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Timeline

2012-2016

Sample Size

3,600 individuals

Research Implemented by IPA

Yes

Moving Beyond Conditional Cash Transfers in the Dominican Republic

Abstract

Conditional cash transfers have proven effective as incentives for the extreme poor to visit a health clinic or send their children to school. But are such programs sustainable? If the cash assistance is taken away, will families find themselves back where they started before the program? In this study, researchers evaluate if financial education and business training can help recipients graduate from a conditional cash transfer program, and what type of training is most beneficial.

Policy Issue

Cash transfer programs are increasingly common across developing countries. These programs provide income support to those living in extreme poverty, and in the case of conditional cash transfer (CCT) programs, provide incentives for parents to invest in the human capital of their children by making the transfers conditional on certain behaviors, like attending school or visiting a health clinic. Despite their established benefits in terms of improving health and educational achievement, many policymakers and development practitioners remain concerned about the extent to which households may become dependent on cash transfers to maintain their living standards. Even with greater access to

healthcare and education, it can be difficult for beneficiary households to manage their personal finances, find and maintain a stable job, or start a new business. It is not clear whether families will revert to pre-program poverty levels when the transfers are no longer provided, or whether the transfers enable more permanent changes in household and business finances, ultimately allowing beneficiaries to graduate from the program.

Context of the Evaluation

Solidaridad is a CCT program in the Dominican Republic that provides cash transfers to poor households if they invest more in education, health, and nutrition. Eligible families receive around US\$75 every three months if they comply with certain conditions, including the school enrollment and attendance of all household children, and regular health check-ups for children under the age of five years old. Approximately 20 percent of the Dominican population lives in moderate or extreme poverty, and are eligible to receive trimonthly transfers from the program.^[1] The beneficiaries receive these transfers via a debit card to be used to purchase basic food products at authorized stores, and meet every three months in community groups (*núcleos*) to receive training in nutrition and preventive health. However, *Solidaridad* does not currently have a graduation strategy to encourage beneficiaries to improve their household financial management and develop stable income sources from jobs or small business creation.

Details of the Intervention

Researchers are using a randomized evaluation to assess whether providing financial literacy and business training to CCT beneficiaries can help them graduate from the program, and what type of training is most beneficial.

Two hundred and forty *núcleos*, with a total of 3,600 individuals, will be selected from government administrative data and randomly assigned to either the treatment or comparison group. All members of the treatment group will receive financial literacy training intended to improve household financial management skills. In addition, *núcleos* in the treatment group will also be randomly selected to receive one or more of the following:

- *Professional vs. peer trainers.* Of the 120 *núcleos* in the treatment group, half will receive financial literacy training from professional trainers, while the other half will receive the training from their peers.
- *Business vs. job skills training.* In addition to the financial literacy training, half of the *núcleos* in this treatment group will receive an additional training session on financial management for businesses, while the other half will receive additional training on job skills (finding, acquiring, and maintaining employment).
- *Budgeting notebooks.* Within each *núcleo*, a random subset of beneficiaries will be selected to receive notebooks that can be used to maintain household and/or business budgets to test whether the notebooks increases the impact of the training.
- *Access to formal financial services.* Of the beneficiaries who already own a business and are interested in and eligible to receive a loan, a random subset will

be offered a loan and an accompanying savings account from a local commercial bank.

Key outcome measures include knowledge and management of household and business finances, household and business assets, and the employment status and conditions of household members.

Results and Policy Lessons

Results forthcoming

Sources

[1]Government of the Dominican Republic. “Programa Solidaridad.” <http://www.solidaridad.gov.do/>

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