Between Poor Relief and Human Capital Investments – Paradoxes in Hybrid Social Assistance

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Abstract
Conditional cash transfers (CCTs) are often being promoted for their simultaneous advantages of short-term income protection and long-term human capital investments.

Yet, existing evaluations have largely failed to test the underlying programme theory, and few empirical case studies have explored inherent contradictions and ambiguous consequences of this hybrid approach. To further understand the programmes’ social policy implications, this study identifies and analyzes such ambiguities and paradoxical consequences in the case of Uruguay’s CCT-programme, Asignaciones Familiares (AFAM). Drawing on qualitative data from interviews with beneficiaries and members of the commission who designed the programme, this study reveals major paradoxes in AFAM’s design and implementation caused by various endogenous factors. Relevant to social policy in general, and CCT-evaluations in particular, findings also indicate that the hybrid social assistance approach may have perverse effects on the programme’s twin objectives.

Keywords
Social assistance; Conditional cash transfers; Poverty; Human capital investments; Uruguay; Policy evaluation

Introduction
Conditional cash transfers (CCTs) have become a preferred social protection intervention in Latin America, currently operated by a total of 18 countries (Cecchini and Martínez 2012). Cash transfers conditional upon children’s schooling and health controls reach some 22 million families or 17 per cent of the total population in the region (ECLAC 2010). CCTs’ twin objectives are to simultaneously provide short-term poverty alleviation through income maintenance support and enable a break in intergenerational transmission of poverty through human capital investments (e.g. Fiszbein and Schady 2009; Draibe and Riesco 2009).
CCTs constitute one of the most researched social development programmes, reflecting their role in a recent paradigmatic shift towards evidence-based policy-making with strong focus on impact evaluations (Barrientos and Villa 2013; Deeming 2013; Ravallion 2008). Originally inspired by Mexico’s randomized design of the Progresa programme in 1997, impact evaluations have since become standard features in CCTs throughout the region (Adato 2008).

There is, however, a significant knowledge gap in existing research as evidence from evaluations pertains predominantly to short-term average effects of CCT-interventions. Of particular interest here, evaluations lack analyses of programme theory and underlying assumptions concerning policy design and implementation (Ravallion 2008; IEG 2011; Gaarder et al. 2010). This is problematic since several recent studies find inherent incompatibilities between the twin objectives of poor relief and human capital enhancement (Soares and Britto 2007; Bastagli 2009; Handa and Davis 2006; Cecchini and Martínez 2012; Madariaga 2009).

This qualitative case study on Uruguay’s Asignaciones Familiares (AFAM) contributes to CCT-policy evaluations by probing deeper into early findings of policy ambiguities in recently conducted fieldwork to explore the possibilities for corroboration or contradiction of existing literature on incompatibilities in CCTs’ hybrid programme design.

Uruguay’s AFAM constitutes an interesting case both in a Latin American context and for social policy studies in general. First, AFAM is in fact a reformed, non-contributory version of a contributory family allowance dating back to 1942. Second, AFAM is the star programme in the Equity Plan, the country’s new development strategy that, together with Chile’s Solidario, has been categorized as an ‘integrated anti-poverty programme’ or ‘systems approach’. Distinguished from other CCTs in the region (Cecchini and Martínez 2012), the integrated approach is based on a multi-dimensional approach to poverty and social exclusion that seeks to universalize social protection through increased use of basic services. As argued by Barrientos et al. (2008), this approach adds an important new and progressive dimension to social policy reform.

The article is organized as follows. The first section discusses CCTs’ role in Latin American welfare systems. The second section provides a description of Uruguay’s social policy context, followed by a section outlining the study’s research methods. The fourth section presents an analysis of AFAM’s policy paradoxes and their principal driving factors. The final section concludes with a discussion of the study’s further implications and puts forth the argument that the identified policy paradoxes have unanticipated consequences with potentially perverse effects on educational behaviour and future policy-making.

**CCTs’ Role in Latin American Welfare Systems**

Latin American welfare regimes date back to the 1920s, when a group of ‘pioneer’ countries (Argentina, Brazil, Chile, Cuba and Uruguay) launched social security systems. An ‘intermediate’ group (Colombia, Costa Rica,
Mexico, Paraguay, Peru and Venezuela) followed suit in the 1940s and 1950s, and a group of ‘latecomers’ or the least economically developed countries in the region (Central American and Caribbean countries) began providing social security in the 1960s and 1970s (Mesa-Lago 1997).

Filgueira (1998) identifies three distinct welfare regime types based on trajectories between the 1930s and the 1970/80s that show a fragmented expansion of social insurance. Stratified universalism (Argentina, Chile and Uruguay) provided the greater part of the population with social security and health services, with near universal coverage of primary and lower secondary education. Yet, coverage, benefits, and quality of services were highly stratified according to occupational status. Exclusionary regimes (Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras and Nicaragua) provided basic social protection and social security to some 20 per cent of total populations while leaving more than 50 per cent of populations in poverty without protection. Lastly, dual regimes (Brazil and Mexico) were found to combine stratified universalism in urban areas with exclusionary policies in rural ones.

Barrientos (2004) presents a single Latin American typology, and argues that structural reforms and fundamental changes in welfare production towards residual and market-oriented provision in the 1990s have caused a shift from ‘conservative-informal’ towards a ‘liberal-informal’ regime.

The emergence and diffusion of CCTs in the heterogeneous welfare regimes are no doubt the result of an historical collusion of numerous endogenous and exogenous factors. Such an encompassing analysis is well beyond the scope of this study. However, before presenting the case of Uruguay, it is necessary to contextualize CCTs in two ongoing paradigmatic shifts to further understand the programme’s role in Latin American welfare regimes: the social policy shift towards increased use of non-contributory social assistance to alleviate poverty, and the advent of evidence-based policy-making.

Social assistance for poverty reduction

Latin America underwent a major social policy transformation as social welfare was adversely impacted by economic crises and subsequent market reforms in the 1980s and 1990s. Faced with a debt crisis and devastating depression in the 1980s, often referred to as ‘the lost decade’ (e.g. Ocampo 2004), most countries abandoned import-substitution policies and endorsed market-oriented reforms focused on fiscal austerity, liberalization, privatization and deregulation (Rodrik 1996). Morley et al. (1999) find that the widespread adoption of structural reform packages around 1985 accelerated during the 1990s in a pattern of gradual convergence. By 1995, and in spite of vast differences between countries in both extent and timing of reforms, almost all countries in the region had adopted main elements of structural adjustment reforms. In conjunction with structural adjustment, Latin American countries pursued so-called Washington Consensus reforms, i.e. policy reforms championed at the time by the US Treasury, the World Bank and the International Monetary Fund. Originally outlined in 1989, the consensus presented ten economic reform policies for Latin American countries to
stabilize prices, achieve sustainable growth and make their economies more efficient and competitive (Williamson 1990).

In essence, social assistance came to prominence as social safety nets at the end of the 1980s to ameliorate the worst effects of structural adjustments. A predecessor to CCTs, social investment funds originated in 1987 when the World Bank and the Inter-American Development Bank co-financed the Bolivian Social Emergency Fund. Social investments were conceptualized as social policy assisting the poor in construction and pursued a plethora of different objectives in poor communities. By 1998, similar funds had been implemented in virtually every country in the region (IDB 1998).

It became obvious, however, at the turn of the millennium, that residual social assistance proved inadequate to ameliorate the adverse social situation (Barrientos et al. 2008). Decades of economic reforms had brought discouraging effects on economic growth, poverty reduction, income distribution and social outcomes (Birdsall and De la Torre 2001). Economic growth in Latin America during the pursuit of Washington Consensus-style policies was half of that achieved between the 1950s and 1970s (Serra and Stiglitz 2008). The region ended the 1990s with more than 40 per cent of its total population living in poverty, dire social needs being unmet, and some 50 per cent of all employment in the informal sector (Barrientos et al. 2008; Ocampo 2004).

In response, countries have increasingly focused on non-contributory social assistance, such as CCTs, to enhance social protection. While this latest shift in social policy is rooted in the new development paradigm focusing on poverty reduction (Molyneux 2006), CCTs are, in effect, a result of growing consensus in the mid-1990s of the urgent need for a minimum safety net and the importance of human capital investments to enable exit from poverty (Levy and Schady 2013). The latter partly reflected a general preoccupation at the time with formal education as a prerequisite for economic growth (Hall and Midgley 2004), and partly the well-established notion that the region’s growth and development lag behind that achieved in Asia primarily due to its pronounced human capital deficit (e.g. Birdsall et al. 1995). In essence, CCTs realized the concept of ‘safety nets with springboards’ by merging short-term social protection with long-term poverty reduction through human capital investments (World Bank 2001). Furthermore, CCTs’ focus on intergenerational transmission of poverty through human capital investments, arguably, places the programmes within the larger social investment paradigm being pursued simultaneously in Europe and Latin America (Jenson 2010).

The emphasis on non-contributory social assistance programmes has produced a significant shift in the positioning of social policy, which has come to occupy a central role in countries’ political and economic development (Barrientos et al. 2008). This is evident also in a country like Venezuela, which has supported the poor through a series of emergency, community-based social assistance programmes (Social Missions) rather than large-scale CCT-programmes (Daguerre 2011). However, several studies find that CCTs are not well integrated in comprehensive social policy frameworks (e.g. Bastagli 2009; Fiszbein and Schady 2009). Despite gradual increases in social assistance provision, public social expenditure remains heavily focused on social
insurance. Some authors warn that CCTs reinforce targeted poverty reduction rather than redistribution in social policy (Valencia Lomelí 2008), and largely fail to address the region’s distributional conflict (Teichman 2008). While the new trend of increased social assistance has been found to weaken the region’s traditional link between formal employment and social protection (Barrientos 2009), CCTs have, to date, not significantly altered the overall liberal direction and low redistributional impact of the region’s welfare regimes (Martínez et al. 2009).

Lastly, and of particular interest here, CCTs do not belong to a homogenous model. While countries’ heterogeneous designs and implementation procedures are partly the result of adaptations to particular contexts, they also reflect policy priorities in a trade-off between seemingly incompatible goals that may lead to paradoxical outcomes (Soares and Britto 2007; Bastagli 2009; Handa and Davis 2006; Cecchini and Martínez 2012; Madariaga 2009).

Evidence-based policy-making

In parallel, CCTs should be put in the context of a paradigmatic shift during the last decade towards evidence-based social policy-making. This shift has been referred to as the New Development Economics (Rodrik 2008; Ravallion 2008). A major driver of this shift, the Jameel Poverty Action Lab (J-PAL) was established in 2003 at the economics department at the Massachusetts Institute of Technology (MIT). It constitutes a global network of researchers committed to using randomized evaluations in poverty reduction efforts. Randomized control trials (RCTs) or social experiments were initially promoted in critique of development policy inefficiency, to enable policies to be based on ‘hard evidence’ rather than fads (Duflo and Kremer 2003). Imported from evidence-based medicine, RCTs randomly assign beneficiaries in control and treatment groups and subsequently compare intervention effects between the two groups. They provide a comparatively simple and effective solution to the counterfactual problem, and have frequently been promoted as the most rigorous evaluation technique, superior to all other methods (Bamberger et al. 2010). With regards to their application in social policy, Duflo and Kremer (2003: 32) even claim, ‘Just as randomized trials for pharmaceuticals revolutionized medicine in the 20th Century, randomized evaluations have the potential to revolutionize social policy in the 21st’.

Promoters of randomized evaluations continuously champion CCTs, particularly Mexico’s Progresa programme, referred to as ‘one of the first demonstrations of the persuasive power of a successful randomized experiment’ (Banerjee and Duflo 2011). Already in 2003, Duflo and Kremer (2003) argued that CCTs followed their suggested route of multiple replications of trials in different contexts, by adapting replications of Progresa in different countries. Thus, the central role of CCTs in regional social policy during the 2000s could partly be explained by the promotion of the programmes’ ‘hard evidence’.

The limited scope in this article prohibits a comprehensive account of the continuing debate on evaluations. It is, however, important to highlight the fact that existing evidence on CCTs provides limited knowledge for future social policy-making. It pertains almost exclusively to short-term average
effects in localized contexts with limited external validity, and hence provides information neither on distributional effects nor long-term impact (e.g. Cecchini and Martínez 2012; IEG 2011; Deeming 2013). Furthermore, CCT-evaluations have largely ignored analyses and tests of programme theory, i.e. the underlying rationale behind the interventions, why they are needed in the first place, and why and how they are expected to have an impact (Ravallion 2008; Bamberger et al. 2010).

**Policy Context: Asignaciones Familiares in Uruguay**

Uruguay has developed a comparatively strong welfare regime dating back to the 1920s, initially covering large portions of the urban population with social insurance and associated health and educational benefits. However, significant levels of informal employment and limited provision of social assistance resulted in stratified universalism, or a welfare approach that combines universalism with stratification of social benefits according to occupational status (Filgueira 1998).

In the late 1980s and particularly in the 1990s, the historically solid social security system was directly affected by the region-wide promotion of market-oriented reforms that sought to minimize the social role of the State (Barba 2004). Yet, the adopted reform strategy was comparatively moderate with heterogeneous interventions in different social policy areas. During the 1990s, targeted and means-tested social programmes were frequently implemented in a mix between public and private provision that lacked connection to universal policies (MIDES 2008).

The severe economic crisis of 2002 resulted in a critical social situation and poverty reached some 31.9 per cent in 2004 (INE 2005). In 2005, Frente Amplio (FA) became the country’s first left-wing coalition to win a national election. Once in government, FA immediately pursued a restructuring of the social protection system to reach universal coverage (Lagomarsino 2009). Three main social policy reforms were implemented. First, it restored labour market regulation by reinstating collective bargaining through wage councils, promoting employment formalization, and stipulating increased national minimum wage. Second, it implemented a set of reforms to improve efficiency and equity in the health system and increase public investments in the education sector. Lastly, it implemented two development strategies to enhance social protection, the Emergency Plan (Plan de Emergencia – PANES) and the ongoing Equity Plan (Plan de Equidad).

**Emergency Plan – PANES**

PANES was implemented between April 2005 and December 2007, targeting the 20 per cent poorest households in Uruguay, or some 8 per cent of the total population. It was designed as a temporary public strategy in response to social emergencies caused by the economic crisis (Arim et al. 2009). To supplement beneficiaries’ income and facilitate their social inclusion, PANES provided Ingreso Ciudadano (IC) – a cash transfer, alimentary support and educational and public works programmes. IC was, in essence, a CCT
programme with transfers equivalent to some 30 per cent of beneficiaries’ household income. Evaluations show that IC reduced the incidence of extreme poverty by 30 per cent, while having minimum effects on poverty reduction. Furthermore, PANES had no effects on school attendance and conditionality was never monitored. By the end of 2007, there were a total of 83,000 beneficiary households enrolled in the plan (Amarante and Vigorito 2012).

Equity Plan

The Equity Plan launched in 2008 seeks to fundamentally transform Uruguayan social protection to adequately cover risks related to poverty and exclusion in an integrated and inclusive system. The plan is based on the notion that households with children are most adversely affected due to inadequate public social protection, insufficient labour incomes and education levels. In spite of increased enrolment in secondary education, the plan recognizes that continuously high drop-out rates constitute a major problem in need of immediate attention (Consejo Nacional de Coordinación de Políticas Sociales 2007).

One of its main objectives is to integrate historically fragmented social policies and programmes. It outlines a strategic approach to obtain equity in access to universal services and provide basic social assistance to progressively include all Uruguayans living in poverty and social exclusion. Hence, targeting is specifically used to achieve universalism by incentivizing excluded Uruguayans to exercise their social right to universal basic services (Consejo Nacional de Coordinación de Políticas Sociales 2007: 16, 19–20).

The Equity Plan is structured around AFAM, its star cash transfer programme, with a number of complementary interventions addressing social vulnerability. These include food transfer cards, infant and child care centres, as well as several programmes promoting labour market and educational reinsertion. AFAM provides monthly transfers conditional upon school attendance and health check-ups. Based on one of the oldest CCTs in the region dating back to 1942, AFAM in the Equity Plan is the result of several reforms in effect converting the traditional programme from a contributory family allowance for formal workers, to a non-contributory transfer addressing poverty and exclusion. According to official document and legal texts, AFAM is first of all conceived as social assistance or poor relief to the most vulnerable households with children and/or adolescents. The transformation of AFAM has focused on three major changes. First, to increase transfer amounts to revert its ‘very small or non-existing impact on poverty and indigence’ (Consejo Nacional de Coordinación de Políticas Sociales 2007: 38). Second, to incentivize school retention among adolescents through an additional 300 pesos for continued secondary schooling. Third, to ensure that AFAM plays a fundamental role in the construction of a social assistance network that enhances social integration.

Through gradual expansion, the programme has accomplished a nationwide coverage of some 62 per cent of all children and adolescents aged under
AFAM covers more than 84 per cent of Uruguay’s poor households, the highest targeting rate in a recent study of 15 CCT-programmes (Stampini and Tornarolli 2012).

At the time of writing, results from ex-post impact evaluations have yet to be published. Existing ex-ante simulations find the reformed AFAM to have positive albeit moderate impact on specific development parameters. Amarante et al. (2009) estimate a 6–8 per cent positive impact on school attendance among teenagers, significant reductions in extreme poverty, but only marginal effects on poverty incidence and inequality. Based on a micro simulation model, Amarante et al. (2011) conclude that the programme causes a moderate decrease in inequality. Stampini and Tornarolli (2012) estimate that Uruguay’s poverty gap (i.e. intensity of poverty or mean shortfall from the poverty line) would have been some 95 per cent higher without AFAM. More troubling, general household survey data indicate little or no progress in terms of secondary school retention (INE 2012).

Methods

This case study of AFAM in Uruguay was undertaken during a four-year research project that entailed field work conducted in Montevideo between 2009 and 2012. The case study method was selected to provide detailed examination of the hybrid approach in AFAM’s design in order to develop historical explanations that may be relevant to other CCT-programmes (George and Bennett 2005). The approach used is exploratory in the sense that it analyses the plausibility of critical assumptions (Coryn et al. 2011), and seeks to identify and analyze unanticipated consequences of purposive policy actions (Portes 2010). The qualitative analyses are largely based on data from semi-structured, personal interviews with purposively sampled programme managers and beneficiaries. Purposeful sampling was applied to recruit participants who had personal or professional experience of AFAM, and would yield an in-depth understanding of paradoxes in hybrid social assistance (Patton 2002).

In the first stage, a set of initial interviews with key informants at the Universidad de la República and Ministry of Social Development (MIDES) led to ten semi-structured, personal interviews in Montevideo in September and October 2009. Using snowball sampling (Patton 2002: 176), I interviewed three Directors of Banco Previsión Social (BPS), three Directors of MIDES, and four researchers at Universidad de la República directly involved with the design and evaluation of AFAM. This first set of interviews focused on contradictions in the hybrid programme design and implementation of AFAM, and were subsequently openly coded in the Nvivo software to identify a broad range of relevant factors.

The second stage involved extensive review of policy documents as well as interviews with programme beneficiaries to further illuminate ambiguities and paradoxes revealed in the interviews with programme managers and evaluators. During March, April, and November 2010, I conducted 24 semi-structured, personal interviews with beneficiary mothers in their homes (except for two interviews conducted in a women’s shelter and a café,
respectively). With the specific consent of the Department of Monitoring and Evaluation of MIDES, beneficiaries were purposively sampled from the AFAM beneficiary database using maximum variation sampling (Patton 2002: 235), according to the characteristics of single versus both parent households, formal/informal employment, different levels of education, different age-groups of their children, and different residential zones or barrios in Montevideo. The interviews focused on programme parameters that beneficiaries deemed contradictory or limiting. After basic coding in Nvivo, the interviews were selectively coded across cases to identify thematic nodes with potential programme ambiguities and paradoxes.

During the third stage, I conducted semi-structured, personal interviews with six of the seven original members of the commission responsible for designing AFAM within Uruguay’s development plan (Plan de Equidad). These members were purposively and opportunistically sampled (Patton 2002: 179) in 2012, once the important role of the commission’s work in AFAM’s design had unfolded. They were being asked to elaborate on commission procedures, major decisions and their underlying rationale, with particular focus on the found paradoxes. These interviews were coded thematically and then cross-analyzed for comparison between the different members’ accounts. This approach enabled further understanding of different positions held by each member, of the main factors behind resulting compromises and priorities, as well as unanticipated consequences of their decisions. Subsequently, I analyzed household survey data from the Encuesta Continua de Hogares, covering the period between 2009 and 2012, and relevant research studies and reports in order to identify potential perverse effects of the revealed paradoxes.

Analysis

Policy ambiguities and paradoxes

There is an underlying ambiguity in the conceptualization of AFAM as both a targeted cash transfer and a first step towards universal income support (Consejo Nacional de Coordinación de Políticas Sociales 2007: 35–7). The simultaneous pursuit of compensatory social assistance to alleviate poverty and targeted, long-term human capital investments have produced contradictions and shortcomings. These are most evident in terms of the programme’s exit rules and conditionality.

Contradictory exit rules. One of AFAM’s three main objectives is to incentivize secondary school retention. Under the age-based exit rule, financial support is automatically withdrawn once adolescents turn 18. This automatic exit is problematic in terms of human capital investments since it takes place regardless of whether or not beneficiaries have completed the secondary education cycle:

‘For instance in my case, my oldest son wants to continue to study but it makes things difficult for me. It would be great if AFAM support continued, but since he is studying and soon turns 18 I will not receive the allowance for him, but he wants to continue.'
You see, it makes it difficult for me. That is one thing I would like, that AFAM would continue . . . he is repeating the fourth year and more than anything I would like for him to continue to receive the allowance.’ (beneficiary 2)

It is, in fact, particularly problematic in Uruguay, which has Latin America’s highest repetition and delayed schooling rates. Only 64.2 per cent of students aged between 12 and 17 finish their studies on time and some 19 per cent of lower secondary school students repeat a school year, far above the 5 per cent average in Latin America, the region with the highest repetition rates. Hence, the age-based exit rule seems to create an apparent conflict between social protection and human capital investment goals: a cash transfer programme intended to incentivize human capital investments with exit rules that ignore completion of educational cycles.

AFAM’s executing agencies routinely monitor programme eligibility based on participating household’s income status and withdraw support from those whose income has surpassed a stipulated threshold:

‘Recently we exited some 15,000 families from the programme due to changes in their living conditions. Evaluations of eligibility based on income has been frequent and we are developing an update procedure that includes home visits. This has been important since nobody would like to make targeting errors because of political consequences. Especially if you make errors on inclusion, the Minister of Finance, not to mention the opposition, would seriously question the programme.’ (member 2)

Paradoxically, while programme eligibility hinges upon proxy means testing taking into consideration several dimensions of poverty and vulnerability, exit from the programme is based on income thresholds alone. This exclusive use of income thresholds is particularly problematic in Uruguay, where vulnerability and socio-economic poverty transcend an income-poor classification. For instance, Midaglia et al. (2012) find that over 76 per cent of residents in the nation’s capital, Montevideo, live in vulnerable situations with low education, yet they are classified as non-poor in terms of income.

Exiting beneficiaries based on income status during one particular time period is also logically inconsistent with long-term aspects of the programme. This indicates an inherent conflict between the simultaneous goals of social protection and investment in social assistance programmes: targeted beneficiaries are removed from the programme once their income rises above stipulated thresholds, irrespective of household poverty and vulnerability in other dimensions and over time.

Inconsistent role of conditionality. Although Law 18.227 on AFAM requires enforcement of stipulated conditionalities, actual compliance with school attendance has to date not been enforced:

‘One of my sons is fourteen years old and he repeated first year without finishing. This year he did not want to study and last year he went until the month of August when he stopped going . . . my other son is 18 years old and studies . . . I receive AFAM for both of them because they still have not . . . that is, they continued making the transfers but he left school . . . ’ (beneficiary 6)
Furthermore, BPS’ monitoring procedures are based on beneficiaries’ status of annual enrolment rather than actual attendance:

‘Nowadays for example, I go in July to request a certificate that she is studying at the lycee, bring the paper and they guarantee transfers for the rest of the year. If she leaves the lycee, I will continue to receive the transfers and they do not require that you bring another paper . . . either students attend or only enrolled in school in March not to lose AFAM. Many children receive AFAM and do not go to school.’ (beneficiary 16)

This focus on enrolment seems misdirected since access to secondary education is near universal at some 93.5 per cent (INE 2012), and the problem is desertion rather than enrolment.

The lax enforcement of conditionality contrasts with other CCTs in the region that often pride themselves on technically advanced monitoring systems. It should be noted that this study is not concerned with the virtues of conditional versus unconditional cash transfers in developing contexts. Rather, the focus here is on the inconsistent role of conditionality in AFAM: conditional incentives are not being enforced according to legal requirements, and monitoring is misdirected towards enrolment rather than actual attendance.

**Principal driving factors**

The findings above suggest that policymakers and programme developers must prioritize between the two overriding goals and make significant compromises in designing and implementing a CCT-programme. The puzzling question becomes: How and why did AFAM become a programme that targets more than half of the country’s children; without monitoring and enforcement of legally required conditionality of school attendance in spite of offering additional monetary incentives for retention in secondary education; and that has contradictory exit rules that potentially undermine schooling? Based on qualitative data obtained in interviews, I argue that four principal factors have driven the programme’s paradoxical design and ambiguous implementation: different social policy positions among group members; an immediate operational crisis; an incomplete diagnosis and residual role of the educational drop-out problem; prevailing political economy constraints and opportunities, and the historical legacy of AFAM.

**Different social policy positions along the universal versus targeting continuum.** Members of the commission held different positions along a continuum of a targeted transfer and a universal family allowance. Members who advocated targeting generally referred to the government’s agenda for redistribution favouring the poorest, and preferred increasing transfer amounts to the poorest rather than wider coverage of other social strata. However, a few among those advocating a targeted transfer saw it as a necessary first step towards a universal transfer.

Some of the proponents of a *semi-universal solution* that would exclude only the richest strata argued that a permanent allowance alongside improved educational quality would reduce prevalent social protection segmentation.
Members who proposed a *universal solution* argued that only the inclusion of the middle- and upper-classes could enable a progressively financed programme with substantial transfer amounts:

‘*The government has plans to redesign AFAM into a universal family allowance for every child in Uruguay. This is the only way to include the middle and upper classes so as to secure their buy-in into increased progressive taxation that would finance the programme.*’ (member 5)

In fact, BPS desired a universal AFAM but receded that position due to lack of time to build consensus:

‘*The alternative to universalise AFAM was not concretised due to two main restraints. Firstly, there was a lack of time to discuss the initiative in depth within the ruling coalition and unite the entire party. Secondly, because it was deemed necessary to obtain a wide political backing of the new law, including the opposition.*’ (member 4)

Lastly, some among those advocating a universal transfer perceived AFAM as a first step towards a universal basic income. This option was discussed briefly within the group, but was immediately disregarded since it had limited support in the ruling coalition and was deemed infeasible based on initial cost estimates.

**Immediate operational crisis.** The transition from PANES to the Equity Plan provided the government and the commission with an immediate operational crisis: at the completion of PANES, thousands of Uruguay’s poorest households covered by IC were to be without social safety net and income supplements. Poverty rates remained high in 2007 and 2008, in spite of having decreased substantially since 2005, and all members realized the importance of continued transfers to the poorest:

‘*The debate concerning the design of the transfer was fundamentally shaped by the termination of IC under PANES and the fact that we were facing a very concrete problem to solve as some 83,000 households were to be left without any transfers.*’ (member 2)

**Incomplete diagnostic and residual role of the educational problem.** In contrast to other CCTs in the region, human capital is rarely mentioned in AFAM’s any preparatory and legal texts:

‘*I once again reiterate that the term human capital and theorisation based on this concept was present neither in the commission’s discussions nor in any documents we produced.*’ (member 3)

In fact, none of the interviewed members ascribes any credibility to human capital theory and there was no profound discussion on the role of the transfers in increasing school retention. Rather, educational conditionality has historically been part of AFAM and was simply copied into the new design for
political purposes. The additional transfer amount for secondary education was put in to satisfy concerns about endemic drop-out, and to test whether the extra amount could actually incentivize retention by further reducing beneficiaries’ associated educational costs. All members reveal that they understood perfectly well the limited impact of AFAM on schooling and thought that other educational programmes in the Equity Plan would target necessary supply-side reforms:

‘The Equity Plan contemplated educational initiatives to enhance retention for which AFAM was simply a support. The problem was that not all components of the plan were implemented, hence we ended up with AFAM but without larger changes in the educational system.’ (member 3)

At any rate, the commission had no mandate to meddle in larger educational reforms debated at the time. However, some of the members did state that they initially thought that AFAM-induced demand could incentivize supply-side reforms and drive the educational sector to make important changes in the supply of education; something they regrettably note has not taken place:

‘Some of us thought that AFAM’s pressure could introduce important changes by “domesticating” the educational sector to accept important modifications. Of course, this did not happen and with time I realised that our position was naïve.’ (member 1)

Furthermore, the integration between AFAM and other educational programmes outlined in the Equity Plan has not been implemented:

There is a lack of integration with other educational programmes. There is in my opinion much more juice to squeeze out of AFAM. But it has unfortunately become that which we did not want: a monetary transfer “pure and simple”.’ (member 6)

Political economy constraints and historic legacy of AFAM. AFAM was redesigned and implemented under tight budget restrictions and the Equity Plan required a wide political consensus, particularly since IC under PANES had stirred some controversy and opposition. Certain compromises were deemed necessary in order to secure unanimous support. This partly explains the choice of a targeted approach:

‘Yes, different scenarios of universalization of AFAM were discussed but the targeted option was selected in order to maintain the distributive effect towards the poorest, in addition to the fact that there were budget restrictions and we would otherwise have to politically justify why spending millions on the richest quintile under such restrictions.’ (member 2)

AFAM’s original design features of conditionality and exit rules remained intact for political convenience to ensure political buy-in by the opposition, as well as the population at large who was already accustomed to the institutionalized and widely accepted AFAM programme:
‘AFAM has got the exit rule at age 18 simply because the traditional AFAM’s rules were copied and pasted into the reformed programme. Instead we focused on targeting, transfer amounts and such issues.’ (member 6)

Conditionality played a minor role in the group’s preparation work, thought of as a remnant from the traditional programme that could be removed in the future as educational services improved. Concrete rules, monitoring and enforcement of conditionality were not discussed since they were perceived to undermine the goal of universalization of the use of basic services:

‘There was never any intention to monitor and enforce conditionality, only annual controls when children re-enrol in the new school year. The objective has never been to reject beneficiaries on the basis of non-compliance.’ (member 4)

There were also political gains with keeping conditionality:

‘It was understood that keeping conditionality in the programme design avoided accusations from the political right that the ruling left coalition simply hands out money.’ (member 1)

‘Even today, it is more important to calm liberal and conservative critics than it is to develop conditionality as an instrument.’ (member 2)

This indicates that AFAM’s ambiguous use of conditionality, in contrast to the unanticipated consequences of the exit rules, was indeed intentional. In spite of being stipulated in the law to be monitored and enforced, it was to be neglected in practice.

In terms of heterogeneous CCT-models (Bastagli 2009; Cecchini and Martinez 2012; Madariaga 2009), the conflicts, contradictions and ambiguities found in AFAM’s design and implementation could be further explained by the fact that it constitutes a hybrid between different models. First and foremost, it is a star programme within the Equity Plan, an integrated systems approach to poverty reduction and social exclusion, similar to Chile’s Solidario programme. Yet, AFAM itself follows a model used in Brazil’s Bolsa Familia that primarily works to ensure a basic compensatory income for the poorest. However, rather than using flat benefit rates customary in programmes following this model, AFAM also contains main features of a third model. Like Mexico’s Progresa/Oportunidades, AFAM provides higher transfer amounts for retention at the secondary school level in an effort to incentivize the use of educational services.

Such typology must, however, be cautiously applied to the case of Uruguay where AFAM, in contrast to IC under PANES, was never modelled after CCTs in the region:

‘PANES was partly influenced by CCTs in the region, whereas AFAM was not. It was not a copy of CCTs and there was rather a convenient political opportunity to close in towards CCTs.’ (member 4)
Rather, the group sought to restructure the traditional AFAM programme and was, therefore, primarily influenced by the institutional social policy context in Uruguay:

‘Most importantly, a reformed AFAM was selected for political reasons. To minimize political resistance and opposition, which had been the case with PANES, we selected a well-known, historical programme.’ (member 6)

Thus, in addition to an inherent incompatibility between CCTs’ twin goals of income maintenance and educational investments discussed in CCT-literature (e.g. Handa and Davis 2006), ambiguities and paradoxes found in the design and implementation of the AFAM-programme could be at least partly attributed to the factors analyzed above.

Discussion

The qualitative policy analysis of AFAM in Uruguay presented above corroborates existing research pointing to contradictions in CCTs’ hybrid design. The study finds an inherent incompatibility in the simultaneous pursuit of poverty and human capital investment objectives. Social policymakers are faced with a trade-off and prioritization of one goal to the detriment of the other produces contradictory principles in programme design, particularly in terms of exit rules and conditionality. In the case of AFAM, exit rules based on age and income are contradictory to the goal of human capital investments that requires completion of educational cycles. AFAM’s paradoxical design is subsequently traced to a set of driving factors of informative value to analyses of other CCT-programmes. Thus, while it evaluates policy paradoxes of AFAM in the Uruguayan context, research findings presented here offer practical insights for the design and implementation of other CCT-programmes. They are particularly relevant to CCT-research since the analysis presented here pertains to a programme that is in fact embedded in a social protection plan that seeks to systematically integrate income support and educational investments.

These findings have wider social policy implications and provide formidable challenges to the continuing paradigmatic shifts towards noncontributory social assistance and evidence-based social policy-making. First, they question the adequacy of social assistance as a preferred social policy instrument for long-term poverty reduction through human capital enhancement. No doubt, CCTs have accomplished a tremendous feat in including the historically excluded in basic social protection, thereby alleviating short-term poverty. The problem rather lies with the programmes’ expected long-term capacity to enable a break in intergenerational transmission of poverty, simply by adding a conditional human capital incentive to income support traditionally provided by social assistance programmes. This alleged capacity to enable social mobility is based on some rather dubious assumptions and seems even less convincing in light of the incompatibility dilemma presented in this case.

Second, and closely related, findings in this qualitative research study underline the need for policy evaluations to move beyond localized evidence
on selected treatment effects and further test programme theories and their underlying assumptions. These have until recently been ignored in evidence-based policy-making processes, particularly in CCT-impact evaluations where the programmes’ social policy implications largely remain a black box.

*Unintended consequences and perverse effects?*

Of further importance to future research on CCTs’ social policy implications, the analysis presented above suggests that there are unanticipated consequences of CCTs’ paradoxical hybrid approach (Portes 2010; Merton 1936), with potential perverse effects on programme outcomes and future social policy. It is here argued that AFAM-commission’s decision to copy age-based exit rules from the traditional AFAM programme in order to obtain political support, and recent enforcement of income-based exit rules to avoid political opposition may unintentionally lead to a reproduction of secondary school desertion.

Based on data obtained in interviews with beneficiaries, the age-based exit rules are likely to have perverse effects on school retention due to the prevalence of grade repetition in the Uruguayan education system: several interviewed mothers complained about the fact that AFAM age-based exit rules ignore the fact that their children often repeat grades and are therefore unable to complete education cycles on time. As discussed in the analysis section above, the interview with member 2 of the AFAM-commission revealed recent efforts to enforce income-based exit rules to avoid political opposition to the programme. These efforts essentially have two unanticipated consequences that negatively impact school retention: they potentially undermine the human capital investment objective as beneficiaries are being withdrawn without regard for their children’s educational status, and some families exiting the programme due to increased income remain vulnerable in other dimensions of poverty and social exclusion that have been found to negatively impact school retention in Uruguay (Sandberg 2012).

Admittedly, both repetition and drop-out are systemic problems that go beyond the binary classification of poor versus non-poor: some 73.4 per cent of Uruguayans aged over 25, regardless of poverty status, have not finished secondary school and some 20 per cent of 12–29 year olds in the highest quintile abandoned secondary school in 2011 (INE 2012). However, repetition is most prevalent among AFAM-beneficiaries where 40.5 per cent of poor boys between 12 and 17 years repeat their studies (Aristimuño and De Armas 2012). Hence, as specifically pointed out by interviewed beneficiary 2, a large group of beneficiaries are inhibited from graduating secondary school on time at age 18 and are therefore likely to drop out in anticipation of, or at, the 18-year mark, since they cannot afford to continue without the cash transfer. This outcome seems at least the one logically derived at under CCTs’ underlying assumption that associated costs constitute a bottleneck to secondary school retention and in light of the fact that recent studies find repetition to be the strongest predictor of future school desertion in Uruguay (Aristimuño and De Armas 2012).

Lastly, the analysis on driving factors presented above suggests that AFAM’s hybrid approach is likely to have perverse effects on future social
policy. As pointed out by interviewed AFAM-commission members, the lack of complementary supply-side reforms and integration with other educational programmes has resulted in an unintended monocausal approach to educational drop-out. This approach is highly insufficient in Uruguay’s segmented secondary education system and is not grounded in empirical studies that find drop-out to be principally an economically demand-driven problem. Several interviewed mothers in this study claim that their children drop out of school due to lack of motivation or interest. This notion is supported by recent research on school desertion where household survey data show the strongest reasons (some 45 per cent) for dropping out of secondary school are ‘lack of interest’ and a ‘desire to learn other things’ (INE 2012). Thus, endemic educational drop-out rates in secondary education, arguably, owe more to other factors, such as disadvantageous social inheritance and inequalities in early child development, supply-side asymmetries and poor educational quality in the Uruguayan system where teachers’ salaries are among the lowest in the region, classes averaging 31 students are among the largest, and school hours are the fewest (Aristimuño and De Armas 2012: 18). This suggests that monetary incentives cannot solve the problem of educational drop-out in the absence of supply-side reforms that enhance educational quality.

While CCTs have been generally criticized for the insufficiency of this monocausal approach to human capital enhancements, it may furthermore have perverse effects on future policy. In essence, the unintended monocausal approach to the problem of school drop-out impacts future policy-making on two levels. On a policy level this could potentially produce crowding out effects whereby other educational reforms are foregone under budget restrictions. The interviews conducted with AFAM-commission members in this study suggests that such crowding out may occur in situations where integration between educational reforms is limited and there is an absence of cost-effectiveness analyses of CCTs and other types of interventions to identify the most effective instruments to combat desertion.

On a symbolic level, the monocausal approach shifts the focus of the educational problem from proven structural and supply-side deficiencies to families’ demand for educational services. This may cause policy inertia in an erroneous perception that CCT-programmes such as AFAM will solve the drop-out problem, hence providing political legitimacy for incomplete educational reforms and investments. This effect would be unfortunate since the Uruguayan state has historically not been able to ensure equity in opportunities in spite of educational expansion.

Future research should seek to determine the validity of the argument presented above by analyzing the extent to which unanticipated consequences of policy contradictions in different CCT-programmes have created perverse effects on educational retention.

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Note
1. The 17 barrios covered include Manga, Las Acacias, Piedras Blancas, Marconi, Maroñas, Buceo, Unión, La Teja, Casabo, Colón, Sayago, Punta de Rieles, Ciudad Vieja, Centro, Nuevo Ellauri, Villa Muños and Cordón.

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