reproductive health that would not be likely to have negative outcomes of some kind. In respect of education, a condition related to attendance is preferable to one related to enrolment. However, South Africa does not currently, and will not in the foreseeable future, have information systems that could support an attendance condition. If South Africa introduced a condition, the only feasible condition would be the minimal one of enrolment, which would be monitored annually.

The international experience suggests that many countries do not monitor conditions. The literature also highlights the serious challenges that countries face when they attempt to monitor. Of those that do monitor, not all countries enforce the conditions. While non-monitored and unenforced conditions will be substantially cheaper than those which are monitored and unenforced, their likely impact would presumably be substantially reduced. The fact that the state is not enforcing its own rules could also encourage a perception that the state does not take the rule of law seriously.

Conditions assume that the problem lies on the demand side, and that if demand is stimulated, the supply to satisfy it will be forthcoming. The evidence suggests that demand in the form of lack of money is a common reason for non-attendance. If this alone is the reason, a grant of sufficient size and without conditions should address the problem. However, lack of money is not the only reason for non-attendance and a grant, even with condtions, might fail to get children into school if the problem is not on the demand side.

On the supply side, in South Africa it may be that there are sufficient secondary schools to meet the needs of children aged 15-17 years. However, the quality of education provided through many of these schools – and particularly those serving the poor – is widely acknowledged to be very bad. In addition, there is widespread concern about the extent of gender-based and other forms of violence, substance abuse and other crime-related behaviour in schools. These conditions raise the question as to whether enforcing enrolment and attendance will bring any medium-term or long-term benefits for the children concerned. Where quality of education is poor, it is also likely to affect demand and result in children and their caregivers seeing education as “useless”.

If conditions are attached to a grant and fulfilment of these conditions costs the beneficiary more than the grant amount, the beneficiary will suffer a net loss. Regulations state that all child beneficiaries of grants should be exempted from school fees. However, the evidence suggests that these exemptions are disregarded more often than they are observed. Such disregard will affect older children more severely than younger ones as school fees tend to increase at higher levels of schooling. If non-fee costs of schooling are taken into account, many children who are currently out-of-school might suffer a net loss if receipt of the grant meant that they had to attend school.

A simple modelling of the costs of extending the CSG to children aged 15-17 years with a simple condition related to enrolment attached suggests that the additional cost to the state of imposing conditions might be very small. (The relative size of the estimated cost of conditions is, however, on the extreme low end of estimates of costs internationally.) The cost of an extended grant of this nature would, in fact, result in some savings to the state compared to an unconditional extension. These savings would, however, come at the expense of poor children who are denied the right to social security. And the fact that enrolment rates are lower among the very poor than among other children would mean that it was the poorest children who would be most likely to make "savings" for the state in this way. This would contradict the right to social security enshrined in the South African Constitution and also run counter to the state's commitment to alleviate poverty and inequality.

We therefore recommend that the South African government build on its own positive experience and achievements in respect of the CSG and extend the grant to children aged 15-17 years with no conditions attached beyond the current administrative requirements.

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