

Assignment 4 – Human Capital and Conditional Cash Transfers (ECO2117)

Assignment:

Conditional Cash Transfer (CCT) programs provide cash transfers to low income families on the condition that the family participates in one or several human capital investment programs (i.e. vaccinations, vitamin supplements, school enrolment, regular health check-ups). The case study on Mexico's Progresa/Oportunidades discusses the role that CCT's can play in development policy by taking the Mexican program as illustration (Todaro and Smith, pp 425-427). At the end of the case study the authors conclude that “CCT programs focusing on improving health, nutrition and education are a key component of a successful policy to end poverty” (p. 427).

Question: Why are CCT programs more likely to be effective than similar health and education programs that do not involve cash transfers and conditionalities? Use the *Human Capital Approach* to explain it in your own words.

As usual, your argument should be understandable for persons with an academic thinking level, who are interested in development but not necessarily familiar with the specifics of human capital theory and conditional cash transfers.

Required readings:

- Todaro and Smith: Chapter 8, including the case study 'Pathways out of Poverty: Progresa/Oportunidades', lecture slides and class notes.
- de Brauw, A, and J. Hoddinot (2008), Is the conditionality necessary in CCT programmes?, IPC One Pager #64, UNDP (**attached to the assignment**).

References:

- Use your own words (i.e., quoting is not allowed, paraphrasing is allowed).
- Do not forget to cite your sources! No need to include the reference to the book but refer to a page number if you paraphrase. If you use other readings they should be mentioned as reference. (Reference list is excluded from the one page maximum).

Evaluation criteria (100% score if all criteria fulfilled, otherwise 0%):

- Maximum length: 1 page, Times New Roman (12pt), space 1.0, standard margins.
- Minimum length: half a page.
- The text should be structured as an essay and use the terminology discussed in class.
- Mention your name and student ID on top of the assignment.
- Submit as Word attachment on the course website under “Assignments” before Sunday 20 December, 10 pm (after that there is a 24 hour grace period on which you may rely **AT YOUR OWN RISK**). Submissions by e-mail (or Blackboard vista e-mail) will not be accepted under any circumstances.

Learning objectives:

- Understand how the human capital approach models the decision making of families and how CCT programs can change the tradeoffs that families make;
- More general: constructing an evidence-based argument.