



# CHILD POVERTY: A ROLE FOR CASH TRANSFERS?

## WEST AND CENTRAL AFRICA

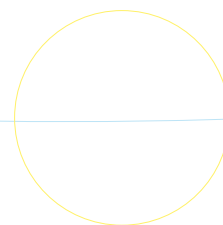
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## LIST OF ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome	MDG	Millennium Development Goal
ATM	Automatic Teller Machine	NAPEP	National Poverty Eradication Programme (Nigeria)
CCT	Conditional Cash Transfer	NFI	Non-food Item
CFA	African Financial Community	NGO	Non-governmental Organisation
COPE	In Care of the Poor (Nigeria)	NHIS	National Health Insurance Scheme (Ghana)
CPS	Planning and Statistics Unit (Mali)	NPC	National Population Commission (Nigeria)
CRS	Catholic Relief Services	NSPS	National Social Protection Strategy (Ghana)
DFID	UK Department for International Development	ODI	Overseas Development Institute
DHS	Demographic and Health Survey	OVC	Orphans and Vulnerable Children
DSW	Department of Social Welfare (Ghana)	PETS	Programme Expenditure Tacking Survey
ECOM	Congolese Household Survey	PRSP	Poverty Reduction Strategy Paper
ELIM	Household Living Standard Survey (Mali)	PSNP	Productive Safety Net Programme (Ethiopia)
ESPS	Senegalese Poverty Survey	RHVP	Regional Hunger and Vulnerability Programme
FCFA	African Financial Community Franc <sup>1</sup>	RPS	Social Protection Network (Nicaragua)
FGT	Foster-Greer-Thorbecke	SCB	Selective Child Benefit
GAPVU	Cash Payments to War-displaced Urban Destitute Households Programme (Mozambique)	SSN	Social Safety Net (Sierra Leone)
GDP	Gross Domestic Product	UCB	Universal Child Benefit
GTZ	German Technical Cooperation	UNICEF	UN Children's Fund
HIPC	Heavily Indebted Poor Countries Initiative	UNRISD	UN Research Institute for Social Development
HIV	Human Immunodeficiency Virus	VAT	Value-added Tax
IFAD	International Fund for Agricultural Development	WCARO	West and Central Africa Regional Office (UNICEF)
IMF	International Monetary Fund	WFP	World Food Programme
LEAP	Livelihood Empowerment Against Poverty (Ghana)		
MCDSS	Ministry of Community Development and Social Services (Zambia)		

<sup>1</sup> The CFA franc has a fixed exchange rate with the Euro: FCFA 100 = €0.152449.



## PREFACE AND ACKNOWLEDGEMENTS

This is one of a series of reports produced by a regional study on social protection and children in West and Central Africa, commissioned by the United Nations Children's Fund (UNICEF) West and Central Africa Regional Office (WCARO) and carried out by the Overseas Development Institute (ODI) in London between November 2007 and November 2008, in partnership with local researchers in the region.

Social protection is now widely seen as an important component of poverty reduction strategies and efforts to reduce vulnerability to economic, social, natural and other shocks and stresses. It is particularly important for children, in view of their heightened vulnerability relative to adults, and the role that social protection can play in ensuring adequate nutrition, utilisation of basic services (education, health, water and sanitation) and access to social services by the poorest. It is understood not only as being protective (by, for example, protecting a household's level of income and/or consumption), but also as providing a means of preventing households from resorting to negative coping strategies that are harmful to children (such as pulling them out of school), as well as a way of promoting household productivity, increasing household income and supporting children's development (through investments in their schooling and health), which can help break the cycle of poverty and contribute to growth.

The study's objective was to provide UNICEF with an improved understanding of existing social protection mechanisms in the region and the opportunities and challenges in developing more effective social protection programmes that reach the poorest and most vulnerable. The ultimate aim was to strengthen UNICEF's capacity to contribute to policy and programme development in this important field. More generally, however, the study has generated a body of knowledge that we are hopeful will be of wide interest to policymakers, programme practitioners and researchers, both in West and Central Africa and internationally.

Specifically, the study was intended to provide:

- A situation analysis of the current situation of social protection systems and programmes in West and Central Africa and their impact on children;
- An assessment of the priority needs for strengthening social protection systems to reduce poverty and vulnerability among children in the region;
- Preliminary recommendations to inform UNICEF's strategy development in the region.

The study combined a broad desk review of available literature, official documents and data covering the region as a whole on five key dimensions of social protection systems, with in-depth case studies in five countries, resulting in 11 reports produced overall. These are as follows<sup>1</sup>:

Five regional thematic reports:

- R. Holmes and T. Brauholtz-Speight (2009) 'Strengthening Social Protection for Children in West and Central Africa';
- G. Handley (2009) 'Fiscal Space for Strengthened Social Protection in West and Central Africa';

<sup>2</sup> Full titles are listed in the references.



- R. Holmes and A. Barrientos (2009) 'Child Poverty: A role for cash transfers?';
- C. Walsh, with N. Jones (2009) 'Maternal and Child Health: the Social Protection Dividend'; and
- N. Jones (2009) 'Promoting synergies between Child Protection and Social Protection'.

Five country case study reports:

- E. Villar and B. Makosso with R. Holmes, N. Jones and P. Perezniето (2009) 'Social Protection and Children in West and Central Africa: Case Study Republic of Congo';
- R. Holmes and E. Villar (2009) 'Social Protection and Children in West and Central Africa: Case Study Equatorial Guinea';
- N. Jones, W. Ahadzie and D. Doh (2009) 'Social Protection and Children in West and Central Africa: Opportunities and Challenges in Ghana';
- P. Perezniето and V. Diallo (2009) 'Social Protection and Children in West and Central Africa: Case Study Mali'; and
- P. Perezniето and A. Fall (2009) 'Social Protection and Children in West and Central Africa: Case Study Senegal'.

A final synthesis report:

- R. Holmes and N. Jones (2009) 'Child-sensitive Social Protection in West and Central Africa: Opportunities and Challenges'.

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We would also like to thank Carol Watson for her valuable editorial support. While we have done our best to reflect the valuable insights and suggestions they provided, we alone are responsible for the final text, which does not necessarily reflect the official views of either UNICEF or ODI. Finally, we would like to thank Roo Griffiths of [www.griffiths-saat.org.uk](http://www.griffiths-saat.org.uk) for copyediting all of the papers.



## EXECUTIVE SUMMARY

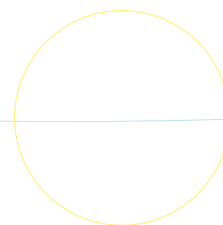
Increasingly, social protection is conceptualised as a set of public actions that address poverty, vulnerability and risk throughout the lifecycle. Such actions may potentially be conducted in tandem with private initiatives – either formal private sector or informal individual or community initiatives. Children’s experience of risk, vulnerability and deprivation is shaped by four broad characteristics of childhood poverty and vulnerability: **multidimensionality**, embracing both monetary and non-monetary aspects of poverty; **changes over the course of the lifecycle**; the **relational nature of childhood** derived from the situation of dependence on adults; and the particular **voicelessness** that characterises children’s status in society.

In view of the particularly severe, multiple and intersecting deprivations, vulnerabilities and risks faced by children and their caregivers in the West and Central Africa region, a transformative social protection framework is adopted for an analytical view that encompasses **protective, preventative, promotive and transformative** social protection measures (Devereux and Sabates-Wheeler, 2004). Operationally, this framework refers to social protection as the set of all initiatives, both formal and informal, that provide **social assistance, social services, social insurance and social equity measures** in an integrated manner that addresses all aspects of poverty and vulnerability as experienced by children.

This report, the third in a series of regional thematic reports produced for a study on social protection and children in West and Central Africa, focuses specifically on one type of social protection mechanism – **social assistance in the form of cash transfers** – and explores how this can contribute to addressing specific risks and vulnerabilities faced by children in the region. There are still very few cash transfer programmes in West and Central Africa: those that exist are recent and often small-scale pilot schemes. Interest in this type of social protection is growing among policymakers in the region, however, partly as a result of positive experiences in other parts of Africa and elsewhere in the developing world.

Such experiences around the world show that cash transfers have a positive impact on the **reduction of monetary poverty** through an increase in household income: this, in turn, reduces children’s poverty both directly and indirectly. Cash transfers enable poor families to invest in their children and thereby contribute to **human capital development**, with evaluations, particularly in Latin America, showing improvements education, health and nutrition. Cash transfers can also help to **reduce violations of child protection rights**, such as the use of child labour, by undermining the economic foundations for these practices. In contributing directly to **household productivity**, cash transfers may create **multiplier effects at the local level** – boosting trade and production at the community level by injecting money into the local economy and adding buoyancy to the local market. In countries that are rich in natural resources, such as oil or minerals, cash transfers also can play a **redistributive role**, ensuring that the poorest deciles of the population benefit from increased national revenues, so helping to reduce inequality and to build social cohesion.

Because the emergence of cash transfers aimed at reducing poverty is a fairly new phenomenon in West and Central Africa, it is still too early to draw lessons from the relatively small programmes that have recently been launched in some countries. No countries have yet established universal social pensions or child benefit programmes. Only four countries (Cape Verde, Ghana, Nigeria and Sierra Leone) have launched more limited cash transfer programmes, focused on households in extreme poverty with vulnerable children, disabled people unable to work and/or old people with no other means of support. At the time this report was being prepared for publication, a new transfer programme, using vouchers, was about to be launched in Burkina Faso by the World Food Programme (WFP). In addition, a few small pilot cash transfer programmes have



been initiated by non-governmental organisations (NGOs) with the support of external funding agencies. Preliminary results of some of these programmes are encouraging, but many challenges remain in both design and implementation, as well as in the cost and capacity implications of scaling-up.

In order to assess the **potential impact of cash transfers** on the reduction of child poverty in West and Central Africa, a set of ex ante simulations was run for three of the five case study countries (Congo, Mali and Senegal), based on household survey data and a set of assumptions regarding programme design. Thereafter, **quantified estimates of the costs of cash transfer programmes** were examined under different scenarios for programme design, with affordability examined in the light of broader fiscal conditions in all five of the case study countries (Congo, Equatorial Guinea, Ghana, Mali and Senegal).

Findings from the ex ante simulations which estimated the potential impacts on poverty of a **universal child benefit** (UCB) and a proxy means-tested **targeted child benefit** in Congo, Mali and Senegal showed that in all three countries the greatest impact on reducing the incidence of childhood poverty and the childhood poverty gap came from a UCB. However, although the impact of the universal transfers may be greater than in the targeted transfer, the high cost associated with a universal benefit makes it an unfeasible option for most low-income countries in the region. A universal transfer may make sense for countries like Equatorial Guinea, with its large and growing fiscal space from oil revenues and high poverty rate (approximately 76%), but for countries like Senegal, Mali or Ghana, the cost of a universal transfer is simply unfeasible, at an estimated cost of 6.4%, 5.9% and 8.7% of gross domestic product (GDP) per year, respectively.

Another option for the low-income countries in the region to consider would therefore be a targeted transfer. Targeted transfers are more cost effective than universal transfers because concentrating resources on the poorest can increase the benefits they receive within the given budget. However, even for Mali and Senegal, the costs of a targeted child benefit to all poor households (with children) may still be prohibitively high. In Mali, the cost of a targeted child benefit using a proxy means test is estimated at 3.2% of GDP – this is equivalent to Mali's total public health expenditure, which accounted for 3.2% of GDP in 2004, or three-quarters of its public education expenditure (4.3% of GDP in 2005). Similarly in Senegal, a targeted child benefit using a proxy means test would cost around 2.5% of GDP, which comes to more than Senegal's entire public health expenditure (2.4% of GDP in 2004) and would cost more than two-thirds of actual expenditure on education (5.4%). This analysis highlights the fact that total budget allocation to the health sector is low in both countries (well below the 15% Abuja Declaration commitment), but also importantly demonstrates the conflict of resources in countries with limited fiscal space. Increased public investment in health care and education is also critical – especially if the impacts of cash transfers on reducing childhood poverty and vulnerability are to be maximised.

There is no easy answer to the decisions about competing needs for resources. In low-income countries, **creating fiscal space** for cash transfers may mean decisions about reallocating resources away from other sectors or programmes. Creating the available fiscal space is as much a political decision as it is a financial one. Any such cash transfer would have to start at a small scale and build up the available fiscal space – in terms of both the number of beneficiaries and the amount of money transferred to households. This raises key questions to be considered about the **size of the transfer** and the **objectives of the potential impacts** on reducing childhood poverty; it also raises issues to do with **going to scale** which need to be considered at the outset, in the very design and implementation of the programme. The implications for scaling-up are not just financial. Instigating **sound, accountable and transparent administrative structures**, both **delivery mechanisms** and rigorous **monitoring and evaluation** mechanisms, from the start is paramount to the success and sustainability of the programme as well as poverty reduction impacts.



# 1. INTRODUCTION AND ANALYTICAL FRAMEWORK

This report is the third in a series of regional thematic reports produced for a study on social protection and children in West and Central Africa. It focuses specifically on how social assistance, and in particular cash transfers, can contribute to addressing specific risks and vulnerabilities faced by children in the region. There are still very few cash transfer programmes in West and Central Africa: those that exist are recent and often small pilot schemes. Interest in this type of social protection is growing among policymakers in the region, however, partly as a result of positive experiences in other parts of Africa and elsewhere in the developing world.

This introductory **Section 1** sets out the analytical framework and approach adopted for the study as a whole, focusing on the multidimensionality of issues to consider in relation to children and social protection. **Section 2** presents a summarised overview of the international evidence on the impact of cash transfers as a mechanism for social protection, particularly with respect to the reduction of poverty and vulnerability among children. **Section 3** then reviews the limited experience to date of cash transfer programmes in West and Central Africa, including a number of small programmes launched by governments (notably in Cape Verde, Ghana, Nigeria and Sierra Leone) as well as a few pilot projects initiated by non-governmental organisations (NGOs) and international development partners.

**Section 4** examines the impact of cash transfers on the reduction of child poverty in West and Central Africa. Since the few existing small cash transfer programmes are very recent, it is not yet possible to draw on the data and conclusions from formal evaluations to undertake such an analysis. Instead, the section draws on a set of ex ante simulations that were run for three of the five case study countries (Congo, Mali and Senegal) as part of the regional study. Based on household survey data and a set of assumptions regarding programme design, these simulations estimate the effects of cash transfers on childhood poverty.

It is one thing to know what the likely effects of a programme will be, but it is just as important to know how much the programme will cost and whether it is fiscally affordable and sustainable. **Section 5** addresses these questions by making quantified estimates of the costs of cash transfer programmes, under different scenarios for programme design, and examining affordability in the light of broader fiscal conditions. This is done for all five case study countries (Congo, Equatorial Guinea, Ghana, Mali and Senegal).

**Section 6** turns to design issues concerning targeting. This assesses the advantages and disadvantages of both targeted and universal approaches, as well as the different types of targeting available in the cash transfer 'toolbox', in the context of the institutional, economic and social conditions of West and Central African countries.

**Section 7** examines the 'demand-side' issues concerning children's access to basic social services in West and Central African countries and the policy issues (including trade-offs in resource use) that arise in those countries where 'supply-side' deficits in availability and quality of services also remain a serious barrier to access. This section also briefly considers issues concerning the conditioning of cash transfers on households' use of basic social services, a variant of cash transfer design that has been prominent in several developing countries, particularly in Latin America.



**Section 8** focuses more closely on the governance and administrative conditions for cash transfers in countries in the region, drawing out the implications for the feasibility and design of such programmes.

Finally, **Section 9** draws together the main points arising from the previous sections, to provide some broad conclusions on the potential impact, costs and affordability of cash transfers to families with children, as well as the preconditions for success and some general guidelines on design issues.

Increasingly, social protection is conceptualised as a set of public actions that address poverty, vulnerability and risk throughout the lifecycle. Such actions may potentially be conducted in tandem with private initiatives – either formal private sector or informal individual or community initiatives. Building on the recognition that poverty has both monetary and non-monetary dimensions, vulnerability and risk are now also recognised as being multidimensional, including natural and environmental, economic, health, social and lifecycle axes. The distribution and intensity of these vulnerabilities are likely to be experienced differently, depending on the stage in the lifecourse (infant, child, youth, adult, aged), social group positioning (gender, ethnicity, class) and geographic location (for example urban/rural), among other factors.

For children, the experience of risk, vulnerability and deprivation is shaped by four broad characteristics of childhood poverty and vulnerability:

- **Multidimensionality** – related to risks to children’s survival, development, protection and participation in decisions that affect their lives;
- **Changes over the course of childhood** – in terms of vulnerabilities and coping capacities (e.g. young infants have much lower capacities than teenagers to cope with shocks without adult care and support);
- **Relational nature** – given the dependence of children on the care, support and protection of adults, especially in the earlier parts of childhood, the individual vulnerabilities of children are often compounded by the vulnerabilities and risks experienced by their caregivers (owing to their gender, ethnicity, spatial location, etc.);
- **Voicelessness** – although marginalised groups often lack voice and opportunities for participation in society, voicelessness in childhood has a particular quality, owing to legal and cultural systems that reinforce their marginalisation (Jones and Sumner, 2007).

The diversity and relational nature of childhood risks are mapped out in Table 1. Health, lifecycle and social vulnerabilities have clearly identifiable child-specific manifestations. Natural/environmental and economic shocks impact children largely owing to the relational nature of childhood poverty and vulnerability. There is, however, also an argument to be made that, as a result of children’s physical and psychological immaturity and their dependence on adult care and protection, especially in early childhood, risks in general affect children more profoundly than they do adults. This suggests both that all types of vulnerability and risk should be assessed through the lens of children’s ‘evolving capacities’ and that it is likely that the most detrimental effects of any shock will therefore be concentrated in infancy and early childhood.

In view of the particularly severe, multiple and intersecting deprivations, vulnerabilities and risks faced by children and their caregivers in the West and Central Africa region, we draw on Devereux and Sabates-Wheeler’s (2004) transformative social protection framework for an analytical view that encompasses protective, preventative, promotive and transformative social protection measures. A transformative



**Table 1: Vulnerabilities - Lifecycle and childhood manifestations**

Type of vulnerability	Indicators	Child-specific manifestation
<b>Natural/environmental</b>	Natural disasters/phenomena/ environmental (human-generated environmental degradation, e.g. pollution, deforestation)	Children more vulnerable owing to physical and psychological, and also possible spill-over economic vulnerabilities, as natural disasters may destroy family livelihoods
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Income (low returns to labour, unemployment, irregular salaries, no access to credit)</li> <li>• Inter-household inequality in access to land, rights and duties related to social standing, gender discrimination (access to productive assets)</li> </ul>	As above + child labour, child trafficking, child sexual exploitation owing to conceptualisation of children as economic assets
<b>Lifecycle</b>	Age-dependent requirements for care and support (infancy through to old age)	Physical/psychological vulnerabilities compounded by political voicelessness
<b>Social</b>	<ul style="list-style-type: none"> <li>• Family composition (high dependency, intra-household inequality, household break-up, family violence, family break-up)</li> <li>• Extra-family violence, social upheaval, social exclusion and discrimination</li> <li>• Gender discrimination (unequal access to productive assets, access to information, capacity-building opportunities)</li> <li>• Social capital (access to networks both within one's community and beyond [bonding and bridging social capital], access to community support and inclusion)</li> <li>• Education/information/literacy</li> </ul>	Family and school/community violence, diminished quantity and quality of adult care, discrimination
<b>Health</b>	Age-specific health vulnerabilities (e.g. infancy, early childhood, adolescence, childbearing, old age), illness and disability	Under three years especially vulnerable, access to immunisation, malnutrition, adolescence and child bearing

perspective relates to power imbalances in society that encourage, create and sustain vulnerabilities – extending social protection to arenas such as equity, empowerment and economic, social and cultural rights. This may include, for example, sensitisation and awareness-raising campaigns to transform public attitudes and behaviour along with efforts to change the regulatory framework to protect marginalised groups from discrimination and abuse.

Operationally, this framework refers to social protection as the set of all initiatives, both formal and informal, that provide:

- **Social assistance** to extremely poor individuals and households. This typically involves regular, predictable transfers (cash or in-kind, including fee waivers) from governments and non-governmental



entities to individuals or households, with the aim of reducing poverty and vulnerability, increasing access to basic services and promoting asset accumulation.

- **Social services** to marginalised groups that need special care or would otherwise be denied access to basic services based on particular social (rather than economic) characteristics. Such services are normally targeted at those who have experienced illness, the death of a family breadwinner/caregiver, an accident or natural disaster; those who suffer from a disability, familial or extra-familial violence, family breakdown; or war veterans or refugees.
- **Social insurance** to protect people against the risks and consequences of livelihood, health and other shocks. Social insurance supports access to services in times of need, and typically takes the form of subsidised risk-pooling mechanisms, with potential contribution payment exemptions for the poor.
- **Social equity measures** to protect people against social risks such as discrimination or abuse. These can include anti-discrimination legislation (in terms of access to property, credit, assets, services) as well as affirmative action measures to attempt to redress past patterns of discrimination.

These social protection instruments are used to address the vulnerabilities of the population in general, but can also be adapted to address the specific risks faced by children as mapped out in Table 2 below. Given the close actual and potential linkages between women's empowerment and child well-being (in what has been referred to as the 'double dividend' in the UNICEF State of the World's Children Report 2007), each of the general social protection measures could also usefully be assessed through a gender-sensitive lens. Namely, to what extent is each social protection addressing gender-specific risks and vulnerabilities and gender barriers to services, supporting women's care responsibilities and ensuring their inclusion in programme design and evaluation?

We also apply analytical elements of both Hickey's (2007) politics of social protection framework and work by the United Nations Research Institute for Social Development (UNRISD) on the political economy of care (Razavi, 2007) in order to better understand the political and institutional context of social protection in the West and Central Africa region. The uptake of general and child-specific social protection instruments will be refracted through existing political institutions, political discourses about poverty and care and possibly path-dependent national social protection systems. Here, we consider factors such as political will on the part of the state to address poverty and vulnerability; the extent to which the intersection between poverty and social exclusion is recognised by the government officials responsible for designing and implementing social protection programmes; and the composition of the labour market, with the differential integration/positioning of men, women and children within it.

Such an analysis aims to identify appropriate policy entry points for engagement with social protection in the region, as well as to identify the processes and opportunities in which social protection can be politically sustainable as a basis for the development (and operationalisation) of a state–citizen contract that has citizenship rights at its centre.



**Table 2: Types of social protection and household and child-specific measures**

Type of social protection	General household-level measures	Specific measures for children
<b>Protective</b>		
Social assistance	Cash transfers (conditional and unconditional), food aid, fee waivers, school subsidies, etc.	Scholarships, school feeding, cash transfers with child-related conditionalities, fee waivers for school, fee waivers for childcare
Social services	Distinct from basic services as people can be vulnerable regardless of poverty status – includes social welfare services focused on those needing protection from violence and neglect – e.g. shelters for women, rehabilitation services, etc.	Case management, alternative care, child foster systems, child-focused domestic and community violence prevention and protection services, rehabilitation services, reintegration services, basic alternative education for child labourers, etc.
<b>Preventative</b>		
Social insurance	Health insurance, subsidised risk-pooling mechanisms – disaster insurance, unemployment insurance, etc.	Fee waivers for health insurance for children
<b>Promotive</b>		
Productive transfers	Agricultural inputs, fertiliser subsidies, asset transfers, microfinance	Indirect spill-over effects (positive and negative)
<b>Transformative</b>		
Social equity measures	Equal rights/social justice legislation, affirmative action policies, asset protection	Legislation and its implementation to promote child rights as victims (e.g. of violence, trafficking, early child marriage, etc.) and as perpetrators (special treatment and rehabilitation services for young offenders), efforts to promote children's voice and agency
<b>Complementary measures</b>		
Complementary basic services	Health, education, economic/financial, agricultural extension	Child-focused health care services; pre-, primary and secondary school; childcare services
Complementary pro-poor or growth with equity macroeconomic policy frameworks	Policies that support growth plus distribution	Policies that support progressive realisation of children's rights in line with macroeconomic growth indicators





## 2. THE ROLE OF CASH TRANSFERS IN ADDRESSING CHILDHOOD POVERTY AND VULNERABILITY

In the past few years, numerous forms of cash transfers have come to prominence on the global policy agenda as a feasible and effective means of reducing poverty and vulnerability, especially among children, even in countries with low administrative capacities (see Table 3). Interest has been further stimulated by the global food price crisis, which hit many West and Central African countries in 2008, pushing more households into poverty, or deeper into poverty, and highlighting the need for social protection for the poorest. This section focuses on the arguments and evidence concerning the positive impacts of cash transfers on poverty reduction and child well-being.

Importantly, design features of cash transfer programmes in relation to aspects such as the target group, size of the transfer, the length and regularity of receiving the transfer and the conditions placed on target groups will have important implications for the impacts of cash-based programmes. Notwithstanding these potential differences, this section discusses six key outcome-level arguments in support of cash transfers to families with children.

**Table 3: Typology of cash transfer programmes, objectives and beneficiaries**

Type of cash transfer to household	Programme details	Main objectives	Main beneficiaries
<b>Conditional cash transfers (CCTs) for human development</b>	Regular income transfers to poor households, tied to behavioural conditions, e.g. school attendance and health consultations	Improve health, nutritional and educational outcomes	Children in poor households
<b>Cash for work</b>	Cash payments for labour to participants in public works projects	Reduce seasonal vulnerability and increase household income to cover basic needs	Able-bodied adults in poor households (and, indirectly, family members)
<b>Unconditional cash transfers</b>	Regular income transfers to poor households, without behavioural conditions	Improve household income to meet basic needs	Poorest households – sometimes those with no available labour
<b>Social pensions</b>	Regular income assistance to the elderly	Provide basic means of subsistence for the elderly	The elderly
<b>Child benefits</b>	Cash grants (targeted or universal) to households with children	Help to meet the basic needs of children (nutrition, access to social services, etc.)	Children
<b>Disability grants</b>	Support for people with disabilities	Support disabled people's access to services and basic needs	The disabled, especially those who cannot work



## 2.1 INCREASE IN MONETARY INCOME

Cash transfers have a direct impact on monetary poverty simply by virtue of the increase in household income that the transfers provide. The level of income transferred varies widely in different contexts. In middle-income countries such as Mexico, for example, the transfer contributes approximately 25% of monthly household income (Oportunidades, 2007, cited in Holmes and Slater, 2007). In South Africa, up to US\$75 is transferred to households a month through the pension scheme and up to US\$30 a month for the child grant (Barrientos and DeJong, 2006; Samson et al., 2006). In low-income countries such as Malawi and Zambia, approximately US\$12-15 a month is transferred (DFID, 2005; Schubert, 2006).

The child support grant in South Africa, which now benefits about eight million children, was found to reduce the incidence of poverty among HIV-affected households by 8% (Booyesen, 2004). Clearly, the programmes transferring smaller amounts will not have the same impact on the poverty headcount, but even small transfers can reduce the poverty gap by raising the incomes of the poorest deciles of the population, and can improve household-level food security and nutrition. The evaluation of a cash transfer programme in Zambia found that, as a result of receiving a transfer, 12% more households consumed proteins every day (MCDSS and GTZ, 2005).

The evidence shows that cash transfers can have positive impacts on reducing children's poverty when the transfers either are targeted directly at children or indirectly affect them by raising household income. Devereux et al. (2005) reviewed a number of cash transfer programmes in Southern Africa (including cash for work, direct cash transfer and pension schemes) and found that vulnerable children were able to benefit from cash transfers even if they were not targeted directly. In this and other evaluations, as in Zambia (MCDSS and GTZ, 2005), cash transfers to households in a number of programmes across Southern Africa were found to be spent mostly on food, clothes and seeds, as well as on meeting the costs of services like education and health.

Pension schemes have also shown a positive impact in reducing child poverty rates, especially in Southern Africa, where the high levels of AIDS-related mortality have left huge numbers of children in the care of grandparents. Pensions are often shared among family members and so contribute to overall income. In South Africa, the most common motivation for pension sharing outside the household is to help with the education costs of relatives living elsewhere (Barrientos et al., 2003). Devereux et al. (2005) found that Lesotho's universal social pension allowed older people as well as the children living with them to increase their food consumption. The relative regularity and predictability of pension income made it possible for pensioners to purchase more expensive and nutritious food such as meat for themselves and their dependants. Pensioners in Lesotho also spent some of their pension to access health services, by paying for transport, consultation fees and medicines.

In short, cash transfers can help accelerate progress towards Millennium Development Goal (MDG) 1 on the reduction of income poverty and hunger. The impact on children is particularly important, both because monetary poverty affects more children than adults (owing to higher fertility rates in the lower income deciles) and because of the crucial importance of improved nutrition for child survival.



## 2.2 HUMAN CAPITAL DEVELOPMENT

The evidence that cash transfers are often used to pay for education and health care demonstrates that cash transfers enable poor families to invest in their children and thereby contribute to human capital development. Contingent on the availability of adequate social services, cash transfers can enable poor families to overcome financial barriers of access to basic social services, with the result that school enrolment increases and dropout rates fall (particularly in the case of girls), and more children from low-income households use health services. Social transfers therefore also help to realise children's rights to education and health care and speed up progress towards the achievement of MDGs 2 and 3 (on education and gender equality) and MDGs 4 and 5 (on child and maternal mortality).

Several evaluations of the CCTs for human development in Latin America have provided powerful evidence of this (see, for example, the comparative assessment of findings in Rawlings and Rubio, 2005). They show that cash transfers improve education levels, especially for girls, and improve vaccination rates and the health status of children and other members of the family, in addition to raising household consumption levels and improving nutrition. Evaluations of Nicaragua's Social Protection Network (RPS) CCT programme found that the regular income transfer was responsible for a 21.7% point increase in enrolment rates among seven to 13 year olds, from a base of 71%, as well as improved health status among children and other household members (Barrientos, 2006). However, as both Rawlings and Rubio (2005) and Barrientos and DeJong (2006) note, it is unclear whether the observed improvements result from the cash, the conditions placed on beneficiaries or both together. Evidence from South Africa's Child Support Grant, which is unconditional, has shown positive impacts from the cash alone, although there has been concern that the amount paid to beneficiaries is not enough to cover the basic costs of childcare (Samson et al., 2006).

### Box 1: Strengthening the position of women in Latin American cash transfer programmes

The design of some Latin American CCTs programmes has given special attention to gender issues (Molyneux, 2007). Mexico's Oportunidades programme, in particular, addresses social inequalities by transferring income to mothers or other adult females in the household; financially encouraging girls' education (and thereby provoking intra-household changes in behaviour towards girls); providing health support for pregnant and breastfeeding women; and promoting the leadership and citizenship of women beneficiaries (Holmes and Slater, 2007).

Oportunidades therefore aims to contribute to 'changing women's roles', and to promote greater participation by women at both the household and community levels. Given the links between women's empowerment and children's well-being, the incorporation of gender-sensitive measures to support

women's empowerment through the design of the programme is important.

As Molyneux (2007) reports 'stipends paid directly to mothers are widely accepted to benefit their households through more equitable redistribution, but in giving women direct control over cash resources, their standing in their communities as well as their leverage within the household can be enhanced ... Women [felt] that their self-esteem and financial security was enhanced as a result of the stipends ... ; they also felt that they acquired more status in their neighbourhoods, with shopkeepers treating them with more respect as they became creditworthy. They appreciated the programme's education and training projects (including health and community leadership) where these were well organized, but they also wanted more access to education and training.'

Sources: Adato (2000); Molyneux (2007).



Several studies in Latin America have also highlighted the positive benefits of design features of CCTs that strengthen the position of women within the household, with attendant beneficial impacts on children's well-being (see Box 1).

Even programmes that are intended primarily to provide work for adults and improve physical infrastructure through public works can have significant benefits in terms of children's nutrition, schooling and health. In Ethiopia, evaluations from the first year of the Productive Safety Net Programme (PSNP), a large cash-for-work programme, demonstrated that the public works created assets which reduced overcrowding in schools and improved the physical conditions in which children studied (Slater et al., 2006). These evaluations also demonstrated that additional household income through the cash payments increased demand in education and health services as a direct result of the PSNP by keeping children in school longer, keeping more children in school and making greater use of health services.

## 2.3 ENHANCED HOUSEHOLD PRODUCTIVITY AND MULTIPLIER EFFECTS

Cash transfers can contribute directly to household productivity and in some contexts may create multiplier effects at the local level (Barrientos and Scott, 2008). Even small cash transfers can make it possible for poor families to invest in assets, take risks in more productive and remunerative activities and purchase inputs such as seeds, tools and fertiliser (Farrington et al., 2007). In the Kalomo cash transfer scheme in Zambia, although the amount of money transferred is small, 29% of transferred income was invested, either in purchases of livestock, farming inputs or informal businesses (MCDSS and GTZ, 2005). There is also emerging evidence that cash transfers boost growth in trade and production at the community level by injecting money into the local economy. This can add buoyancy to the local market by creating demand for a growing range of goods and services, creating multiplier effects that can raise micro-level growth. In Lesotho, for example, it has been estimated that, through multiplier effects, each US\$1 of spending from the universal old age pension stimulates US\$2.1 worth of additional economic activity (RHVP, 2007).

While there is an urgent need to assess more rigorously the impact of social transfers on growth, emerging evidence supports the view that, if designed and implemented effectively, social transfers are capable of strengthening some micro-level outcomes that are intermediate to growth (Barrientos and Scott, 2008). This is an important argument to be made for implementing social protection in the African context, where governments are increasingly concerned about growth stimulation growth and employment creation, often the central focus of 'second-generation' poverty reduction strategy papers (PRSPs).

## 2.4 REDUCTION IN CHILD RIGHTS VIOLATIONS

Cash transfers can help reduce violations of child protection rights, such as the use of child labour, by undermining the economic foundations for these practices. Barrientos (2006), for example, found that the CCT programme in Nicaragua reduced child labour by 4.6% points from a base of 16.1%. Similarly, an ex ante evaluation of the Bolsa Escola programme in Brazil indicated that about 60% of poor 10 to 15 year olds not in school enrolled in response to the programme (Bourguignon et al., 2003). A more recent assessment notes that, although the amount of the subsidy provided to families is less than the expected income from child



labour, 'its dependability, together with the reduction in violence and health problems associated with work in the informal sector, outweighs the loss of income for most families' (Chapman, 2006).

## 2.5 REDUCTION IN INEQUALITY

In countries that are rich in natural resources, such as oil, cash transfers can play a redistributive role, ensuring that the poorest deciles of the population benefit from mineral or oil revenues, so helping to reduce inequality and to build social cohesion (see, for example, Hodges et al., 2007 on Mongolia's Child Money Programme in the context of a mineral boom). This potential benefit of a cash transfer programme could be particularly important in several oil-rich countries in West and Central Africa, some of which are marked by very high levels of inequality and have experienced major internal conflicts.

## 2.6 STRENGTHENED EVIDENCE FOR SUPPORT AND SUSTAINABILITY

Careful monitoring and evaluation of cash transfer programmes is critical in ensuring their sustainability and garnering wider public and political support. Evidence clearly demonstrating that income transfers to poor households are spent on immediate consumption needs and/or invested in productive activities or in children's human capital development help reduce concerns about dependency. Such evidence can show that, as part of a broader poverty reduction approach, cash transfers can be an effective means of empowering and raising the productivity of the poor. It is also important to bear in mind that 'solidarity' is a concept deeply rooted in African societies and culture (see Holmes and Braunholtz-Speight, 2009). In the past, this was informal, based on kinship ties and social obligations. With modernisation and urbanisation eroding these traditional social mechanisms, however, cash transfers are a way of giving 'solidarity' a modern national form that can both provide protection, in the sense of a social safety net, and promote the climb out of poverty<sup>3</sup>.

<sup>3</sup> Personal communication with Anthony Hodges, November 2008.





### 3. CASH TRANSFERS IN WEST AND CENTRAL AFRICA

The emergence of cash transfers aimed at reducing poverty is a fairly new phenomenon in West and Central Africa, and it is too early to draw lessons from the relatively small programmes that have recently been launched in some countries<sup>4</sup>. No countries have yet established universal social pensions or child benefit programmes. Only four countries (Cape Verde, Ghana, Nigeria and Sierra Leone) have launched more limited cash transfer programmes, focused on households in extreme poverty with vulnerable children, disabled people unable to work and/or old people with no other means of support. At the time this report was being prepared for publication, a new transfer programme, using vouchers, was about to be launched in Burkina Faso by the World Food Programme (WFP). In addition, a few small pilot cash transfer programmes have been initiated by NGOs with the support of external funding agencies. This section provides basic information about some of these programmes, beginning with the four government-run initiatives.

- **Cape Verde:** Cape Verde has established two cash transfer programmes: a Minimum Social Protection scheme and Social Solidarity Pensions, which were launched in 1995 and 1992, respectively, providing transfers and free access to basic social services to about 17,000 extremely poor elderly, chronically ill and persons with disabilities (Ministry of Labour and Solidarity, 2006).
- **Ghana:** Ghana was one of the first countries in West and Central Africa to implement a cash transfer programme with an explicit objective to address child poverty and vulnerability. In early 2008, the Ministry of Manpower, Youth and Employment launched a pilot cash transfer programme, called Livelihood Empowerment Against Poverty (LEAP), which aims to supplement the incomes of 'dangerously poor households' through the provision of cash transfers and to link them up with complementary services so that they can, over time, 'leap out of poverty'. Technical support for the design of the programme and related capacity building was provided by UNICEF and the UK's Department for International Development (DFID); the government of Ghana has assumed responsibility for funding the transfers, with additional support from the World Bank to accelerate rollout in response to the food price crisis.

The programme has a complex, multilayered targeting design involving district and community indicators of poverty, human capital and service availability. There are five categories of beneficiaries identified as being among the most vulnerable in society: (i) caregivers of orphans and vulnerable children (OVC); (ii) pregnant and lactating women; (iii) the impoverished elderly; (iv) the severely disabled; and (v) households dependent on fishing and subsistence food crop farming. In the pilot phase and initial roll out however, only the OVC category will be targeted. The transfers are graduated depending on the number of dependents in the household, ranging between Ghanaian Cedis 8 and 15 (US\$6.9-12.9) every two months, and are time bound – meaning that households will only receive the transfers for three years before they are expected to graduate from the programme<sup>5</sup>. The programme was due to reach 53,000 households by the end of 2008 and aims to reach one-sixth of the extreme poor within five years (see Jones et al., 2009).

<sup>4</sup> A number of cash-based programmes exist in West and Central Africa – for example in Congo, Mali and Senegal – where members of the population ask to receive assistance. These programmes are small and ad hoc – only providing the assistance on demand. See the country case study reports for more detail.

<sup>5</sup> Indicators for 'graduation' are relatively vague: 'Beneficiaries whose capacities have improved and can meet their basic needs will be assisted to graduate from LEAP to engage in self-sustaining livelihood activities' (Jones et al., 2009).



- **Nigeria:** A small CCT programme, known as In Care of the Poor (COPE), has been launched by the National Poverty Eradication Programme (NAPEP), using debt relief funds from the Heavily Indebted Poor Countries (HIPC) initiative. It provides cash transfers to extremely poor and vulnerable households, on the condition that adult members attend training sessions, keep their children in school and utilise health services. It has recently started operations with 12,500 beneficiary households in 12 states and the Federal Capital Territory (Hodges, 2008).
- **Sierra Leone:** A pilot cash transfer programme, the Social Safety Net (SSN), was launched in 2007. It is targeted at the elderly and most vulnerable with no other means of support, through the Ministry of Labour. Around Le 200,000 (approximately US\$62) is transferred every six months using community targeting methods through SSN committees (Holmes and Jackson, 2007). The programme aims to reach 16,000 households. Other small-scale cash transfer schemes in Sierra Leone include a cash-for-work programme implemented by the Ministry of Youth and Sports for unemployed youth, ex-combatants and former refugees in the capital city, Freetown. Participants are paid approximately US\$2 a day (Scott, 2008).

An important new programme was being prepared for launching in Burkina Faso at the end of 2008. Designed as a short-term response to the food price crisis (the cost of a basic household consumption basket of cereals, beans, oil, sugar, salt and soap rose 23% between December 2007 and April 2008), the WFP in partnership with the Ministry of Social Action and National Solidarity, the Burkinabe Red Cross and other NGOs, designed a social transfer programme (using vouchers) that aims to assist 30,000 extremely poor households in the two main cities, Ouagadougou and Bobo Dioulasso, or approximately one-tenth of the urban population. Unlike the four programmes described above, this is funded entirely by external agencies and it is as yet unclear whether or how this will become a sustainable mechanism for long-term social protection of the poorest and most vulnerable, or how it could be extended to rural areas (Hodges, 2008).

A few other very small pilot cash transfer programmes have been launched, in some cases with UNICEF support. In Burkina Faso, UNICEF has supported a small pilot cash transfer programme to assist households with children affected by HIV and AIDS, which reaches about 1500 households in five provinces. In the Democratic Republic of Congo, in April 2006, Catholic Relief Services (CRS) carried out a pilot 'cash for household non-food needs' programme in Maniema Province, which concluded that cash or voucher-based transfers were compromised by the lack of a viable market in that part of the country (Bailey and Walsh, 2007)<sup>6</sup>.

In the Mali country case study, Perezniето and Diallo (2009) report on a small pilot project called Bourses Mamans, which has been supported by UNICEF and the local education authorities in Mopti and Kayes, two regions with persistently low school enrolment, with the aim of encouraging school attendance and stemming dropout. Modelled on Brazil's Bolsa Familia programme, it provides women in poor families with a CCT (US\$10 a month) on condition that children enrol in and attend school at least 80% of the school year. It promotes gender equity by providing the grant to more girls than boys. Following best practice

<sup>6</sup> The pilot took place over a four-week period among 40 households. Participants were given the equivalent of US\$15; they could choose to trade their cash for a UNICEF non-food items (NFI) kit including plastic sheeting, cooking utensils, blankets, tools and others. They could also choose to use the cash to purchase items in the nearby market, but were not allowed to purchase food, livestock or caustic/flammable commodities. The results of the study showed that there was not a strong demand for items included in the NFI kit. Participants preferred to receive cash and make purchases at the market since this allowed them to respond more flexibly to their priorities. The NFI kits were not deemed appropriate for the region at the time of the pilot.



examples of CCTs, the grant is given to women on the assumption that they will respect an agreement to use the extra income to benefit their school-aged children. A recent external evaluation commissioned by UNICEF Mali showed that the effect on school enrolment and attendance has been 'real, dramatic and sustained' (Box 2).

### **Box 2: Empowering women, enhancing school attendance - Emerging evidence from Mali**

The Bourse Maman project in Mali is contributing to positive schooling outcomes for children, leading households to adopt modern schooling as a normal pattern for their children, particularly for girls. In addition, the project is helping transform women's lives through the extra resources it brings into the household, which they control.

When asked to identify the changes the project has brought about in their lives, the 55 women beneficiaries in Sénossa focused unanimously on the impact of having money: they can buy school notebooks and pens for their children; several recalled taking a sick school child to the health centre and purchasing the medication needed. Before, these basic items had to wait for the father's mediation and payment, which were

sometimes not forthcoming. The predictability of the cash transfers has given the women a first experience of a modest but more reliable form of income, which they have used prudently to protect their families.

Further, the Bourse Maman has prompted a small savings and loans association among beneficiaries, which has been very useful in raising resources for specific purchases and even small investments. Women allocate a small share of their monthly grant to this fund and, with the contributions from everyone, sufficient resources are generated to pay for more significant expenses. Managing this system and making decisions on how to use these resources shows evidence of increased empowerment among women in the community.

Source: Pereznieto and Diallo (2009).





## 4. THE POTENTIAL IMPACT OF CASH TRANSFERS

Given that existing cash transfer schemes in West and Central Africa are small in scale and very recent, this section provides evidence on the potential impact of cash transfers to families, based on a series of simulations using national household survey data in three of the case study countries: Mali, Senegal and Congo. These simulations were conducted by Notten et al. (2008) for Congo, as part of a UNICEF-supported study on child poverty in that country, and by Barrientos and Bossavie (2008) for Mali and Senegal, as inputs to the regional study on social protection and children in West Africa. With very slight modifications, the simulations present the same scenarios and use the same methodology, making it possible to make cross-country comparisons. The simulations make several assumptions (detailed below), but are instructive in illustrating the potential impact of a child-focused cash transfer on the overall level of household poverty and, more particularly, on childhood poverty.

These simulations provide data that can contribute to a broader assessment of the appropriateness of cash transfers. As ex ante simulations of the poverty reduction effects of child-focused social transfers, they can provide additional information to policymakers, supplementing the institutional, financial and other analysis needed to make decisions about the feasibility and cost effectiveness of a cash transfer programme. By modifying the assumptions used, it is possible to weigh the relative effectiveness of alternative transfer design options and make rough calculations of the resources required (Kakwani et al., 2005; Stewart et al., 2008).

The simulation compares baseline measures of poverty with measures of poverty taken after transfers are added to a household. It does not take into account households' behavioural responses to the transfer, which can be positive or negative from a poverty reduction perspective. For example, studies have shown that regular and reliable transfers can improve the productive capacity of households, especially in rural areas, so that the increase in income or expenditure is actually greater than the amount of the transfer (Sadoulet et al., 2001). On the other hand, if transfers are mismanaged, the impact on food consumption could be lower than the amount of the benefit. The simulations below ignore these behavioural responses, so additional research is needed to explore this in detail (see the country case studies for further discussion).

### 4.1 POLICY OPTIONS AND ASSUMPTIONS

The impact of three alternative policy options has been simulated:

**Universal child benefit (UCB):** This would provide a transfer equivalent to 30% of the extreme (food) poverty line to every child from 0-14. This age range was selected to cover the period of greatest vulnerability for the survival and development of the child (0-5 years) as well as a period long enough to ensure the completion of primary school (with some allowance for late enrolment in Year 1 and repetition of school years). It is assumed that there is no cap on the number of children per household that would be eligible.

**Selective child benefit using a proxy means test (SCB):** In this option, it is assumed that a transfer equivalent to 30% of the extreme (food) poverty line is paid for every child living in a household identified as poor before the transfer. A proxy means test was used to identify households in poverty, and then a transfer was applied to each child in these households. As Section 5 discusses further, a proxy means test is often



used as an alternative to a direct income means test in countries where the informal nature of the economy makes it impossible to verify households' income. The proxy means test provides a score to determine eligibility, based on a formula comprising several easily verifiable and weighted household characteristics related to income/consumption level, as determined by regression techniques using household survey data.

The set of observed variables proxies a household level of welfare, and normally includes variables capturing habitat, housing, assets and household demographics. In the simulations, the log of household expenditures was regressed on these variables, and then the fitted values were used to estimate the poverty status of households. It is important to bear in mind that a proxy means test will never precisely identify all theoretically eligible households, resulting in the exclusion of some intended beneficiaries and the inclusion of some non-targeted households (i.e. 'leakage'). These exclusion and inclusion errors are discussed further below in Section 6.

**Universal old age pension:** This policy option was simulated only for Congo. It assumes that all persons aged 55 and above receive a transfer equivalent to 70% of the extreme (food) poverty line.

The following data sources were used for the simulations: (i) the Congolese Household Survey (ECOM) 2005; (ii) the Malian Household Living Standard Survey (ELIM) 2006; and (iii) the Senegalese Poverty Survey (ESPS) 2005-2006 (see case study reports for more details: Holmes and Villar, 2009; Jones et al., 2009; Pereznieta and Diallo, 2009; Pereznieta and Fall, 2009; Villar and Makosso, 2009).

## 4.2 RESULTS

The simulations provided estimates of the change in the poverty headcount and poverty gap, for all individuals and for children specifically, that would arise from the transfers, under the scenarios and assumptions set out above<sup>7</sup>. The simulations also estimated the exclusion and inclusion errors that would result from the technical properties of the formula used to determine eligibility under the scenario of a SCB using a proxy means test.

The results of the simulations are provided in Table 4. The fact that the transfer is set at 30% of the poverty line means that the transfer is not sufficient by itself to lift all children in poor households above the poverty line. Nonetheless, the transfer does result in substantial decreases in poverty incidence, both among the population as a whole and among children. In all three countries, the UCB has the largest impact on aggregate household poverty, owing to the exclusion error that arises with the proxy means-tested benefit. With a UCB, the poverty headcount falls by about a quarter in Mali and around 15% in both Congo and Senegal. By contrast, the SCB with a proxy means test reduces poverty incidence by 15.4% in Mali, 9.8% in Congo and 8.3% in Senegal.

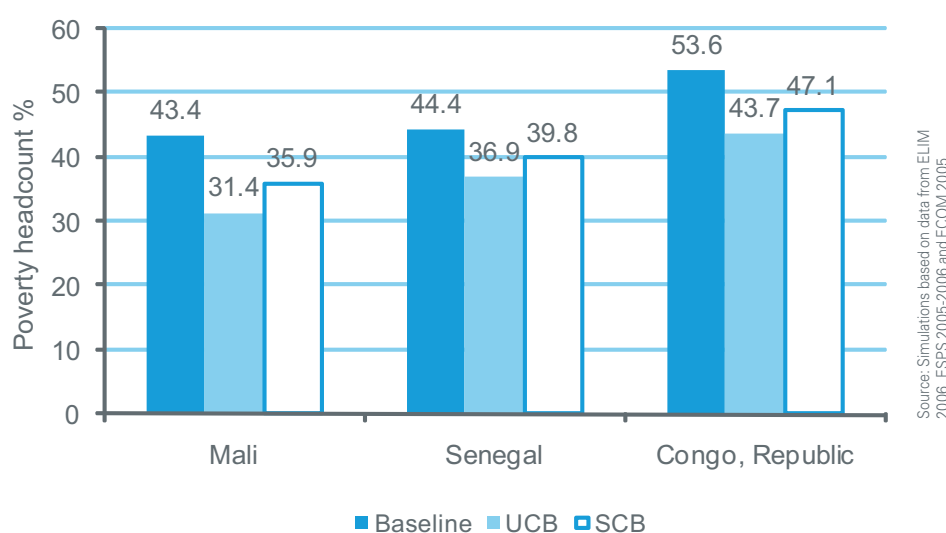
The impact of transfers, however, is greater on child poverty incidence than for the population as a whole because of the higher incidence of poverty among children<sup>8</sup>. The UCB again has the greatest impact, owing to the exclusion error resulting from the proxy means test. The UCB reduces the child poverty headcount by 27.6% in Mali, 18.5% in Congo and 16.9% in Senegal (see Figure 1).

<sup>7</sup> The poverty headcount is a measure of poverty incidence: the proportion of individuals with consumption expenditure below the poverty line. The poverty gap is the mean proportionate expenditure shortfall of the poor (poverty line minus actual expenditure) over the total population. It should be noted that, for the Congo simulations, Notten et al. (2008) departed slightly from this standard Foster-Greer-Thorbecke (FGT) definition of the poverty gap (Foster et al., 1984) by taking the mean proportionate expenditure shortfall of the poor over the population in poverty rather than over the population as a whole. This increases the size of the poverty gap, but does not affect significantly the percentage changes in the poverty gap shown by the simulations.

<sup>8</sup> The higher impact of the transfer on child poverty does not come from the fact that the transfer is focused on children, as the transfers are simply added to household expenditure and assumed to be distributed equally to all members of the household.

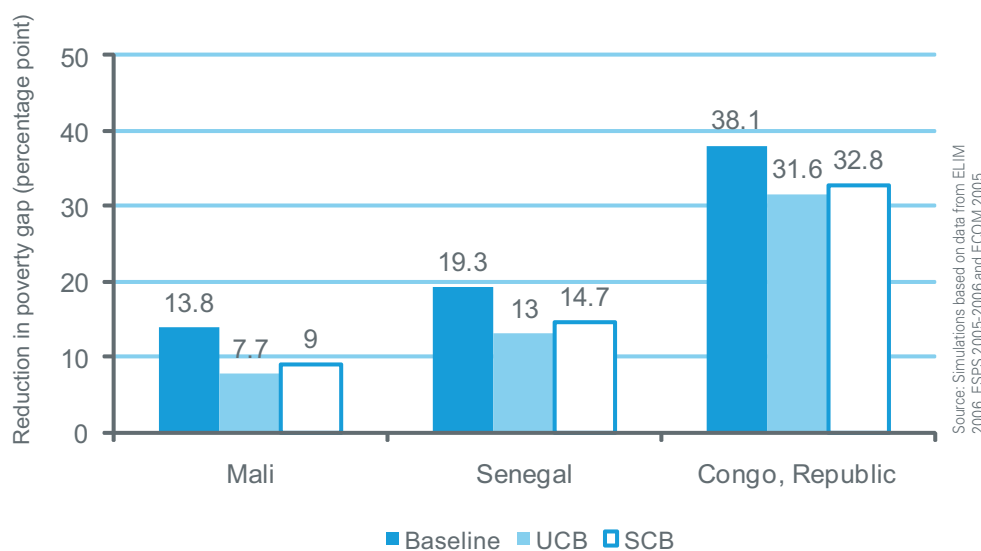


**Figure 1: Impact of child benefits on child poverty headcount - Simulations for Mali, Senegal and Congo**



The transfer has an even greater impact on the poverty gap. The UCB results in a 40.4% reduction in the aggregate poverty gap and a 44.0% reduction in the poverty gap for children in Mali, while the corresponding declines for Congo are 13.3% and 17.1% and for Senegal 30.0% and 32.2%. As would be expected, the declines are again less in the case of the SCB with a proxy means test (see Figure 2).

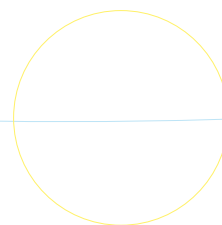
**Figure 2: Impact of child benefits on child poverty gap - Simulations for Mali, Senegal and Congo**



**Table 4: Poverty impact simulation results - Mali, Senegal and Congo**

Transfer	Mali			Senegal			Congo, Republic			
	Baseline	UCB	SCB	Baseline	UCB	SCB	Baseline	UCB	SCB	Universal old age pension
<b>Assumptions</b>										
Benefit per child as % of food poverty line										
Annual transfer (in FCFA)		30	30		30	30		30	30	70
		32,580	32,580		41,342	41,342		60,000	60,000	144,000
<b>Poverty headcount</b>										
All individuals (%)										
Reduction in poverty headcount (percentage point)	40.8	30.4	34.5	39.9	33.8	36.6	50.1	42.6	45.4	47.4
		10.4	6.3		6.1	3.3		7.5	4.9	2.7
Reduction in poverty headcount (%)										
All children (%)	43.4	25.5	15.4		15.2	8.3		15.0	9.8	5.4
Reduction in poverty headcount (percentage point)		31.4	35.9	44.4	36.9	39.8	53.6	43.7	47.1	51.7
		12.0	7.5		7.5	4.6		9.9	6.9	1.9
Reduction in poverty headcount (%)										
		27.6	17.3		16.9	10.4		18.5	12.9	3.5
<b>Poverty gap</b>										
All individuals (% of poverty line)	13.1	7.7	8.9	17.3	12.1	13.5	37.6	32.6	33.4	35.4
Reduction in poverty gap (percentage point)		5.4	4.2		5.2	3.8		5.0	4.5	2.2
Reduction in poverty gap (% of poverty line)		40.4	32.0		30.0	22.0		13.3	12.0	5.9
All children (% of poverty line)	13.8	7.7	9.0	19.3	13.0	14.7	38.1	31.6	32.8	36.5
Reduction in poverty gap (percentage point)		6.1	4.8		6.3	4.6		6.5	5.7	1.6
Reduction in poverty gap (% of poverty line)		44.0	34.8		32.6	23.8		17.1	15.0	4.2
<b>Efficiency and cost effectiveness</b>										
Exclusion error										
(% of all children in poverty who are excluded)		0	10.6		0	12.3		0	25.8	50.0
Inclusion error										
(% of all children included who are not in poverty)		56.6	22.5		55.6	23.9		46.4	36.2	36.2
Cost benefit ratio										
(FCFA billions needed to reduce average child poverty gap by one percentage point)		34.6	24.2		36.8	29.5		14.1	9.5	28.4

Source: ELLIM 2006 (Mali) and ESPs 2005-2006 (Senegal), calculations by Barrientos and Bossavie (2008); ECOM 2005 (Congo), calculations by Notten et al. (2008).



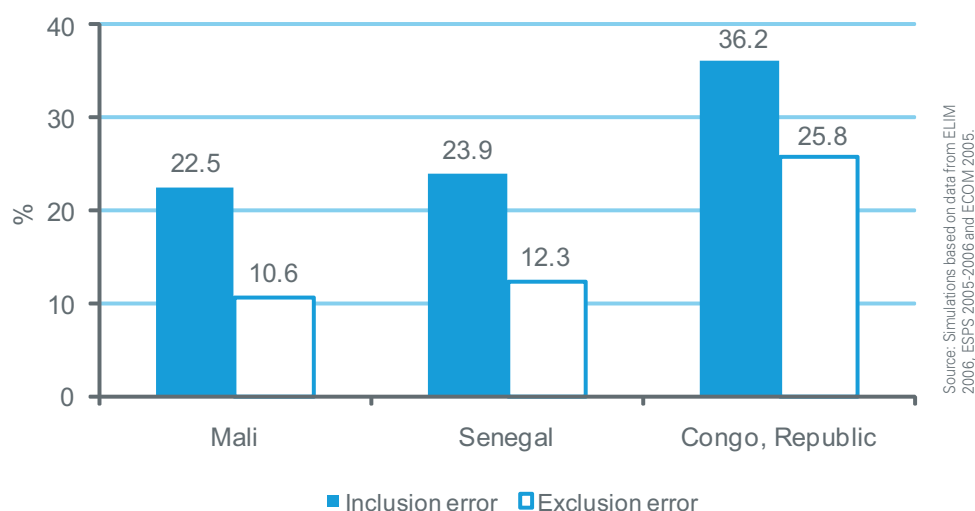


In addition to the impact on poverty headcount and poverty gap, the simulation of the effects of child benefits in Congo (Notten et al., 2008) showed a significant impact in terms of reducing child deprivations in education. Children aged six and above who did not attend school or were two years or more behind their correct class were defined as 'deprived' in terms of education. The simulations estimated that a UCB would reduce educational deprivation from the actual rate of 44.4% in 2005 to 41.5%; a proxy means-tested SCB would reduce educational deprivation to 41.8%.

The universal pension, also simulated only in Congo, showed only a small impact on child poverty, reducing the child poverty headcount by just 1.9% and the child poverty gap by 4.2%. This relatively minor impact, despite a transfer level set at 70% of the extreme poverty line, reflects the fact that the elderly constitute only a very small part of the total population. Although some children would benefit by virtue of living in households with recipients of the old age pensions, far fewer children are in this situation than in countries in Southern Africa, where grandparents are the principal caregivers for large numbers of AIDS-related orphans.

From a cost-benefit perspective, the proxy means-tested child benefit emerges as the best option, but this is offset by the large associated exclusion error. The cost benefit ratios shown in Table 4 measure the cost, in billions of FCFA, for a one percentage point decrease in the poverty gap for children. In Mali, this is FCFA 34.6 billion for the UCB, compared with 24.2 billion for the proxy means-tested child benefit. The results are similar for Senegal and Congo. The explanation is simple: although the impact on the child poverty gap is higher for the universal programme, this is outweighed by the much lower costs of the targeted programme (see Section 5). However, this argument for the proxy means test option needs to be qualified by the importance of the exclusion error, which explains the lower poverty reduction impact of the SCB (see Figure 3).

**Figure 3: Exclusion and inclusion errors associated with proxy means tests  
- Simulations for Mali, Senegal and Congo**





Under the proxy means test scenario, the exclusion error is substantial in all three countries: 25.8% in Congo, 12.3% in Senegal and 10.6% in Mali. The inclusion error is of course smaller under the targeted scenario, but is still high: 36.2% in Congo, 23.9% in Senegal and 22.5% in Mali. The large exclusion errors associated with the proxy means test seem ironic in the light of the latter's explicit poverty targeting. But, as has been noted above, no proxy means test can ever produce perfect targeting.

It should be noted that these 'technical' exclusion and inclusion errors do not take into account the additional institutional factors that affect actual determination of eligibility. Exclusion can be amplified (in both universal and targeted cash transfer programmes) by information failings, resulting in potential beneficiaries not being aware of their entitlements, as well as by geographical distance, if registration and/or receipt of benefits require travel over long distances, and by documentation requirements, which can be a significant problem in countries with low levels of birth registration, as is the case in most of West and Central Africa. The inclusion error can be amplified by the manipulation of eligibility tests by social workers, owing to corruption or a simple desire to ensure enrolment of applicants by 'fixing' the data.



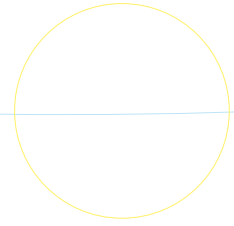
## 5. COST AND AFFORDABILITY OF CASH TRANSFERS

Financing cash transfers is both a fiscal and a political process. Fiscal space is defined here as the 'room in a government's budget that allows it to provide resources for a desired purpose without jeopardising the sustainability of its financial position or the stability of the economy' (Heller, 2005). How expenditures are allocated within a country's fiscal space depends on the national budget process, which considers both immediate affordability as well as potential incremental resources available for allocation among competing priorities through future budgets. Budgeting is inherently incremental and only a very small percentage of the budget is reallocated to new policy initiatives (such as a new cash transfer scheme) from year to year: the government's annual 'margin of manoeuvre' is typically no more than 5% of total budgeted expenditure. The central question for most countries in the region (apart from a small number of oil producers with large fiscal surpluses) is not therefore whether they have surplus funds available today, but whether they have the capacity to build that space gradually (perhaps finding around 1-2% of GDP) over the next five to 10 years, and whether cash transfers are seen by governments as providing the most cost-effective way of achieving their development objectives.

The analysis in this section is based on simulations of the costs of cash transfer programmes, using the same policy options and assumptions that were employed in the previous section for the analysis of impact. The costs include both the costs of the transfers (number of beneficiaries multiplied by the benefit level) and administrative costs, which are assumed to be 10% of transfer expenditure for UCB and universal old age pensions and 15% of transfer expenditure for SCB using a proxy means test, owing to the larger administrative requirements per beneficiary for delivery of a proxy means-tested transfer. The analysis covers all five case study countries: Congo, Equatorial Guinea, Ghana, Mali and Senegal (results are summarised in Table 5).

An analysis of fiscal space (see Handley, 2009) shows that the five case study countries fall into two broad categories. First, Congo and Equatorial Guinea, as oil-rich countries with small populations, have ample resources to finance new programmes as a result of their strong economic growth and large fiscal surpluses. However, this does not mean that they will necessarily see cash transfers as a high priority for new spending and there are concerns about long-term fiscal sustainability in view of the volatility of world oil prices and the finite nature of oil reserves.

The simulations of the costs of different social protection policy options for Congo indicate that a UCB providing a transfer equivalent to 30% of the extreme (food) poverty line to every child aged 0-14 would cost 2.0% of gross domestic product (GDP), whereas a SCB (using a proxy means test) with the same transfer value to children 0-14 in households below the poverty line would cost 1.2% of GDP. Notwithstanding the cautionary remarks above, this suggests that even a UCB would be affordable in Congo, since this would cost only a fraction of the country's overall fiscal surplus, which was 11.1% of GDP in 2007 (IMF, 2008b). However, the very low levels of health and education spending (2.2% and 1.2% of GDP, respectively) suggest a very low level of government commitment to converting oil wealth into fiscal space for improved social service provision, although there are indications of some improvements in the 'pro-poor' emphasis of spending, with the pro-poor proportion of public spending increasing from 4.0% of GDP in 2003 to 6.4% in 2006 (IMF, 2007). Further, low measures of institutional quality suggest that government capacity – and public expenditure management systems in particular – need to be strengthened before it will be possible to ensure that intended beneficiaries receive the transfer. This would be an added argument for an administratively simpler and less easily manipulated universal approach rather than one requiring targeting and more complex administrative mechanisms.



A universal cash transfer programme would be even more affordable in Equatorial Guinea. Driven by oil, real economic growth averaged an exceptionally high rate of 20.1% over the period 2000-2007 and the economy is now 20 times larger than in the mid-1990s. As a result, revenue growth averaged 48.2% over the period 2002-2005. In 2007, the overall fiscal surplus was 22.7% (IMF, 2008). The cost simulations show that both a UCB and universal social pension could be provided for a combined cost of around 1% of GDP. Although there are long-term sustainability concerns, owing to the country's extreme dependence on oil and very high non-oil primary fiscal deficit, there is clearly potential fiscal space for additional expenditures, particularly those that enhance the productivity of the non-oil economy, as cash transfers could well do especially in terms of human capital development, which is a key priority in the government's national economic and social plan. The main challenge facing the implementation of a cash transfer programme in this country is to build the organisational capacity and governance conditions needed for effective delivery of cash transfers (see Section 8). Again, however, this is an argument for an administratively simpler and less corruption-prone universal approach to cash transfers.

The second category includes the three aid-dependent economies, Ghana, Mali and Senegal. In these countries, affordability is more of a problem in the short term, although the existing institutional capacity for implementing cash transfers is greater than in Congo and Equatorial Guinea.

The government of Ghana has limited fiscal space in the short term, with the highest fiscal deficit of the three case study countries, but there are prospects for future growth in revenues, as recently discovered oil reserves come on stream in the next few years. Revenue is already high as a proportion of GDP, as is total expenditure, which averaged 30.6% of GDP over 1997-2008. In terms of the composition of expenditures, a relatively large share is taken by non-discretionary expenditures (10.8% of GDP), partly as a result of rapid growth in wages and salaries and the strong political resistance to reducing this share, which limits the scope for reallocation. Despite these constraints, the government of Ghana has already shown its willingness to spend on cash transfers by providing budgetary resources for the implementation of LEAP, as well as social protection in general. In 2004, it added 2.5% to the value-added tax (VAT) rate to finance the new National Health Insurance Scheme (NHIS). The initial experience of LEAP also shows that, notwithstanding capacity problems, there is at least the minimum institutional capacity to launch a cash transfer scheme on a small scale. The real challenge – both politically and financially – would be to scale up to a larger programme that would have a major impact on poverty and vulnerability.

As presently planned, the scale-up of the LEAP programme requires just 0.09% of GDP and 0.23% of total government expenditure by Year 5, when it will reach just one-sixth of the extreme poor population. In other words, the government's fiscal commitment to the LEAP cash transfer programme is at present quite cautious (see Jones et al., 2009), reflecting concerns about fiscal space constraints. The cost simulations show that a UCB option is not viable, probably even after the new oil revenues increase government resources. The option of a UCB would require the equivalent of 8.7% of GDP and 46.3% of government recurrent expenditures. The targeted child benefit using a proxy means test was not simulated for Ghana, but is also unlikely to be affordable. It is important to bear in mind that Ghana also faces other pressing priorities, in particular to overcome infrastructure deficiencies, including in energy, water and sanitation, which will compete for attention as and when additional fiscal space is allocated (see Estache and Vagliasindi, 2007). An alternative option in Ghana might be to consider an extension of the LEAP cash transfer programme to cover all extreme poor households, rather than only one-sixth of extreme poor households within five years, as currently planned. This would require further simulations of costs and impact, and also strong political leadership, public acceptability and institutional capacity building.

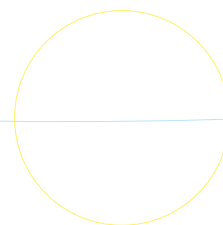


In Mali, the economic and revenue performance in recent years has been good, with a 4.6% rate of real economic growth over the period 2000-2007 and average revenue growth of 12.2% per year over the period 2002-2005. The revenue yield (tax revenue to GDP ratio) was 15.8% in 2005, relatively low compared with Ghana and Senegal. Total expenditure as a percentage of GDP averaged 23.5% over the period 1997-2008, and was projected to reach 26.9% in 2008, second only to Ghana among the case study countries. Within total expenditure, non-discretionary expenditures comprise a relatively small share (equivalent to 5.5% of GDP in 2005, compared with discretionary expenditure at 19.7% of GDP), which suggests there may be some scope for reallocation within the overall expenditure envelope. A recent International Monetary Fund (IMF) review stressed that meeting social goals depends as much on reinforcing the impact of spending as on increasing its level (IMF, 2008). There may, in theory at least, be scope for some inter-sectoral reallocation: military expenditure as a proportion of GDP was the highest of any case study country, at 1.9% in 2005. However, the fiscal deficit excluding grants over the period 1997-2008 averaged 7.7% of GDP and, including grants, stood at 3.8% of GDP in 2007.

Although this is better than in either Ghana or Senegal, there are major competing priorities, including in education and health, and the two policy options considered in this study are clearly unaffordable: a UCB would require the equivalent of around 5.9% of GDP per year and a targeted child benefit using a proxy means test 3.2% of GDP. To put these costs in perspective, the targeted child benefit would be equivalent to Mali's total public health expenditures, which accounted for 3.2% of GDP in 2004, or three-quarters of its public education expenditure (4.3% of GDP in 2005). While this analysis highlights the fact that total budget allocation to the health sector is low in Mali (investment in the health sector across the region remains well below 15% of annual budget allocation committed to in the 2001 Abuja Declaration), it also importantly demonstrates the conflict of resources in countries with limited fiscal space. Only a more modest scheme would be feasible in the short to medium term. Alternatives might be a lower level of benefit and/or targeting households below the extreme (food) poverty line rather than the poverty line.

In Senegal, annual tax revenue averaged 9.9% over 2002-2005 (the lowest among the case studies) and revenue yields are already relatively high: tax revenue accounted for 18.8% of GDP in 2005. This suggests that there is limited scope for the creation of fiscal space through revenue generation. The overall size of the public sector in relation to the economy as a whole is also relatively high, as total spending averaged 24.8% of GDP over 2003-2007. As in Mali, reallocation – rather than increases in total spending – might be one way of creating fiscal space for a cash transfer programme, as discretionary spending stood at 17.8% of GDP in 2007. Still, a very substantial portion of budgetary resources would need to be freed up and, as in Mali, there are strong competing demands for resources. The overall fiscal deficit before grants stood at 6.6% in 2005, improving to 4.4% once grants are included, but still relatively large for a developing country.

The simulations of the two policy options for cash transfers show that they would be very expensive for Senegal. A UCB would cost 6.4% of GDP per year (equivalent to 30% of recurrent expenditure) whereas a targeted child benefit using a proxy means test would cost around 2.5% of GDP (12% of recurrent expenditure). The latter cheaper option would still be equivalent to over three-quarters of total public health spending, which accounted for 3.7% of GDP in 2004. Even the targeted option would cost more than Senegal's entire public health expenditure (2.4% of GDP in 2004) and would cost more than two-thirds of actual expenditure on education (5.4%). Similar to Mali, total budget allocation to the health sector is low and highlights the very real resource constraints in the country and competing priorities. As with Ghana and Mali, more modest schemes may need to be investigated.



**Table 5: Annual programme expenditure cost estimates of child benefit options  
- Simulations for Congo, Mali, Senegal, Equatorial Guinea and Ghana**

		Cost (FCFA billion)	% of GDP	% of recurrent expenditure*
Congo, Republic	UCB	91.8	2.0	16.7
	SCB	54.3	1.2	9.9
	Universal old age pension	45.5	1.0	8.3
Mali	UCB	211.2	5.9	42.8
	SCB	116.2	3.2	23.5
Senegal	UCB	232.1	6.4	30.0
	SCB	135.7	3.7	17.6
Equatorial Guinea	UCB	N/A	0.9	20.8
	Universal old age pension	N/A	0.2	5.0
Ghana	UCB	N/A	8.7	2.6
	Universal old age pension	N/A	46.3	13.9

Sources: Barrientos (2008) for Equatorial Guinea and Ghana; Barrientos and Bossavie (2008) for Mali and Senegal; Notten et al. (2008) for Congo.

Notes: \*Author's calculation based on IMF staff estimates for recurrent expenditure. \*\*Equatorial Guinea cost projections presented here are based on United Nations (UN) estimates of total population (around one million). Using government population estimates (around 0.49 million) lowers cost estimates significantly to 0.42% of GDP for a UCB and 0.1% of GDP for a universal social pension. See Barrientos (2008) for more detail on the underlying assumptions.



## 6. DOES TARGETING MAKE SENSE IN WEST AND CENTRAL AFRICA?

The previous two sections examined the potential impact on child poverty, as well as the costs and affordability, of three possible scenarios for cash transfers, based on a number of specific assumptions about the intended beneficiaries, methods of identification and benefit levels. Two of these policy options were 'universal', in the sense that they target all children aged 0-14 (a universal child benefit) or all old people above the age of 55 (a universal old age pension) although, as we shall see below, these both involve a form of categorical targeting through identification of specific target population categories (children, old people). The third option combined categorical targeting with a proxy means test to reach a 'target group' of households below the poverty line with children aged 0-14.

We have seen the potential impacts and costs of adopting these different targeting approaches. Here we will explore in greater depth some of the political, institutional and governance factors that need to be taken into account in adopting objectives and methods for targeting.

To recap, the UCB had the greatest impact on reducing the headcount and poverty gap of children in all three countries. While there are no exclusion errors of poor children through the universal transfer, both exclusion and inclusion errors are fairly high in the targeted child benefit (exclusion errors are estimated at 25.8% in Congo, 12.3% in Senegal and 10.6% in Mali; inclusion errors are estimated at 36.2% in Congo, 23.9% in Senegal and 22.5% in Mali). The costs of the universal benefit is higher than the proxy means-tested child benefit and, overall, the targeted child benefit is more cost effective because, although the impact on the child poverty gap is higher for the universal programme, it is outweighed by the much lower costs of the targeted programme.

Farrington et al. (2007) suggest that the process of targeting cash transfers involves three main stages: (i) a set of policy decisions about (more precisely) who is to be supported through transfer programmes; (ii) identification of those people to support, and the maintenance of up-to-date lists; and (iii) the design and implementation of mechanisms to ensure that support is provided to those intended, with minimal errors of inclusion and exclusion.

At each of these three stages, there are often debates about the types and methods of targeting. These can be subsumed into three categories: the policy decisions around whom to target; questions of implementation capacity (including the resources required) for targeting (different targeting mechanisms require different capacity and cost); and the issues related to the impacts of targeting design and implementation.

### 6.1 TARGETING METHODS

The wide range of available targeting methods can be grouped into three broad categories: individual or household assessment, categorical targeting and self-selection. In practice, a number of targeting methods are usually combined to achieve maximum effectiveness (Coady et al., 2002; Farrington et al., 2007).

**Individual or household assessment** involves a direct assessment, household by household or individual by individual, to determine whether an applicant is eligible for the programme. This is usually done using a means test or poverty indicator instruments. Although the specific methods vary (see below), they are generally the most technical and labour intensive and therefore require a great deal of institutional capacity, although some methods are lighter than others.



- Verifiable means tests collect information on a household's income and/or wealth and verify the information collected against independent sources such as salary receipts or income and property tax records. This requires the existence of such verifiable records in the target population, as well as the administrative capacity to process this information and continually update it in a timely fashion. For these reasons, verified means tests are extremely rare in developing countries, where the poorest households receive an income from a range of sources, mainly in the informal economy, and formal record keeping is nonexistent.
- Simple means tests require no independent verification of income and are relatively common. A visit to the household by a programme social worker may help verify in a qualitative/visible way if the standard of living, which reflects income or wealth, is more or less consistent with the figures reported. Such tests are used for both direct transfer programmes and for fee waiver programmes, with or without a visit to the household.
- Proxy means tests are increasingly being utilised in developing countries. These generate a score for applicant households based on household characteristics that are fairly easy to observe, such as location and quality of the dwelling, ownership of durable goods, demographic structure of the household and education and, possibly, occupation of adult members. The indicators used in calculating the score and their weights, which are derived from statistical analysis of data from household surveys, provide a proxy measure that can be used to identify households supposed to benefit from a programme, for example households below the poverty line or households in extreme poverty.
- Community-based targeting uses a group of community members or a community leader whose principal functions in the community are not related to the transfer programme to decide who in the community should benefit and who should not. This is a popular mechanism in low-income and resource-constrained countries. The cost (in time) of this method is transferred to the communities.

**Categorical targeting** identifies specific social groups or categories wherein all members are eligible to receive benefits. Categories commonly used include age (children, the elderly, youth); geography (often based on poverty mapping to identify regions or districts where poverty is greatest); gender; and ethnicity.

**Self-selection** is a form of targeting which, through programme design, provides an incentive for participation by the intended target group but is unattractive to others. In principle, access to such programmes is unrestricted, but the design makes the programme attractive only to the poorest. Examples are public works programmes that attract only the unemployed, or the subsidisation of low-quality subsistence foods, such as inferior qualities of rice, purchased only by the poorest.

## 6.2 POLICY DECISIONS: WHOM TO TARGET?

Targeting is a political process as much as a technical and financial one, and policy decisions have implications for the outcomes of cash transfers. For example, should cash transfers be provided to all members of broad categorical groups, such as children, or targeted to the most vulnerable? What are the administrative and financial requirements of the different forms of targeting? In many developing countries, and particularly in West and Central Africa, the proportion of households living below the poverty line is high, yet there are limited financial resources to reach all the poor. At the same time, many targeting methods require substantial human and financial resources, and also can result in substantial inclusion and exclusion errors, as Section 4 showed.



Politically, targeting certain 'groups' of the poor is often more acceptable to the middle class and political elite – for example, there may be greater acceptance of the idea of income support to the 'deserving' poor, such as the elderly, orphans or the disabled, or other categories of people who have no other livelihood support. This is one of the reasons, along with fiscal constraints, why quite narrow categorical targeting is one of the most common methods of targeting used in existing cash transfer programmes in the region. For example, Ghana's LEAP programme in its pilot phase is targeting caregivers of OVC; the cash transfer programmes in Cape Verde target the extremely poor elderly, chronically ill and persons with disabilities; and Sierra Leone's cash transfer programme targets the poorest and most vulnerable elderly population.

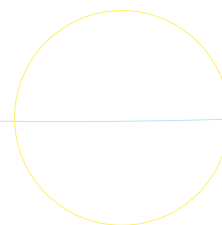
However, simple categorical targeting is heavily criticised for not reaching the poor effectively. The weak correlation between those living in poverty and categorical groups means that both exclusion and inclusion errors are high. In Zambia, an examination of the accuracy of alternative targeting approaches to inform cash transfer scale-up (eventually to all districts and 10% of the population) showed that using one or two basic indicators (e.g. gender, age) is not cost efficient or effective and the impact is not much better than in randomised targeting (Rose and Watkins, 2008).

On the other hand, targeting the poor in general is often unpopular, both among elites and in the broader population. At community level, universal approaches are often more acceptable, because there is often the perception that everyone is poor and that targeting is unfair – a perception that can be amplified by large inclusion and exclusion errors arising from the technical and institutional weaknesses of targeting methods. This can even lead to community friction. In an analysis of the Bourse Maman in Mali, it was noted that 'the slight difference in levels of poverty between selected and non-selected households, as well as insufficient communication about the targeting rationale by authorities, caused tensions among community women, including minor protests, which had to be mediated by local authorities' (Perezniето and Diallo, 2009).

Among elites, there is a widespread belief that poor households will misuse the income transfer and that it will create dependency. These are largely unfounded perceptions, but are very real in terms of influencing programme design (Harvey, 2007; Holmes and Jackson, 2007). Furthermore, evidence from Sierra Leone finds that such concerns may be especially acute in post-conflict countries that have received years of humanitarian aid and are trying to move away from 'handouts' to integrate the poor into productive activities and growth strategies. The promotive value of cash transfers, as a 'hand-up' and a means of promoting pro-poor growth, is not well understood in most countries in the region. In other low-income countries, cash transfers with some conditionality attached, such as investments by poor households in children's education and health, or labour inputs and building of public infrastructure, for example, public works programmes, have been a popular policy response to allay these concerns (e.g. McCord, 2005).

## 6.3 ADVANTAGES AND DISADVANTAGES OF ALTERNATIVE TARGETING METHODS

In addition to the factors discussed above, different types of targeting mechanism require varying degrees of administrative capacity and financial resources, and have various other implications in terms of exclusion and inclusion errors, risks of stigma and social cohesion. Table 6 presents the relative advantages and disadvantages of the most common mechanisms. As shown, categorical targeting and self-selection require the least administrative capacity because groups can be easily identified. However, as noted above, categorical targeting is not always effective in reaching the poor. In practice, a combination of targeting methods is usually used (Coady et al., 2002).



**Table 6: Comparative advantages, disadvantages and cost requirements of alternative targeting methods**

Type	Description	Advantages and disadvantages	Level of cost requirement
<b>Individual/household level</b>			
<b>Income means test</b>	Involves direct assessment of whether a household is eligible for the programme based on independent verification of income (usually salary or tax records)	Provides most rigorous indication of eligibility but impractical in developing countries with large informal sectors	High
<b>Simple proxy means test</b>	Usually requires a household visit by a programme social worker using simple proxy indicators such as housing quality, food stocks, etc. to determine eligibility	More practical in countries without formal records of household income; less demanding than proxy means tests, but less rigorous and prone to large inclusion and exclusion errors	Medium
<b>Proxy means test</b>	Generates a score for applicant households based on observable characteristics (according to a formula derived from statistical analysis of data from household surveys) such as location and quality of dwelling, ownership of durable goods, demographic structure of the household, education and/or occupation of adult members	Provides the most rigorous proxy measure of means, but requires highly trained staff and also produces significant exclusion and inclusion errors	High
<b>Community-based targeting</b>	Uses community members/leaders to decide who in the community should benefit	Lower demands on human capacity than means tests conducted by government social workers or using proxy means test, but normally has to be accompanied by some form of means test; risks of bias resulting from social cleavages or power relations within communities; difficult to apply in urban areas	Low-medium
<b>Other approaches</b>			
<b>Categorical Targeting</b>	Defines eligibility in terms of broad social categories such as age, disadvantaged geographical regions, gender, ethnicity, caste, economic or occupational status (e.g. landless), social status	Low/no demands on staff capacity but can incur significant inclusion and exclusion errors	Low
<b>Self-selection</b>	Access to programmes is unrestricted but the design (e.g. low wages on public works, timing of benefits, subsidies on or transfers in inferior goods, location of pay points) makes the programme attractive only to the poorest	Low/no demands on staff capacity but may incur errors of exclusion and/or stigma	Low

Source: Adapted from Farrington et al. (2007).



### Box 3: Targeting challenges in Sierra Leone's Social Safety Net programme

The Ministry of Labour's cash transfer programme in Sierra Leone specifically targets the elderly and other vulnerable people who cannot work and have no other form of support. Targeting potential beneficiaries is done through a SSN committee, which has been developed as a representative committee of the community (including teachers, chiefs etc.), following guidelines by the Ministry of Labour on identification of the most vulnerable.

The Ministry of Labour reports that its biggest challenge is the verification of beneficiaries once they have been identified by the committees. A carefully designed form is filled out by external employees to weed out anybody other than those with absolutely no

other form of income assistance or ability to work. An assessment of social relationships is also required to determine if the targeted beneficiaries have anyone supporting them. This results in a multi-step process, making this an extremely difficult and time-consuming process.

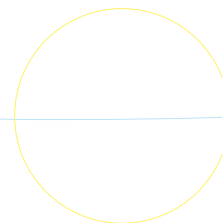
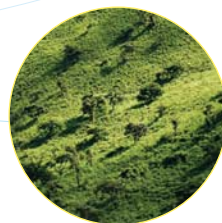
Paramount chiefs, who still hold a great deal of both formal and informal authority in Sierra Leone, currently chair the committees and are involved in the scheme. One recent issue evolving across the country and which significantly affects any community-based programme is how best to work out the balance of power between new district councils and these traditional chiefs.

Source: Holmes and Jackson (2007).

For **individual or household assessment**, income means testing and proxy means testing are administratively demanding. Income means testing requires high levels of literacy and documentation of economic transactions (especially income) at the household level, as well as meaningful attempts at verification (Coady et al., 2002). This is not possible in West and Central African countries, where the vast majority of people earn their livelihoods in subsistence agriculture, petty trading and other parts of the informal sector, and so do not have pay slips and do not pay taxes. Proxy means testing avoids this problem but also requires a large body of literate and computer-trained staff, with information and technology skills, who can visit households to observe their living conditions and assets and conduct eligibility tests. Simple means tests are less rigorous and so less demanding on staff skills, but normally also require visits to households.

These methods are most appropriate in countries where administrative capacity is high and where the benefits transferred are large enough to justify the costs of administering the means test (Coady et al., 2002). For most countries in West and Central Africa, means testing will be a challenging method of targeting, given its relatively high cost and the limited administrative capacity in social affairs ministries and governments more generally (see Section 8). In addition, all these means testing methods are open to manipulation, particularly if social workers are poorly paid and unethical in their behaviour, leading them to 'massage' the data they obtain from households to meet the eligibility criteria. Such institutional risks are likely to compound the technical shortcomings of simple and proxy means tests, resulting in large inclusion errors.

**Community-based targeting** has the advantage of overcoming some of the challenges associated with means testing. Community-based targeting draws on local information on individual circumstances and allows for a local definition of need and welfare (Coady et al., 2002). However, this method transfers the cost of targeting to communities. It also often transfers the power of targeting into the hands of the local elite – in other words, the most powerful in the community. Ethnic rivalry and political clientelism may also distort community-based targeting and it is important to ensure the de-politicisation of cash transfers. In



order for this method of targeting to work well, communities must be clearly defined and cohesive. This is particularly problematic in West and Central African countries with high levels of urbanisation: in the region as a whole, about 40% of the population now lives in urban areas, where ‘communities’ are large and diffuse. The method probably works best in small pilot projects, but is difficult to scale up, as Box 3 discusses. In practice, community-based targeting often has to be supported by more formal means testing, for example to finalise the selection of households on the basis of community identified shortlists.

**Categorical targeting** takes many forms. One option is geographical targeting, which is most appropriate when there are accurate data showing that poverty is spatially concentrated. The advantages of geographic targeting are that it is relatively simple administratively and unlikely to cause any disincentives for potential beneficiaries or to create stigma among the population (Coady et al., 2002). However, it is not the most effective tool when poverty is more generalised throughout the population, as in many West and Central African countries.

Demographic categorical targeting is also relatively simple administratively – eligibility can be determined by specific characteristics, such as age, gender, disability, etc. If poverty reduction is the objective, poverty should be highly correlated with these characteristics or significant inclusion and exclusion errors will occur. Evidence from Zambia shows that the errors are often high (Rose and Watkins, 2008).

Reliable demographic data are therefore important in order to assess the correlation between poverty and categorical groups (Coady et al., 2002). While particular categories of people or children may be especially deprived and vulnerable (e.g. street children, AIDS orphans or people with disabilities), poverty is very widespread throughout West and Central Africa. In some countries in the region, the poverty headcount, based on national poverty lines, is more than 50% or even 60% (see Holmes and Braunholtz-Speight, 2009). Narrow categorical targeting may therefore lead to the exclusion of large numbers of poor. For example, in Ghana, only OVC are included in the pilot and rollout of the LEAP cash transfer programme, although these categories account for only a small portion of the extreme poor (see Jones et al., 2009). Targeting specific groups in this narrow way is therefore not likely to bring about a significant reduction in the extreme poverty headcount. In short, although it is often used in Africa, categorical targeting can result in large exclusion and inclusion errors.

Additionally, categorical targeting can cause stigmatisation and community division (Adato, 2000). Stigmatisation can arise, for example, from targeting groups based on HIV/AIDS status. In post-conflict situations, categorical targeting may also fuel deep-rooted tensions and compromise social cohesion. For example, in the case of Sierra Leone, Richards et al. (2004) argue that targeting categories of people through social status differences (e.g. based on gender, age, etc.) is unhelpful in addressing the root causes of social exclusion and discrimination because poverty and vulnerability also lie in unequal social relationships between ruling and dependent lineages. Likewise, targeting programmes that played a specific role in the war, such as ex-combatants and ex-child soldiers, may also cause social tensions, while less visible groups, such as girl ex-combatants, are often left out, or not prioritised.

One of the main advantages of **self-targeting** is that the administrative costs are likely to be low. However, these costs are mainly transferred to the beneficiaries themselves. Furthermore, self-targeting can create stigma. Self-targeting mechanisms are particularly appropriate where a wage or consumption pattern sharply distinguishes the poor from the non-poor (Coady et al., 2002).

Given the severe fiscal constraints facing most governments in the region, universal approaches, such as a UCB, are unrealistic in most West and Central African countries (apart from a small number of low-population



oil producers in the Gulf of Guinea). A universal old age pension is more affordable, but even indirectly will not benefit large numbers of children in these countries (in contrast with the situation in Southern Africa). This makes some form of targeting the only option in most countries. However, targeting poses some serious challenges, given the weak governance environment, low administrative capacity, the largely informal nature of the economy (which rules out income means testing) and the risk of large inclusion and exclusion errors from almost any other form of targeting.

There is no easy answer and, as Farrington and Slater (2006) argue: 'much of the evidence on cash-based approaches seems to reinforce the more general point that targeting any form of assistance effectively is difficult and that there is a strong case for keeping the targeting criteria as simple and robust as possible, and for promoting beneficiaries' awareness of, and capacity to articulate, their rights'. In the countries where it is affordable, such as Congo and Equatorial Guinea, there is a clear advantage in opting for a UCB, since this would minimise the exclusion error and have the greatest impact on poverty reduction, while also being more suited to the governance and administrative conditions in these countries.





## 7. ARE DEMAND-SIDE APPROACHES APPROPRIATE IN WEST AND CENTRAL AFRICA?

In order for increased household income from cash transfers to translate into improved well-being, households must be able to spend and/or invest the income: markets must be functioning and households must be able to access services such as education and health care. Where there are serious shortfalls in the availability or quality of basic social services, which is currently the situation across much of West and Central Africa, important trade-offs need to be addressed. Does it make sense to allocate public resources to 'demand-side' programmes, such as cash transfers, or is it more of a priority to invest in supply-side improvements in service provision?

### 7.1 INTEGRATED MARKETS

Food aid remains an important response in many countries in West and Central Africa, in particular in emergency situations. Some countries, for example Chad, the Democratic Republic of Congo, Niger and Liberia, have received high volumes of food aid for emergency response over recent years (WFP, 2007). One of the most important considerations in determining whether cash transfers are a suitable response to poverty and/or emergencies is whether a cash injection to households and thus communities will elicit a supply response in the market for goods, or conversely, create or fuel inflation. This is particularly important in cases where there is weak market integration and an inadequate supply of inputs, or where markets are subject to sharp seasonal price changes, which is the case in many of the Sahelian countries in particular. Ethiopia's seasonal cash-for-work programmes demonstrated initial problems with inflation owing both to weak market integration and to shortcomings in programme implementation. The short- to medium-term implications of price inflation for household food security can be quite severe. Devereux et al. (2006) suggest, however, that price inflation might only be a transitional problem as traders adjust their volumes to the increased purchasing power that cash transfers have introduced to rural markets <sup>9</sup>.

Recent innovations in cash transfer design in Malawi implemented by Concern Worldwide have involved transferring a combination of cash and food while simultaneously monitoring food prices and gradually increasing the amount of cash given to households to increase households' purchasing power (Devereux et al., 2006). Furthermore, Concern Worldwide as implementing organisation played an active role in informing traders of prices in different parts of the programme region to promote a market response and keep prices down. Some traders set up temporary stalls near the transfer distribution sites on distribution day (Davies, 2007).

It is clear from the evidence that cash transfers are likely to work best in areas with integrated markets (Davies, 2007; Kebede, 2006). This will vary within and between countries in West and Central Africa. It can be assumed that there are integrated markets in most urban and peri-urban areas. In rural areas, careful situation analyses on market conditions are needed before cash transfer programmes are initiated. In post-war Sierra Leone, there has been concern that the weaknesses in both physical infrastructure and financial services outside the main urban areas would be a constraint to the successful implementation of cash

<sup>9</sup> Kebede (2006) additionally suggests that targeting errors (the inclusion of richer households), the late start of implementation of the programme and further irregularities in the payment schedule may have contributed to the volatility of food prices. Interviewees reported that 'cash payments were being made to too many households of wealthier families. As a result, wealthier families were no longer taking produce to the market as they had previously done, because they were using their cash payments for taxes and other needs and were not forced to sell their food production after harvest in order to get cash.'



transfers (Holmes and Jackson, 2007). However, in Niger, Bailey (2007) finds that areas with regional market linkages could successfully respond to the increased income: for example, Badaguichiri, a regional market in Tahoua, has animals, food, household items, medicines and almost any items available for purchase within Niger. Bailey notes that 'potential cash transfer beneficiaries would likely go to this market for their purchases. Hundreds of traders flood the market on a weekly basis, bringing thousands of heads of livestock for trading. In addition to the weekly trading day, merchants also sell food and household items from stalls during the week. It is not uncommon for Nigeriens to purchase hundreds of heads of livestock to transport to Nigeria to sell at a higher price'.

Market conditions are thus critical in the implementation of a cash transfer. In some areas, actions to support markets such as road building may be needed, especially in the short and medium term while the market adjusts, and particular attention needs to be given to areas with weak markets in remote areas or places affected by conflict, to anticipate inflation risks. There may also be a need to maintain the flexibility to switch between cash and in-kind transfers in some contexts where markets are particularly weak.

## 7.2 ACCESS TO SERVICES

Cash transfers can assist poor households to overcome the direct and indirect costs associated with accessing basic social services, such as transport costs, school materials and uniforms, costs of medicines and treatment and school fees, as well as opportunity costs (the labour time foregone by attending school or going to health facilities). This is particularly relevant in a context where the direct and indirect costs of accessing health services and education constitute a major barrier to their utilisation. However, in order for cash transfers to effectively increase the use of services, there must also be an adequate supply of services – particularly quality services.

With a few exceptions, mainly in the small number of middle-income countries in the region and in some urban areas, large numbers of people across West and Central Africa have inadequate access to social sector services such as education, health, water and sanitation. Poor services result in populations with high levels of illiteracy, low levels of formal skills, widespread and severe ill health and low life expectancies. Indeed, the region's high rates of child, infant and maternal mortality, as well as low levels of education achievement, point to the need for a clear assessment of the barriers of access to basic services, from both the supply and demand sides, and of the potential impact of cash transfers as a means of improving health and education outcomes.

Direct and indirect costs of accessing health and education services are one of the most cited challenges across the region, pointing to the importance of enhancing household income, through direct transfers, to overcome these barriers. Indeed, information from various demographic and health surveys (DHS) indicates that between 50% and 80% of women across the region face significant problems in accessing healthcare, citing cost and transport/distance to health facilities as the main reasons for not using health facilities. These obstacles are most often encountered by women who live in rural areas, who have had no formal education, are in households in the lower wealth quintiles and/or do not have any cash income – typically, those women who are not economically active or engaged in subsistence agriculture. Problems of distance are compounded by income poverty. In Nigeria, for example, distance or the cost of transport to a health centre is cited as a major problem in accessing health care by almost half of the poorest quintile of women (48%, compared with 33% for the next quintile and only 8% for the richest) (National Population Commission and ORC Macro 2004). Similarly, the principal reasons given for children not attending school are cost and difficulty of access, particularly for secondary schooling in rural areas



#### **Box 4: Is conditionality appropriate in cash transfer programmes in West and Central Africa?**

The deficits in the supply-side provision of basic social services raise fundamental questions about the appropriateness of the use of conditionality in human development-oriented cash transfer programmes, such as LEAP in Ghana and COPE in Nigeria. Indeed, there has been a dynamic debate about the appropriateness of CCTs in sub-Saharan Africa, which highlights the broader issues about the appropriate sequencing of service provision and cash transfers.

One strand of argument, based on experience from Latin America, is that that conditions will complement the effects of cash in encouraging households to send their children to school and use health services, while also actively strengthening linkages and coordination between the agencies implementing cash transfers and health and education service providers at community, district and national levels. Others argue that in sub-Saharan Africa it is simply not realistic to assume that the capacity is available, in terms of quality or quantity, to respond to the increased demand that will be stimulated by cash transfers.

In Ethiopia, for example, there was an increase in the supply of health, education and other social sector infrastructure, owing to public works to construct clinics and schools under the PSNP, a large cash-for-work programme launched in 2005 and reaching 7.2 million Ethiopians. Increased demand came from income from PSNP transfers being used to pay for health and education services. However, an evaluation after the first year of the programme showed that the investments in health and education infrastructure were not matched by additional teaching posts or health workers. The evaluation team recommended greater harmonisation between the PSNP and health and education sector planning at district level (Slater et al., 2006).

Devereux and Macauslan (2006) argue that investment in improving service delivery should be given first

priority and only once this has been achieved should cash transfers conditional on the use of social services be used to boost the demand for services. In the context of Malawi, Slater and Tsoka (2007) argue that it would be better to give additional cash to households that have children of school-going age, irrespective of whether they are enrolled or not, and to arrange for teachers and education officials to promote school enrolment when beneficiaries receive their cash.

Notwithstanding the debate on the capacity to implement CCTs, the positive impacts from Latin America's CCTs have sparked international debate about the causality of the conditions. As yet, there is no evidence to substantiate whether it is the conditions themselves that are directly responsible for the outcomes of improved children's health and nutrition and educational attainment, or whether in fact it is the regular and predictable transfer of income. Kenya's OVC programme and the pilot cash transfer in Uganda are two of the first programmes to explicitly test this and results should be available in the coming year from Kenya's evaluation (Pearson et al. 2006; Uganda Social Protection Task Force, 2007).

The use of conditions also raises important questions about rights-based social protection. In some countries (most notably South Africa and to some extent India), social protection has been couched in terms of citizens' rights. The use of conditions, however, can be seen as challenging this notion of rights. For example, Jones et al. (2008) argue that, while one of the longer-term aims of Peru's CCT, Juntos, is to change the paternalistic relationship between the citizenry and state-funded social programmes and to present accessing basic services for children as a joint responsibility of both parents and the state, interviews with participants suggested that the idea of 'rights' was more to do with completing tasks owing to instructions from authorities than about a balance between citizenship rights and responsibilities.



Additional barriers include both the supply and quality of services in the region. Reports show that many households have low expectations of the utility of education – there is some evidence that this is related in part to their concerns over the low quality of schooling available. In Congo, survey data are available for children’s perceptions of education: the majority were dissatisfied, citing inadequate books, equipment and buildings; absent teachers; and overcrowded classes as problems (Congo National Statistical Service, 2005). The low appreciation of the utility of education may also relate to perceptions of the labour market value of education, especially in geographical regions where subsistence agriculture predominates and the formal sector is little represented.

The coverage of public social sector services varies between countries but, in general, disparities are sharpest between rural and urban areas. Significant proportions of the rural population face problems in accessing public services – often simply the need to travel considerable distances to reach them. Thus, for more than a quarter of households in rural Mali, the nearest primary school that their children can attend is more than an hour’s travel away; for the majority, the nearest post office is a similar distance; and for two-thirds, the nearest health centre is 30km or more away (CPS and ORC Macro, 2002). In contrast, in urban areas, 88% of households were within 15 minutes of a primary school, 64% within 30 minutes of a post office and two-thirds within 4km of a health centre, with almost the entire population of the capital within quick reach of a health centre (ibid).

The potential for conflict to devastate social infrastructure provision is illustrated by the 2002/03 household survey in Sierra Leone, which found that just 4% of the population had access to sanitation facilities and 37% had access to an improved water source (the sanitation figures in particular have since improved) (World Bank, 2008; UNICEF and Statistics Sierra Leone, 2005). We do not have data from before the start of the conflict, but it is hard to imagine that they were worse, or that the conflict has not severely held back provision of water and sanitation facilities.

The limitations regarding access to and utilisation of basic services therefore raises serious concerns about the appropriateness of cash transfers in countries in the region. Furthermore, it seems unlikely that the use of the Latin American model of CCTs is a feasible option for many countries – especially those with significant administrative constraints and supply bottlenecks – although they may be more politically acceptable. Box 4 discusses the appropriateness of conditions in more details.



## 8. ADMINISTRATIVE AND GOVERNANCE CONDITIONS FOR CASH TRANSFERS

The previous sections highlighted the administrative and governance requirements of different types of targeting, and emphasised the importance of simple programme design to minimise the administrative burden and lessen the risk of manipulation of eligibility procedures or outright corruption. Other design features of cash transfer programmes have implications for institutional capacity requirements. For example, unconditional cash transfers need less administrative capacity than CCTs, which require monitoring of compliance with conditions or provision of jobs through public works. Any programme, however, has a number of administrative and governance prerequisites for successful implementation: (i) capacity to effectively identify and reach beneficiaries; (ii) ability to ensure the timely and regular transfer of money to households (including through appropriate delivery mechanisms and adequate financial services infrastructure); and (iii) existence of effective mechanisms to ensure accountability and transparency (at all levels).

### 8.1 EFFECTIVE IDENTIFICATION OF TARGET GROUPS

As discussed in Section 6, universal benefits are one of the best options for reducing childhood poverty in West and Central Africa where poverty rates are very high (for example approximately 75% in Equatorial Guinea) and where the fiscal space is large enough. In addition to its poverty reduction impact, there are other important reasons why a universal approach may be most appropriate. First, the administrative capacity (both at the central level but also at the local level with regard to social workers' time) and data requirements are lower for universal approaches. Second, exclusion errors will be minimal. Third, the potential for corruption and diversion of resources will be minimised in comparison with other forms of targeting where, for example, asymmetrical power relations may cause manipulations for determining eligibility. To help avoid risks of manipulation associated with targeting, clear information must be made available to the eligible target groups in ways accessible to those with limited literacy (Farrington et al., 2007).

Most countries in the region, however, do not have the fiscal space for universal transfers, so some form of targeting will be necessary. Targeting a smaller proportion of the poor will be most feasible for these countries and the cost effectiveness of targeting will be greater because concentrating resources on the poorest can increase the benefits they receive within the given budget. Complex targeting mechanisms (such as means testing) will be inappropriate for countries in the region owing to the high administrative and cost requirements. Furthermore, targeting criteria for inclusion should also be kept simple and transparent to reduce risks of corruption.

In Mali and Senegal, combinations of targeting methods, such as geographic and household or individual targeting, are deemed necessary to ensure programme affordability and sustainability in the medium term. However, significant capacity is still needed to build staff skills and resources to undertake the targeting effectively. Similarly in Ghana, a mix of household assessment and categorical targeting is proposed in the LEAP, but targeting in particular is a new area for the Ministry and Department of Social Welfare and there has not yet been an investment in the intensive type of training/re-skilling required. The case studies in Ghana and Senegal suggest that there are specific entry points for donors to support the targeting process through technical and financial support to train staff, build administrative capacity and develop a solid poverty/vulnerability mapping and targeting mechanism, which typically are expensive to carry out.



## 8.2 IMPLEMENTING CASH TRANSFERS

The effective implementation of predictable and regular cash transfer programmes requires adequate administrative and management capacity. Evidence shows that for cash transfers to be effective mechanisms for poverty reduction, the timely and regular transfer of income to households is essential. In this way, households can predict and plan for their income, invest in health and education and become more creditworthy with local suppliers. Delivering cash transfers predictably every month (or at other regular intervals) requires sound financial management systems and effective delivery mechanisms as well as adequate financial resources.

As has been noted earlier in this report, the few existing cash transfer programmes in the region are still small scale and questions remain about the capacity of governments to successfully scale them up. The relative weakness and limited capacity of implementing ministries such as ministries of social welfare or community development and their lack of bargaining power with ministries of finance to increase programme budgets and coverage are key challenges.

In ideal situations, there is enough state capacity for the government to play a central role in the delivery and funding for a cash transfer. However, in many countries in West and Central Africa, which rely on high volumes of aid to support the national budget as well as on international organisations to deliver programmes to the poor, there is a need to be realistic about the delivery capacity of the state and to consider various options in which the state's implementation is supported, at least in the short term, by these other actors (Harvey and Holmes, 2007).

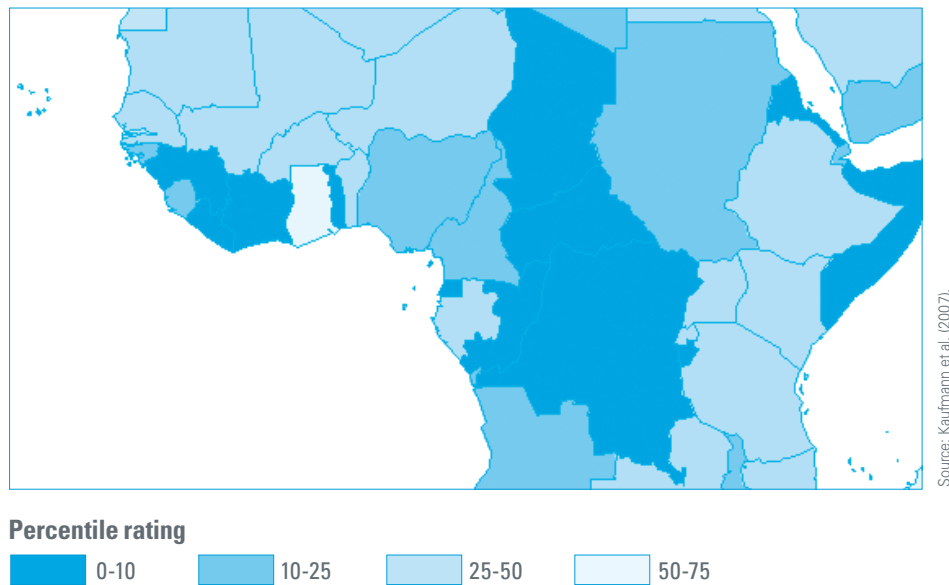
In terms of governance, the evidence suggests that state capacity among the countries in the region is in general low. The World Bank's Government Effectiveness Index attempts to measure 'the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies' (Kaufmann et al., 2007). A comparison between the countries in the region (see Figure 4 below) shows that:

- Ghana is rated in the 50th-75th percentile of countries worldwide in government effectiveness – all other countries in the region are below the median;
- The Sahelian West African countries, and Benin, are rated poorly but are among the better performers in the region;
- With the exception of Gabon, all the Central African countries are rated as having particularly ineffective states;
- The conflict-affected countries of Liberia, Sierra Leone (recently improved slightly) and Côte d'Ivoire – and neighbouring Guinea and Guinea-Bissau – also score very poorly.

The Index clearly highlights the need for improved capacity building at the national as well as sub-national levels in order to effectively deliver a cash transfer programme. In this respect, it is worth noting that even Ghana, which scores the highest in the government effectiveness ratings, is currently facing capacity challenges in the rollout of the LEAP cash transfer programme. The Ghana country case study argues that limited inter-coordination between government agencies is one of the most pressing challenges to be tackled as the LEAP programme is scaled up and the National Social Protection Strategy (NSPS) is implemented (Perezniето and Diallo, 2009). Weak institutional capacity in the Department of Social Welfare (DSW) has been officially recognised in recent capacity assessments (DSW, 2007; Yuster, 2008), but corresponding remedial efforts by government and donors alike have been modest to date. The NSPS assigns the MMYE an overall coordinating role for social protection; however, given its current relatively weak status, effective change will require sustained expert support and mentoring, as well as a strong degree of buy-in from other ministries as to the value of a social protection agenda.



**Figure 4: Government effectiveness index values for West and Central Africa**



Furthermore, financial infrastructure is needed to implement a cash transfer programme. Most countries in West and Central Africa have an elementary social security system in place, but this reaches only a small proportion of the population and is often urban based. The banking system is also weak in most countries. Indeed, in Sierra Leone for example, there are no banks outside the urban and peri-urban zones. Interestingly, however, remittances into the region were estimated at US\$10.4 billion in West Africa and US\$2.7 billion in Central Africa in 2006 (IFAD, 2008), and their amount has steadily increased since 2000 (Ratha et al., 2007), indicating that channels of money transfer do exist on a large scale in the region, whether through banks and agencies such as Western Union or through informal mechanisms.

Innovative delivery mechanisms in other parts of the world where financial infrastructure is weak include the use of mobile phones, smart cards and mobile ATMs (automatic teller machines), as well as making arrangements with health centres and schools for the delivery of cash transfers (Grosh et al., 2008; RHVP, 2008; Samson et al., 2006). The following sub-section looks at these more closely.

### 8.3 TRANSPARENCY AND ACCOUNTABILITY

Ensuring transparent and accountable mechanisms in the delivery of cash transfers is essential. Effective delivery systems must be able to prevent misappropriation of funds by programme officials or by ineligible or fraudulent beneficiaries. Transparent mechanisms must be in place so that both beneficiaries and non-beneficiaries know about the eligibility of the transfer as well as the transfer amount. Providing public information and having an effective complaints procedure in place is an effective way of ensuring this (Grosh et al., 2008). Different levels of security are also likely to be needed in different contexts. Security is important in both transporting and distributing cash. Higher levels of security may be needed in countries or areas experiencing conflict (ibid).



Transparency International's Corruption Perceptions Index (2008) shows high levels of perceived corruption in West and Central African countries: out of 180 countries (with the highest scores for the most corrupt), only Cape Verde, Ghana, Burkina Faso and Senegal rank in the lower half (Cape Verde is 47th and Senegal 85th); most are ranked with very high perceived corruption, including several in the highest 30<sup>10</sup>.

Ensuring that accountable and transparent mechanisms and tools are in place will therefore be particularly important in West and Central Africa, given the high levels of perceived corruption. Scaling up cash transfer programmes will be a particular challenge and highlights the need to have these structures in place at the start. For example, the government of Mozambique's cash transfer programme, GAPVU (Cash Payments to War-displaced Urban Destitute Households Programme), implemented in the 1990s, worked well in the first few years but was suspended in 1997 (it had reached 70,000 households) because of fraud and corruption. The programme had been put under increasing strain as pressures built for more rapid expansion. This illustrates the need to properly resource sound administrative systems and effective monitoring and supervision (Samson et al., 2006).

Recent experiences from other countries show the use of various tools to reduce corruption and diversion of resources. These include using public expenditure tracking surveys (PETS) and using private companies to deliver the cash. In Somalia, for example, partnerships have been set up with remittance companies for delivering transfers for humanitarian programmes to minimise security risks (Harvey and Holmes, 2007). The use of modern technology potentially reduces the security and corruption risks associated with cash transfers. As observed in the RHVP (2008) study, the advantage of using the private banking system for withdrawals is that the cash can be assumed to be reasonably safe up to the point of withdrawal. Similarly, smartcards (used in Zambia and Malawi) are also secure as they can only be cashed against a fingerprint at an ATM. Although technology can enhance the secure delivery of cash transfers, it is important to ensure that such technologies are readily accessible to beneficiaries who may be non-literate. The RHVP (2008) study also notes, however, that there is variable experience. In Lesotho, the use of post offices to deliver pensions to older people worked well, but in Swaziland problems with the post office meant that responsibility was taken away from the post office network within months of trial implementation, replaced by pay-points in other public buildings run directly by the Department for Social Welfare.

In sum, the majority of countries in the West and Central Africa region face significant administrative capacity and governance constraints. As a result, both the design of the programme and the choice of targeting methods should be kept as simple as possible. Furthermore, given both administrative and resource constraints, small-scale cash transfers (in terms of the size of both the transfer and the initial target group) will be more appropriate while institutional capacity develops and infrastructural systems are built to ensure effective and accountable delivery mechanisms. In many countries in the region, the delivery of transfers would need to be done in partnership with international support, at least in the short term. Using innovative tools and mechanisms, such as private companies to deliver transfers, or investigating the use of alternative ways of delivering cash, for example through smart cards or mobile phones, will be important to reduce the potential security risks of cash transfers. Furthermore, information dissemination to beneficiaries and non-beneficiaries about their eligibility and entitlements, as well as setting up complaints procedures, will help ensure that the risks of diversion of resources are minimised.

<sup>10</sup> [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008](http://www.transparency.org/policy_research/surveys_indices/cpi/2008).



## 9. CONCLUSIONS

This paper has sought to provide an assessment of the potential feasibility and affordability of implementing cash transfers with an objective to reduce childhood poverty in the West and Central Africa region. It has done this by examining the potential impact, costs and feasibility of transferring child benefits to poor households. It has thus mainly focused on assessing the potential for direct and unconditional cash transfers as child benefits, rather than cash-for-work or cash transfers conditional on human development.

Findings from the ex ante simulations which estimated the potential impacts on poverty of a UCB and a proxy means-tested targeted child benefit in Congo, Mali and Senegal showed that, in all three countries, the greatest impact on reducing the incidence of childhood poverty and the childhood poverty gap came from a UCB transfer. However, although the impact of the universal transfers may be greater than the targeted transfer, the high cost associated with a universal benefit makes it an unfeasible option for most low-income countries in the region. A universal transfer may make sense for countries like Equatorial Guinea, with its large and growing fiscal space from oil revenues and high poverty rate (approximately 76%), but for countries like Senegal, Mali or Ghana, the cost of a universal transfer is simply unfeasible, at an estimated cost of 6.4%, 5.9% and 8.7% of GDP per year respectively.

Another option for the low-income countries in the region to consider would therefore be a targeted transfer. Targeted transfers are more cost effective than universal transfers because concentrating resources on the poorest can increase the benefits they receive within the given budget. However, even for Mali and Senegal, the costs of a targeted child benefit to all poor households (with children) may still be prohibitively high. In Mali, the cost of a targeted child benefit using a proxy means test is estimated at 3.2% of GDP – this is equivalent to Mali's total public health expenditure, which accounted for 3.2% of GDP in 2004, or three-quarters of its public education expenditure (4.3% of GDP in 2005). Similarly in Senegal, a targeted child benefit using a proxy means test would cost around 2.5% of GDP, which comes to more than Senegal's entire public health expenditure (2.4% of GDP in 2004) and would cost more than two-thirds of actual expenditure on education (5.4%). Although this analysis highlights the fact that total budget allocation to the health sector is low in both countries (well below the 15% Abuja Declaration commitment), it also importantly demonstrates the conflict of resources in countries with limited fiscal space. Public investment in health care and education is critical – especially if the impacts of cash transfers on reducing childhood poverty and vulnerability are to be maximised.

There is no easy answer to the decisions about competing needs for resources. In low-income countries, creating fiscal space for cash transfers may mean decisions about reallocating resources away from other sectors or programmes. Creating the available fiscal space is as much a political decision as it is a financial one. Any such cash transfer would have to start at a small scale to build up the available fiscal space in terms of both the number of beneficiaries and also the amount of money transferred to households. This raises key questions to be considered about the size of the transfer and the objectives of the potential impacts on reducing childhood poverty; it also raises issues to do with going to scale, which need to be considered at the outset, in the very design and implementation of the programme. The implications for scaling-up are not just financial. Instigating sound, accountable and transparent administrative structures and delivery mechanisms and rigorous monitoring and evaluation mechanisms from the start is paramount to the success and sustainability of the programme as well as poverty reduction impacts.



The government of Ghana – one of the region’s first countries to implement a cash transfer targeted at the poorest – has been very cautious in the implementation of the LEAP programme. By the end of the fifth year of implementation, the scale-up of the LEAP programme will require just 0.09% of GDP and 0.23% of total government expenditure to reach one-sixth of the extreme poor population. In terms of equity and poverty reduction, clearly aiming to reach all the extreme poor (18% of the population) would be an important medium- to longer-term objective. However, limited political will and still limited public commitment to such programmes as well as inadequate investment in training and capacity building remain key challenges to the potential rollout of the programme to this scale.

Given the fiscal constraints facing most other governments in the region, some form of simple targeting will often be the only option. Furthermore, the weak governance environment, low administrative capacity and largely informal nature of economies rules out any form of complex targeting mechanism such as income means testing. At least in the initial stages, governments will have to weigh up the risk of large inclusion and exclusion errors from different forms of targeting. Simple categorical targeting – focusing, for example, on OVC – is one of the most common and simplest forms of targeting, but incurs high exclusion errors.

In sum, the choice of targeting will be context-specific and will probably involve more than one targeting method. As Farrington and Slater (2006) argue, ‘much of the evidence on cash-based approaches seems to reinforce the more general point that targeting any form of assistance effectively is difficult and that there is a strong case for keeping the targeting criteria as simple and robust as possible, and for promoting beneficiaries’ awareness of, and capacity to articulate, their rights.’

One of the key benefits of cash transfers in comparison with other social assistance programmes is that cash is fungible, meaning that households can invest in what they see as a priority. Evidence from other countries has shown that households use even small amounts of cash for consumption as well as sending children to school and using health care services. Meeting these objectives, however, is dependent on there being integrated markets and provision of services. This might not be a problem in some, particularly urban, areas, but does raise important concerns about the appropriateness of cash transfers in rural locations where the availability of quality services and/or markets is often lacking.

In countries with progressive investments in health and education, implementing an initially small-scale cash transfer could encourage the utilisation of these services at the same time as ongoing investment in the social sector. The potential cost of cash transfers means that for some countries, such as Senegal and Mali, a decision will have to be made about whether to reallocate existing expenditure from other sectors. Given such resource constraints across many of the countries in the region, however, it is likely that any cash transfer programme will at first be small scale and supported by international donors, at least in the short to medium term. There should be a careful situational analysis as to whether cash or in-kind assistance, or a mixture of both, should be transferred to meet the programme objectives.

For the oil-rich countries, affordability is not so much of a constraint to the potential implementation of a cash transfer scheme; the institutional capacity requirements may be a bigger challenge – for all the countries in the region.

The implementation of cash transfers requires sound administrative and technical capacity. Ensuring that transfers are effectively targeted, delivered in a regular and timely fashion and not open to corruption and



diversion of resources is key to their successful implementation and impact on childhood poverty. Given the institutional and governance capacity challenges in the region – even for countries with relatively higher institutional capacity, such as Ghana – implementing a cash transfer will be challenging. Indeed, in Ghana there is an urgent need for strong political leadership to improve administrative capacity, ensure the collection of baseline data and carry out monitoring and evaluation of the programme as it scales up even modestly.

Assessing whether cash transfers would be viable in a given country will be determined largely by the political commitment and availability of resources to ensure that the development of staff skills, institutional capacity, accountable mechanisms and monitoring and evaluation mechanisms are put in place. This includes not only commitment from national governments, but also longer-term commitment from international agencies and donors. Given these challenges, cash transfers are likely to be initially small scale and relatively simple to administer, with the necessary systems being built up over time to allow for institutional capacity to develop (Grosh et al., 2008).



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