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Does the form of delivering incentives in conditional cash transfers matter over a decade later?*

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Abstract

We study whether Honduran children exposed to a conditional cash transfer program from 2000-2005 experience lasting effects on human capital and labor market outcomes in early adulthood. The government randomly assigned three forms of delivering program benefits across targeted municipalities: demand (vouchers), supply (clinic and school subsidies), and a combination of both. This program provides an opportunity to explore if and how differential exposure to incentives produces longer term effects. Using municipal-level panel data, these effects are estimated using difference-in-differences. We find that the form of delivering cash transfers influences the degree to which these programs make progress towards their objective of reducing future poverty. Compared to municipalities receiving support from the Honduran Poverty Reduction Strategy, our study indicates that exposure to demand-side incentives individually has no lasting impact. However, joint exposure to both demand- and supply-side incentives does lead to measurable improvements in schooling and labor market participation.

Keywords: conditional cash transfers, long-term effects, demand- and supply-side incentives, human capital, labor markets.

JEL Classification: O12, I25, I28, I38, J20.

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