



Overseas Development  
Institute

# Cash Transfers and their role in Social Protection

**Inception Report for SDC**

August 2006 – July 2007

---

\* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of SDC

**Overseas Development Institute**  
111 Westminster Bridge Road  
London SE1 7JD  
UK

Tel: +44 (0)20 7922 0300 Fax: +44 (0)20 7922 0399  
[www.odi.org.uk](http://www.odi.org.uk)

## **Preface**

This document reports on the inception phase of the ODI three year research programme “Cash transfers and their role in social protection” funded by SDC. It is authored by John Farrington, Paul Harvey, Rebecca Holmes and Rachel Slater.

The authors would like to thank those who collaborated in the research in different country contexts, and those interviewed as part of the research process in Cambodia, Ethiopia, Malawi, India and Sierra Leone. The opinions expressed in the report are the responsibility of the authors alone.

Please email Rachel Slater ([r.slater@odi.org.uk](mailto:r.slater@odi.org.uk)) for more information.

## Table of Contents

1.	Introduction .....	5
1.1	Background .....	5
1.2	Programme aims .....	5
1.3	Inception phase .....	5
1.4	Aim of Inception Report .....	6
2.	Development of a conceptual framework.....	7
2.1	The conceptual framework .....	7
3.	Update of cash transfer programmes in selected countries .....	10
4.	A review of the recent literature on cash transfers .....	12
5.	Institutional learning around cash transfers .....	14
6.	Key findings and conclusions from Sierra Leone and Malawi country case studies, and from a review of approaches to targeting.....	16
6.1	Cash transfers in Sierra Leone: appropriate, feasible and affordable?.....	16
6.2	Malawi: Lessons on cash transfers from a stocktake of social protection in Malawi.....	18
6.3	Review of Targeting Approaches – what are the implications of the review for the initial research ideas?.....	21
7.	Lessons, new research questions and next steps.....	23
7.1	Lessons from Year One of the Programme .....	23
7.2	Progress towards the aims of the Cash Transfers Programme.....	25
7.3	Towards a future research plan .....	27
	References .....	31

## List of Tables, Boxes and Figures

Table 1: Cash Transfer Projects in Malawi .....	19
Table 2: Progress towards aims.....	26
Box 1: Household types for addressing poverty, risk and vulnerability in Malawi.....	20
Figure 1: Conceptual Framework .....	8

## **Acronyms**

BPL	Below the poverty line
CT	Cash transfer
CT-OVC	Cash transfers for Orphans and Vulnerable Children
DFID	Department for International Development (UK)
GoM	Government of Malawi
MPVA	Malawi Poverty Vulnerability Assessment
NREGA	National Rural Employment Guarantee Act
ODI	Overseas Development Institute
PSNP	Productive Safety Net Programme
SDC	Swiss Agency for Development and Cooperation

# 1. Introduction

The research at ODI into cash transfers and their role in social protection is a three year programme part-funded by SDC. The programme aims to address practical questions about the feasibility, appropriateness, effectiveness and impact of cash based assistance to inform and feed into ongoing implementation.

## 1.1 Background

There is growing interest in the potential of cash transfers to promote and protect livelihoods in the contexts of both international development and humanitarian assistance. In several countries, governments, with donor support, are seeking to deal more effectively with chronic food insecurity by moving from regular deliveries of emergency food aid to cash-based social protection. Ethiopia, Afghanistan and Kenya are current and contrasting examples. These ongoing experiences raise urgent research questions about the feasibility, appropriateness, effectiveness and impact of cash based assistance. There is a pressing need for action-focused research to inform and feed into ongoing implementation. Conditional cash transfers in Latin America have been carefully documented, and the attention they have commanded demonstrates the importance of investing in processes of evidence-based learning from ongoing programmes. In countries where cash transfers form only a very limited part of social protection mechanisms, research is needed to examine their potential feasibility and cost effectiveness, and to identify pathways out of current suboptimal but intractable situations, such as India's excessive reliance on subsidised food distribution.

## 1.2 Programme aims

This research programme aims to use a combination of action research and other techniques to address the emerging issues outlined above. In particular, this research will:

- a) in a selection of countries where cash transfers are currently being implemented, systematically gather qualitative and quantitative evidence on the feasibility, cost-effectiveness and impacts of cash transfers as practice evolves.
- b) use this new knowledge to:
  - influence policy and practice within those countries
  - influence policy and practice in countries where little publicly funded social protection for livelihood protection and promotion exists. Here, the emphasis will be on considering the relative merits of cash transfers and other approaches. Supplementary research in these countries will be necessary
  - influence those countries where social protection is largely premised on in-kind transfers, and cash transfers have received little attention so far, but potentially have a substantial role to play

## 1.3 Inception phase

This first year inception phase, from July 2006 to July 2007 consisted of the following activities:

- development of a conceptual framework
- literature review on cash transfers
- targeting paper, examining concepts, plus recent experience in India, Cambodia and Ethiopia
- report on appropriateness, feasibility and affordability of cash transfers in Sierra Leone

- report on Malawi's experiences with cash transfers
- interviews with Head Offices of donors and NGOs engaged in cash transfers work
- instrument design, identification of partner agencies and fieldwork planning
- production of inception report

#### **1.4 Aim of Inception Report**

A central aim of this inception report is to develop a conceptual framework which is needed to structure the different themes of research and to guide our research over the next two years. The report presents the key findings and conclusions from fieldwork and desk-based research which has been carried out in the last year and then maps these findings with the framework to identify next steps in the research programme.

The remaining sections of the report are structured as follows.

Section two describes the development of the conceptual framework and is followed by a brief update of the development of social cash transfers around the world. Section four presents a summary of the literature review. Section five highlights the key points emerging from interviews from donors and an NGO on how institutional learning has influenced the take up of cash transfers. Section six summarises fieldwork research from three countries: Sierra Leone, Cambodia and Malawi. Section seven then concludes by identifying the emerging questions from the previous sections and suggesting the way forward.

## 2. Development of a conceptual framework

This section identifies the need for the development of a conceptual framework to guide the cash transfers work.

### 2.1 The conceptual framework

In our definition, social protection encompasses a set of publicly mandated actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty. Operationally, social protection can be sub-divided into three components: social insurance, social assistance and standards, particularly labour-related standards. In this study, cash transfers are treated as a form of social assistance, in particular:

- cash that is given to individual households, as distinct from communities or governments
- cash grants, cash for work and voucher programmes rather than interventions such as monetisation, microfinance, insurance, budget support and fee waivers
- cash as an alternative to in-kind transfers such as agricultural inputs, shelter and non-food items, as well as an alternative to food aid distribution

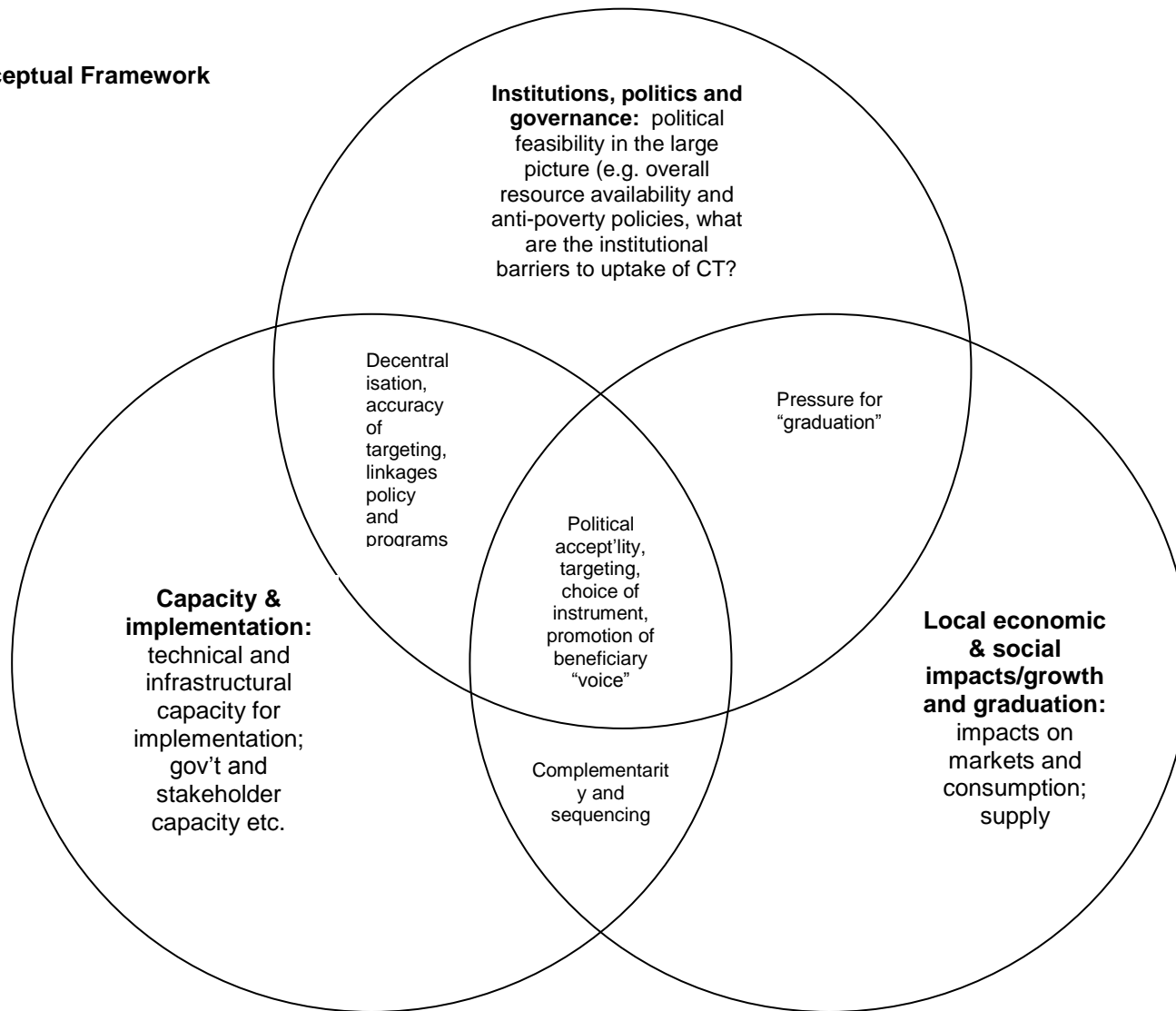
The cash transfers research proposal is developed around seven themes which are then subdivided into questions. In brief, these are:

The cash transfers research proposal is developed around seven themes which are then subdivided into questions. In brief, these are:

<b>Affordability and sustainability</b>	Can governments afford cash-based social protection programmes?
<b>Acceptability and political economy</b>	Are cash transfers seen as acceptable to key stakeholders? What encourages / discourages a shift to cash by governments and donors?
<b>Complementarities sequencing</b>	What complementary interventions and conditions need <b>and</b> to be in place for cash transfers to have positive impacts?
<b>Targeting</b>	What preconditions need to be in place for successful targeting? How can donors and governments assess who needs what kind of transfer and what the funding implications will be?
<b>Aid modalities capacities</b>	what capacities are needed on the part of governments <b>and</b> other actors to successfully implement cash transfers?
<b>Growth and graduation</b>	What impact do cash transfers have on economic growth, productive sectors and possible graduation from poverty?
<b>Relief and development</b>	What do cash transfers imply for interactions between relief and development assistance mechanisms?

In order to operationalise and structure the research questions a conceptual framework is needed (Figure 1).

**Figure 1: Conceptual Framework**





The framework identifies three principal spheres of decision-taking, implementation and impact: i) institutions, politics and governance; ii) capacity and implementation; and iii) local economic and social impacts. As the diagram above shows, sub-sets of issues relevant to our seven research themes fall within each of these three spheres. In addition, there are “cross-cutting issues” which arise at the intersection of each pair of spheres, and, in some cases, at the point at which all three intersect.

The political context for cash transfers is potentially complex and appears on Figure 1 in two places: first, the overall “big picture” political feasibility of cash transfers depends on e.g. the type and extent of political commitment to poverty reduction, and the overall availability of resources for social transfers. Political acceptability on a more day-to-day basis will depend on the size and cost of administrative effort to implement cash transfers, but also on perceptions by large sections of the populace of the social and economic contexts of cash transfers: where there are prejudices against perceived “handouts”, then this may limit the overall scope for cash transfers, and limit feasible modalities to those in which the poor are seen to be “earning” transfers – for instance, via cash for public works. In terms of the framework, these considerations are located at the intersection of all three themes, as also are issues of targeting and instrument choice. Targeting is a political process as much as a technical one, and has implications for the outcomes of cash transfers. The final element located at the intersection of all three themes is “voice”. By this is meant that programmes, schemes and projects are designed and delivered in ways which promote the ability among intended beneficiaries to recognise and claim their entitlements. Thus, information must be made available in ways accessible to those with limited literacy, criteria for inclusion must be simple and transparent, and delivery systems robust. Design and delivery systems must be resilient in the face of potential political manipulation or rent-seeking. To promote voice is a crucial component of “politics, institutions and governance; how and how well it can be promoted depends on the capacity of public administration; and the quality of its promotion impacts on social and economic indicators.

Other overlapping sub-themes include the extent to which implementation is decentralised, which links practical implementation costs and political decisions to implement a cash transfer. Linkages and programmes are entered in the same overlapping area, since they relate back to research questions about how well integrated are the policies and institutions that delivery social assistance with those that support productive sectors. Complementarity and sequencing are issues at the interface between implementation and impact. Perceptions of how the poor should “graduate” from receiving cash transfers link political decisions and the local economy: they will influence the volume and duration of benefit of any sub-set of beneficiaries.

All three spheres, plus those lying at the interstices between them, can apply in both relief and development contexts. There is therefore no need to develop a second conceptual framework for relief contexts. However, this leaves unexplored the question of how cash transfers relate relief and development contexts relate to each other. Although cash transfers are being used more in emergencies, they are not automatically central components of any link between relief and development. However some links are starting to emerge: as we argue in section 4 below, cash transfers designed as longer term social assistance are beginning to be seen as a better option than recurrent provision of large volumes of “emergency” food aid, not least because of the greater resilience they offer the poor in the face of shocks and stresses. It is perhaps therefore in the institutions, policies, governance and capacity/implementation parts of the conceptual framework that the relationship between relief and development contexts with reference to cash transfers is strongest. Of crucial importance here will be a broadening of policy thinking, at national but also importantly at international levels, to consider options other than food aid. Also important will be the evolution of implementation capacity in emergency-prone areas so that small, regular payments of cash become a workable option alongside the delivery of truckloads of food.

### 3. Update of cash transfer programmes in selected countries

There has been a recent explosion of interest in cash transfer programmes as part of social protection strategies particularly in sub-Saharan African and a large number of projects are being planned and piloted in many different contexts. This section attempts to map some of these recent developments with a particular focus on sub-Saharan Africa which is where change has been most rapid.

**Malawi:** UNICEF and the Government of Malawi introduced a social cash transfer pilot scheme in Mchinji in July 2006. The aims of the programme are multiple: to reduce poverty, hunger and starvation in all households living in the pilot area which are categorized as ultra poor and at the same time labour constrained, and to increase school enrolment and attendance of children. Households with children of school-going age receive a cash bonus to cover schooling expenses. The size of the transfer increases according to the number of household members from US\$ 4 to US \$13 a month. By April 2007, 7,480 children from 2,442 households were targeted. The project aims to expand to 12,000 households by the end of 2008. Initial findings indicate that money has been used to meet basic needs in terms of food, clothing, education materials and access to health services. Some have invested in improving their shelter and in acquiring small livestock (Schubert and Huijbregts 2006).

Other cash transfers in Malawi have been short-term emergency responses (for example Oxfam and Concern Worldwide response to the food crisis in 2005-2006). In December 2006-April 2007 Concern Worldwide implemented an emergency cash transfer to enable households to meet their "food entitlement" to over 8,000 beneficiaries in December and over 10,000 in April. An evaluation of the economic impact of the programme showed that the cash transfer had positive multiplier effects on the local economy (Davies 2007).

**Kenya:** UNICEF and the Government of Kenya started implementing the Pilot Cash Transfers for Orphans and Vulnerable Children (CT-OVC) in 2005. In the context of high HIV and AIDS rates, the pilot aims to encourage the adoption/fostering of orphans, reduce poverty and promote household investment in health and education. The pilot is experimenting with a conditional and unconditional transfer comparison. Households either receive additional income for health and education expenses *conditional on* children going to school and members visiting health centres or households receive additional income for these expenses but there is no official requirement to invest in these social services. The aim is to target 7,500 children by the end of 2007 (McCord 2006, Pearson et al. 2006).

The Hunger Safety Net Pilot programme (HSNP), a cash transfer scheme targeted at pastoralists in arid and semi-arid lands with high poverty rates, is still in the pipeline. The objectives of the programme will be to protect the consumption levels of the destitute who have lost their assets due to a poverty shock, enable the vulnerable to preserve their productive assets and avoid extreme poverty, and provide resources to the poor to support a platform for livelihood promotion. The programme will aim to target 120,000 beneficiaries (McCord 2006).

**Uganda:** In 2006 the process to design a pilot cash transfer in Uganda was initiated following requests from the Government's Social Protection Task Force. The pilot has now been designed to transfer cash in six districts to the poorest 10% of households, with a basic monthly transfer (18,000 Uganda Shillings – about £6 – enough to raise consumption levels of the average person in the bottom 10% up to the next decile), plus supplementary transfers for children and older people (2,000 UgSh per person up to a limit of five people per household). As with the Kenyan experiment on conditionalities, half the recipients will receive the supplementary payments if they adhere to conditions that school-age children are in school, vaccinations are completed and illnesses are treated at health centres, where these facilities are accessible. The other half will receive the transfer unconditionally. Sensitive issues such as dependency and the impact on gender relationships will also be explored. The project will be accompanied by a policy engagement process to broaden support for social protection (Shepherd 2007).

**Ethiopia:** Ethiopia's cash-for-work programme, the Productive Safety Net Programme (PSNP) started in 2005. A number of evaluations have taken place in the first year of implementation looking at institutional linkages, targeting, impact and the effects on local prices and markets. The overall impacts of the programme suggest that households' food security has improved, the cash income has helped protect productive assets and cash is also being used for a range of productive investments including in education, livestock, savings schemes and for paying back loans. Linkages between the PSNP and other food security programmes are found to be critical for graduation, but the potential for households to graduate is inhibited by a number of design and implementation issues within the PSNP (Slater et al. 2006). The targeting study revealed that the PSNP is now reaching the poor and that the institutional structures for combined administrative and community targeting are in place in most areas (though not all), and are functioning with varying degrees of success (Sharp et al. 2006). Price inflations were reported in the first year and as a result additional market supply interventions are recommended (Kebede 2006).

**Sierra Leone:** In the last year the Government of Sierra Leone has started implementing two cash transfer schemes. The Ministry of Labour is implementing a six month pilot programme which transfers cash directly to the elderly and most vulnerable. It is currently targeting 6,000 beneficiaries with US\$11 a month. Secondly, the Ministry of Youth and Sports is implementing a cash-for-work programme targeted at 5,000 young people. The wage rate is set at US\$2 a day.

**Pakistan:** In 2006 a pilot cash transfer programme was designed to support the Food Support Programme delivered through the Ministry of Social Welfare and Special Education, with the purpose of testing whether linking cash transfers to school attendance could achieve improvement in primary education coverage. In this pilot phase 125,000 households (10% of Food Support Programme beneficiaries) in 5 districts of every province in the country are targeted. Households receive US\$3.5 per child per month, rising to US\$6 if there are two or more children conditional on children attending school and passing examinations. The programme is supported by the World Bank and DFID (Barrientos and Holmes 2007).

**India:** The National Rural Employment Guarantee Act (NREGA) is probably the largest rights-based social protection initiative in the world at this juncture. The national budget for financial year 2006-7 was approaching US\$2.5bn, with a coverage of some 60% of India's districts, and aiming at full implementation to cover some 40 million households classified as "below the (Indian) poverty line", and costing over 1% of GDP. However, early reports suggest that implementation problems abound, especially in the weakly administered States, where the poor are increasingly located, and that actual disbursements are falling well below budgetary provisions.

## 4. A review of the recent literature on cash transfers

A wealth of literature has been published on the policy and practice of cash transfers over the last year in both development and emergency contexts (see for example the ODI journal special issues on cash transfers: *Development Policy Review* 24 (5) and *Disasters* 30 (3) edited by John Farrington, Rachel Slater and Paul Harvey and published in 2006). This section summarises the emerging issues and experiences discussed in the literature review.

**Acceptability and political economy:** The increasing support (domestically and internationally) for cash transfers as a key part of social protection and poverty reduction strategies is found to be driven by a number of interlocking factors, including the strong evidence base from Latin America of positive experiences with conditional cash transfers, advocacy by civil society actors, such as HelpAge's campaign for pensions, increasing acceptance of the need for social assistance for those seen to be particularly vulnerable such as the elderly or chronically ill, and a desire to find alternatives to decades of emergency relief in contexts such as Ethiopia and northern Kenya. Fears around potential problems such as corruption and misuse of cash are being allayed by positive evaluations of effectiveness and impact where cash transfer projects are being implemented. Cash is increasingly considered as an alternative (to food aid) or additional (cash plus food aid) mechanism to tackle poverty and as an emergency response.

**Affordability and sustainability:** Much of the literature argues that social protection is affordable and includes cost projections at approximately 1% GDP for African countries, based on a \$15 a month transfer to the bottom 10% of the population. These projections are by no means unaffordable for governments, if they are committed to financing social protection out of the national budget, and if donor organisations continue to support social protection expenditure, at least in the foreseeable future. Calculations about what is and is not affordable for developing country governments depend in part on whether spending on cash transfers is seen as an additional investment or as replacing other forms of social assistance. Importantly, affordability questions are also about donor willingness to support social protection in at least the short to medium term, particularly in sub-Saharan Africa where many governments continue to rely on international aid to support large percentages of government expenditure.

There are clear choices to be made in the design of cash transfer programmes. Thus far the debate in the literature has tended to centre around whether or not conditions should be attached to cash transfer programmes. There is now a heated debate about the usefulness of conditionality and whether or not conditions would be appropriate in contexts in Africa where access to services such as health and education are limited (Schubert and Slater 2006, Freeland 2007).

**Targeting:** However, there are also wider choices around the type of transfers, with advocates for universal non-contributory pensions, for child benefits and for transfers targeted at particular groups according to poverty or vulnerability. This is partly a debate about affordability with the argument being that relatively narrow targeting is needed for cash transfers to be affordable. However, it is also about the practicalities of targeting and capacities of governments to target effectively and the potential for universal benefits to garner wider political support. In practice, however, more narrowly targeted cash transfers are mostly being planned and adopted with the notable exception of Lesotho's introduction of a universal pension and South Africa's continuing commitment to both pensions and child grants.

**Aid modalities and capacities:** At least as great a challenge as affordability, particularly in Africa, is the capacity of governments to effectively implement cash transfers. Many of the projects currently being implemented are still benefiting from pilot project effects of being intensively managed, relatively small scale and supported by international aid actors. Question marks still remain over the capacity of governments to successfully scale-up cash transfer projects and this is a key area for further research. Experience in Lesotho and Ethiopia does provide some grounds for optimism and ambitious plans to implement large-scale projects in contexts such as Malawi, Kenya and Uganda in the near future will provide plenty of evidence and learning on which to draw.

**Growth and Graduation:** Much of the literature evaluates the impacts of existing cash transfer programmes. Evidence shows that cash transfers can successfully improve and smooth consumption and income, and can help both asset protection and asset building. However, there remain critical questions over the long-term impacts of cash transfers and their role in supporting productive activities to move people out of poverty. Overall, the emerging evidence points to the positive role that cash transfers can play in a wider supportive environment to increase people's productivity and stimulate local markets, and the need for complementary interventions to maximise these impacts.

**Complementarities and sequencing:** Actions to support markets such as the building of infrastructure may be needed particularly in the short and medium term to help markets to adjust. Particular attention needs to be given to both remote and conflict-affected areas where markets tend to be weak, if the risk of inflation resulting from cash injections is to be minimised. If cash transfers aim to increase access to health and education services then investments to ensure that services are available may be needed. There may be a need to maintain the flexibility to switch between cash and in-kind transfers in some contexts, or at certain times of year, where market supply and demand demonstrate significant seasonal variability. It is clear that cash transfers are only part of wider social protection and development strategies and are likely to be insufficient to address deep rooted poverty and social exclusion on their own. There is also a need to guard against portraying cash transfers as a magic bullet for poverty reduction but equally important to guard against assuming that a whole array of complementary actions are prerequisites for cash transfers to be effective.

**Relief and development:** Finally, although there is an increasing body of experience with the use of cash transfers in emergencies, CTs, and social protection more generally, are not automatically central components of any link between relief and development. However some links are starting to emerge particularly in contexts where humanitarian relief has become embedded in local economies such as in northern Kenya, Ethiopia and Malawi. Cash transfers designed as longer term social assistance for the chronically poor and destitute are seen as an alternative to recurrent provision of large volumes of food aid generated through annual emergency appeals. Cash transfers are also seen as having the potential to help reduce people's vulnerability to disasters, and enhance their resilience in the face of shocks, reducing the need for relief and as having the potential to be expanded during times of crisis to help people cope with disasters. In practice, however, countries are still struggling to coordinate and make links between disaster responses and longer term social protection strategies and there is a need for caution in assuming that longer term safety nets can be a complete substitute for short term humanitarian responses.

## 5. Institutional learning around cash transfers

There has been much emphasis on how *evidence based learning* from cash transfer experiences has influenced the increasing and often rapid take-up and support for cash-based social protection approaches by governments, donors and NGOs. What is less well understood however is how *institutional learning* has facilitated creating and sharing knowledge about successes or failures in cash programming internally within the organisation, and the extent to which institutional learning has supported or hindered the take up and support of cash transfers as an appropriate social protection approach.

Four donors / development banks (one focusing on emergency cash transfers) (SDC, DFID, GTZ, IADB) and one NGO (CARE) were interviewed for this study. Factors affecting institutional learning were explored through four “spheres” (organisational knowledge, organisational contexts, relationships and collaborations within and across the organisation, and external factors) to answer three key questions:

- The mechanisms by which experience with cash has been shared in institutions
- The extent to which institutional learning has enabled a better understanding of when and how cash is an appropriate response
- What the barriers are to increased uptake of cash where it can be effective

### ***How is knowledge about cash transfers shared and applied within the organisation?***

Knowledge around cash transfers is both created and shared within all the organisations, by both formal and informal mechanisms. The most common tools to generate knowledge are through evidence-based research and workshops, and information is shared through publications, seminars and training. Two organisations interviewed have specific knowledge management structures in place; the others generate and disseminate information through a more ad-hoc process, using the different tools available within the organisation when needed. Another two organisations have recently created or are in the process of creating regional advisory and co-ordinating roles specifically to improve their systems of sharing knowledge around social protection and cash transfers.

The amount of resources increasingly going into knowledge management around cash transfers clearly reflects the need for ongoing learning in this area. How this knowledge is applied varies according to differing organisational objectives. In SDC this is to ensure that cash transfers are considered as an emergency response and a cash transfer programme could be rolled out by the Rapid Response team. For CARE, improved knowledge around cash transfers is potentially a way to reach the very poorest in their programming. For DFID, knowledge on the appropriateness of cash transfers is used for informing policy debates and lobbying for increased financial support to cash transfers in developing countries.

### ***To what extent has institutional learning enabled a better understanding of when and how cash is an appropriate response?***

Before trying to measure how far institutional learning has had an impact on better understanding when and how cash is an appropriate response, it is important to look at how learning around cash transfers relates to existing structures, functions and core activities of the organisation.

Two key issues emerge. The first is that the decentralised nature of most of the organisations interviewed provides very real challenges, and potential opportunities, for how information around cash transfers is created and shared. In most organisations country offices are autonomous from head offices and it appears to be up to country advisors and offices to disseminate information rather than there being many formal structures in which to facilitate learning both across countries and up to head office. More than one interviewee said that first hand experience in seeing how cash transfers work on the ground is an extremely effective way to learn about cash transfers. In

some organisations the movement of staff from country level jobs to head offices and people in head offices travelling to country offices has certainly been part of the reason for increased support of cash transfers in the policy/head office division.

The second issue concerns where the responsibility for cash transfers “sit” in the organisation. In many organisations people who work on cash transfers are part of a social protection team which either is a team of its own, or often is part of a wider social service department. The responsibility for sharing work on cash transfers outside of these sector groups is thus at the individual or group level. The development of networks, emailing lists and regional advisors can go some way to assist cross-sector information sharing, but it does highlight the difficulties associated with linking cash transfers to, for example, economic development departments, and even more so to linking long-term cash transfers in development contexts to cash transfers in emergencies.

Understanding the extent to which institutional learning has enabled a better understanding of using cash transfers has been very difficult. It was almost impossible for people interviewed to measure the kind of impact which sharing knowledge within the institution has had on the take-up or support of cash transfers and to separate it out from other influencing factors. However, there was a general agreement that in the last few years the generation of evidence around cash transfers has increased the support for cash transfers institutionally. Specific positive outcomes of institutional learning include pushing the cash transfers debate up to higher levels of the organisation resulting in financial commitments to supporting cash transfers and helping move the discussion from policy discussions around cash transfers to operationalising them.

***What are the barriers to increased uptake of cash where it can be effective?***

As highlighted above, the structures of an organisation (limited knowledge sharing between country offices and head offices, and also between sectors) can be significant barriers to the take up of cash transfers. Moreover, the context within an organisation (e.g. staff opinions) and the external context in which organisations operate (e.g. partnerships with other institutions and national governments) can also be significant challenges. Almost all interviewees reported that a significant barrier to support cash transfers is cultural influences and ideology around the welfare state, in which there is a significant difference of opinion between, by and large, the European and United States model of social welfare. Additionally, some individuals continue to hold very strong opinions that food is a more appropriate response than cash, suggesting that debates around the possible combinations of tools may still be fairly limited and divided between “food” and “cash” camps within an organisation.

## 6. Key findings and conclusions from Sierra Leone and Malawi country case studies, and from a review of approaches to targeting

The following three sections report back on the findings and main conclusions emerging from country studies in Sierra Leone and Malawi, and from a study on targeting embracing Cambodia, India and Ethiopia, and discuss the implications of these for the initial research ideas in this project.

Research in Sierra Leone looked at the appropriateness, feasibility and affordability of cash transfers in the context of the country moving from relief to development. The Malawi study draws out the lessons from a wider stocktake undertaken of existing social protection interventions in the country.

### 6.1 Cash transfers in Sierra Leone: appropriate, feasible and affordable?

**Affordability:** the question of affordability of cash transfers in Sierra Leone is clearly a question for both government and donors given the high levels of donor budget support (50%) to the national government. Total government expenditure on social protection was budgeted at around US\$1.5 million in 2006 and US\$ 2.8 million in 2007. In per capita terms, this works out as around US\$ 0.3 per person in 2006 and US\$ 0.56 in 2007. Social protection expenditure is estimated at around 1.5 percent to 2.5 percent of non-salary, non-interest recurrent Government expenditure, 0.3 percent to 0.6 percent of total Government expenditure and a small fraction of a percentage of GDP. Limited government resources have important implications for the type of cash transfer that could be implemented and the number of beneficiaries that may be needed. The government has indicated it sees social protection as a mean to target poverty amongst the very poorest, whereas donors and other international actors argue that a cash transfer in Sierra Leone needs to be an explicit part of the growth process.

**Acceptability and political economy:** discussions around cash transfers in Sierra Leone are immediately met with fears of dependency. Years of humanitarian aid have created a perception that any kind of “hand-out” will cause long term dependency on a programme, even without any supporting evidence. This perception has significantly influenced the types of programmes that are implemented, their objectives, and who they target. Targeting criteria is critical in the acceptability of transferring cash. There is an overall perception that it is more acceptable to target cash transfers to the extremely poor who have no other form of support, either from their own ability to work or through wider community and family support. Cash transfers for the economically active population are only seen as acceptable if there is some kind of conditionality attached, such as works requirements. Even so, there is a big question for many stakeholders over the reasons for any government scheme implementing a cash rather than in-kind transfer. For instance, there is concern that the Social Safety Net which delivers cash to the elderly, is explicitly linked to government popularity and is a visible way to get votes. The sustainability of the social safety net scheme after the upcoming elections will go some way to determining whether its initiation has been primarily to address the needs of the target population, or more to provide advocacy for the government. Transparent and accountable structures are going to be vital for the acceptability of any cash transfer in Sierra Leone.

**Complementarities and sequencing:** there are two key emerging issues over complementarities and sequencing of cash transfers in Sierra Leone. First, the current Youth Employment Scheme is one of only a few programmes which is addressing short term needs (immediate income) as a priority for young people. The wider emphasis for this group has been on long-term sustainability and getting people into income generating activities. There is an important link which needs to be made between the two, and which is starting to emerge in discussions in the Youth Employment Scheme. Secondly, there appears to be few linkages, if any, between programmes, at the Ministry or NGO level. With the high levels of poverty and similar programme objectives an overarching strategy is needed to enable government and international agencies to share information, and also



to enable capacity building at the government level to avoid building parallel implementation structures.

**Targeting:** target groups are clearly defined between two main groups: the most vulnerable with no other form of support and the economically active population. Community-based targeting is commonly used to reach beneficiaries, either through the existence of community welfare committees or through youth network structures. There is anecdotal evidence that community committees may be prone to elite capture given the complexities of community social systems and the roles of Paramount Chiefs, but there are limited or no mechanisms in place to monitor the effectiveness of targeting. The limited resources of programmes puts a lot of pressure on getting targeting right, and the Social Safety Net scheme has a particularly time consuming and laborious structure to identify and verify beneficiaries. This is not only to do with the practicalities of efficiency, but is also part of helping to make the scheme politically acceptable by showing that there are no leakages to the “non-deserving” poor.

**Aid modalities and capacities:** although there is limited state capacity (in terms of numbers and skills of staff) there are a number of social protection programmes being implemented in Sierra Leone by the government and by international actors. However, capacity in the various ministries, departments and agencies is not geared towards the large-scale implementation of programmes and the role of international agencies in supporting the government to implement is a necessity, at least in the short to medium term. The National Commission for Social Action (a parastatal) has proposed a conditional cash transfer scheme and has started a process in which some of these key implementation challenges can be addressed, or at least discussed, such as collaboration between ministries and the role of decentralised local councils.

**Growth and graduation:** Whilst there is international evidence that cash transfers can stimulate markets and the local economy, the link between cash transfers and growth in Sierra Leone has not explicitly been made. Darcy (2004) suggests that social policy is extremely important in post-conflict situations to provide an enabling environment for growth. Most institutional views on the potential of cash transfers argue that they should be linked to economic activity and get people into the growth process. Indeed, the potential impacts of cash into the economy could be seen as a way to bridge the gap between perceptions of welfare as a drain on resources and growth.

**Relief and development:** the report set out to answer four key questions on the wider context of relief and development. First, *what are the major factors influencing the feasibility of cash-based safety nets in reconstruction contexts?* In Sierra Leone there are critical political as well as institutional challenges to overcome. Whilst cash-based transfers are emerging in the country, there is a general perception that cash transfers may contribute to dependency. This perception appears to be driving a focus on productivity enhancing programmes rather than the programmes being designed on a thorough understanding of need (e.g. individuals may need assistance to meet short term needs whilst longer-term productivity is being built). Cash transfers are also seen by international actors as being tied up with government politics which undermines the potential appropriateness of cash as a sustainable poverty reduction response. Furthermore, limited infrastructure and institutional capacity remain a key challenge to the implementation of a scaled-up cash transfer programme. However, the government is investing its own resources in pilot cash transfers, and decentralisation processes which include strict accountability mechanisms are being put in place, suggesting that if the political will is there, both nationally and internationally, cash transfers could be a feasible option as any other resource transfer.

Secondly, *how far can cash-based safety nets help post-conflict countries get on a positive growth and poverty reduction trajectory?* Darcy (2004) argues that social policy in post-conflict contexts should be prioritised to provide an enabling environment for growth. Indeed, both international actors and the government emphasise the need for productivity enhancing programmes. Experience from other countries has shown that cash transfers may be a useful approach to bridge the perception that welfare is a drain on resources and spending should be prioritised on promoting growth. Emerging evidence suggests that where markets are functioning, cash transfers increase the demand for goods, stimulating local trade and the local economy.

Third, *where cash-based safety nets are used as a tool in reconstruction, when and how can responsibility be transferred from NGOs and donors to governments?* The Sierra Leone government relies significantly on international assistance both financially and in terms of capacity to implement programmes. This will be the case in at the least the short-to medium-term future. However, both NGOs and UN are supporting the decentralisation process, and experiences from the Ministry of Health have shown positive steps in building local council capacities. The development and involvement of community committees in targeting and implementing social protection programmes is also being seen as critical in the process to increase national capacity to deliver programmes.

And finally, *how can cash based safety nets work in fledgling democracies where the transition from relief to development is in its early stages?* Whilst international support is undoubtedly needed, it is also vital for the state-citizen relationship to be built back up and therefore crucial that government be responsible and be held responsible for delivery of programmes, which is something that the decentralisation process has been specifically designed to help achieve. Building capacity within ministries as well as developing institutional linkages and co-ordination across them will also be vital. Moreover, a crucial aspect of the design of a cash transfer scheme is that it needs to address both economic and social risk and vulnerability. This is clearly shown in existing programmes priorities which aim to contribute to the peace process through social cohesion and social reintegration objectives. The causes of poverty and vulnerability need to be addressed based on a thorough understanding of social inequalities, discrimination and risk, both through programme design (and support to complementary interventions) and transparent targeting.

## **6.2 Malawi: Lessons on cash transfers from a stocktake of social protection in Malawi**

Responses to vulnerability in Malawi in recent years have been largely projectised, *ad hoc* and funded through emergency appeals mechanisms. Recognition that Malawi needs to move away from emergency safety nets towards a longer-term predictable resources approach to addressing chronic hunger and vulnerability have resulted in an attempt by the Government of Malawi (GoM), in partnership with donors, NGOs and civil society to develop a coherent social protection framework, policy and programme. A recent stocktake of social protection has been funded by the World Bank and completed by ODI in partnership with the Centre for Social Research at the University of Malawi (Slater and Tsoka 2007). The stocktake sought to construct an inventory of social protection in Malawi and establish how far the range, goals and coverage of existing social protection interventions match up with the existing profile of poverty, risk and vulnerability. It also explored the current institutional and financing arrangements in Malawi and how far they match up with the need for an institutionalised and coordinated social protection programme.

In the stocktake, cash transfer projects were explored as part of the social protection system. The key findings from the stocktake as regards cash transfers are as follows:

### ***Inventory of cash transfers projects***

There are a number of cash transfer projects in Malawi but they are relatively small and, on the whole, are predominantly emergency responses. Cash for work programmes far outweigh direct cash transfer programmes in terms of beneficiary numbers, geographical coverage, longevity and total funding. It is important to note that cash-for-work programmes do not provide guaranteed income each year, rather they provide public works opportunities for particular households during emergencies. Direct cash transfer programmes are a small but growing part of the social protection system. Experience with the Mchinji Social Cash Transfer Pilot Programme has led to

the establishment of an additional pilot in Likoma and plans to reach four more districts by the end of 2007.<sup>1</sup>

**Table 1: Cash Transfer Projects in Malawi**

Project type	No. of projects	Cumulative no. of beneficiaries	Districts covered	Total Cost (\$m)	Total (months)	2003 – 2006 (months)	2003 – 2006 Cost (\$m)
Cash for work	8	863,328	All	212.5	168	137	202.2
Food and Cash	1	5,050	3	0.6	12	12	0.6
Cash Transfers	2	7,065	2	0.5	9	9	0.5

Source: Adapted from Slater and Tsoka (2007)

### ***Appropriateness of cash transfers***

Analysis of the various sources of risk and vulnerability that different households face suggests that cash transfers can be appropriate responses to risk and vulnerability for many households. Drawing on data from the Malawi Poverty and Vulnerability Assessment (MPVA), the stocktake suggested a focus on three types of households – ultra-poor households (including the destitute), poor households and transient poor or ‘at risk’ households) (see Box 6.2)

For the transient poor or households ‘at-risk’ options such as social insurance, or government hedging on grain markets to stabilise prices, may be more or as appropriate as cash transfers and governments are more likely to be supportive of the former for this group. For ultra-poor and poor households, cash transfers appear to be an appropriate response. In the latter case, for poor households, there is little commitment in government to fund cash transfers so, whilst cash is appropriate, there is much more likely to be continued expenditure on inputs subsidies and on cash for work where expenditures are seen as more ‘productivity enhancing’. The evidence for how cash can be productivity enhancing through linkages and multipliers in the wider local economy is not yet strong enough to make this case convincingly.

In the former case, ultra-poor households, it is also not clear whether the government will commit to providing cash transfers to the 22% ultra-poor households. At present, a target of 10% of households appears more acceptable. The appropriateness of cash transfers needs to be weighed up against other in-kind instruments, including food. Experience from pilots in emergencies by Oxfam and Concern Worldwide suggest that cash payments need to be linked to the price of food in local markets so that households can maintain purchasing power during seasonal price spikes. In their most recent project, DECT, Concern Worldwide are attempting to provide index-linked cash transfers though in these circumstances cash is more costly and difficult to implement.

<sup>1</sup> An excellent repository of experiences and lessons from the Mchinji Social Cash Transfers Pilot can be found at: <http://www.socialcashtransfers-zambia.org/>. This includes five progress reports and internal and external monitoring and evaluation findings.

**Box 1: Household types for addressing poverty, risk and vulnerability in Malawi**

**Ultra-poor households (including destitute)** are usually larger than average households, with higher dependency ratios, and characterised by a lack of assets, especially limited landholdings (land per capita). Many households are affected by or vulnerable to chronic illness, often the result of HIV/AIDS, and a few are *de facto* or *de jure* child-headed households.<sup>2</sup> Others are female-headed households, often elderly women, with many dependents. Ultra poverty also come more frequently with low education of head of household, low degree of diversification or formal employment/wage salary, and less involvement in tobacco farming. In these cases the main need of the household is to ensure consumption – particularly to ensure household entitlements to food – and this, alongside maintaining investments in human capital, should be the one of the main objectives of social protection for this group. A second priority is protecting asset status. Direct transfers and inputs programs are core instruments. Households with labour could benefit from public works but it is critical to ensure that the level of payment and the work requirements do not become a tax on the ultra-poor that prevents them investing in their own assets and livelihoods activities. The timing of public works is also critical. This group is heavily dependent on agriculture as the main source of livelihood, and subsequently there is greatest variation in labour requirements at different times of the year. It is important that public works activities do not compete with the peak of agricultural activities, even if this corresponds directly with their hungry months. If public works are not productivity-enhancing – i.e. they are poorly timed and compete with household activities, they create assets that are of limited use to the community or that cannot be maintained – then it is certainly better to give transfers without labour requirements.

Within the ultra-poor group is a sub-group of households that can be categorized as **destitute**. These are ultra-poor households that have the least assets and land (per capita), have no labour and / or high dependency ratios, for example due to chronic illness. Poor female headed households and elderly and child headed households would be more frequent in this category. For these households, the likelihood of graduation from social protection support out of poverty is least likely. The numbers of destitute households is not clear but they are a clearly a category that are high on the agenda for social protection.

**Poor households** have some assets (land and labour) but are exceedingly vulnerable to further impoverishment. These households are also heavily dependent on agriculture (or fishing) and are net consumers of food. They are net consumers of food. They enter the market for food when the price is highest, and sell when the price is lowest. Food production shocks resulting from drought or lack of inputs, and subsequent volatility in the price of staple foods are the major shock faced by poor households. Children in these households may register for school but their attendance rates are poor. Child malnutrition remains a significant problem. The vulnerability of this group of poor households is increasing due to HIV/AIDS and chronic illness. This leaves households with little resilience to shocks so that even small shocks, such as very slight variations in rainfall, can have serious long-term impacts on the well-being of the household. This makes poor households risk averse. The objective of social protection for this group should be enabling them to deal with shocks or mitigate the impact of risks. Examples include making fertiliser more affordable and, therefore, a less risky investment.

**Transient or at risk households:** Data from Malawi also show that we need to be concerned both about people who are already poor, but also about those that are above the poverty line but are likely to be adversely affected by shocks and stresses. A panel study tracking 291 rural households shows that many of them move in and out of poverty over time (Sharma *et al* 2002). Similarly, the MPVA suggests that transient poor households can be identified using characteristics highlighted in the determinants of poverty analysis, complemented by a measure of household's exposure to shocks (GoM / World Bank 2006: xxiv). For these households – **the transient poor** - the objective of social protection should be mitigating the impact of shocks – for example through social insurance instruments and micro-finance.

(Source: Slater and Tsoka 2007)

<sup>2</sup> According to IHS2, there are very few child-headed households in Malawi but the few are among the very poorest households.

### **Funding cash transfers**

Slater and Tsoka (2007) note that *the combined safety nets / social protection system is large and important. In the period 2003-2006, including emergency aid and disaster response, it amounts to an average of more than US\$134 million per year.* This constitutes about 6.5% of GDP, 15% of the annual government budget and around 34% of total development assistance.

### **Lessons and areas for future research**

- The impacts on local markets, especially on linkages and multipliers, investment in agriculture and supply responses, remain unclear. Preliminary evidence from Concern Worldwide's DECT project provides some evidence of multipliers but these require further analysis.
- Beneficiary groups and targeting remain the subject of debate. The stocktake raises questions about both the percentage of poor households that a cash transfer programme could and should reach, and how targeting can optimally combine categorical and income-based targeting.

### **6.3 Review of Targeting Approaches – what are the implications of the review for the initial research ideas?**

**Affordability:** This has to be considered in two contexts: the expected increase in value for money of transfers themselves as a result of targeting. This constitutes a (if not *the*) primary argument in favour of targeting: targeting allows the social benefit of whatever level of transfers that can be afforded to be maximised by focusing transfers on those who really need them. However, this general principle has to be assessed against the second context, namely the costs of targeting. The greater the accuracy that is sought in targeting, the more information required, and the higher the cost of obtaining this information. Information costs in targeting systems being developed in Cambodia seem likely to be unsustainably high. In Ethiopia, some effort has been made to keep down the costs of information collection by involving community members in identifying those to whom transfers should be targeted. However, the costs to key informants of doing this (in terms of opportunity costs of time and potential ostracisation) are often overlooked. In India, the high degree of error (especially of inclusion) in Below Poverty Line estimates, plus the long intervals between revisions of the estimates, mean that high levels of resources are allocated to those who do not need them. Overall, the allocation of 1% - 2% of GDP to social transfers is feasible in India and is potentially sufficient to impact significantly on poverty. The National Rural Employment Guarantee Act represents a very large switch towards cash transfers (as "cash for work") but the switch could be greater if the political determination could be found to wind down subsidised food transfers (which remains by far the largest social transfer scheme) and switch some resources from this into cash. Finally, the numbers identified for targeting do not always match the overall funds available. There is evidence from Ethiopia of errors of exclusion caused by overall lack of funds and a knock-on effect into dilution of individual amounts paid, and pressure to graduate people quickly through the programme. Funding "caps" (e.g. with old-age pensions) in India cause similar exclusion, but not dilution.

**Acceptability and political economy:** In Ethiopia, cash transfers appear well-established and a major component of the social transfers armoury, both for the chronically poor but able-bodied, and for those unable to engage fully in the productive economy. In Cambodia, they are less established, the only widespread social transfer to date being in the form of health funds, i.e. subsidised access to health services for low income households. In India there is a middle-class sentiment against "handouts", commonly meaning cash transfers to low income but able-bodied households and individuals. This is less so with those unable to engage fully with the productive economy (the elderly, sick, disabled...) so that cash is generally targeted to these. There are two further implications: one is that transfers in kind are seen as less likely to cause indolence than cash transfers, so that the support for subsidised food distribution remains strong. The other is that whatever cash *is* targeted to the able-bodied is via public works, it places considerable reliance on

the accuracy and adequate functioning of self-targeting measures – and these do not always work well.

**Complementarities and sequencing:** the particular relevance of targeting to these is that a single type of targeting is rarely used in isolation. Thus, geographical targeting may, as a first “screen”, select disadvantaged regions for special attention. Within this there can then be targeting by socio-economic characteristics. The most consistent pattern was in Ethiopia where a sequence was followed from geographical criteria to socio-economic to criteria of physical ability. In some cases (e.g. India) categorical targeting (e.g. for pensions to the elderly) is supplemented by second level criteria, in this case, means-testing via the BPL criteria and assessment of whether they have any other source of support.

**Aid modalities and capacities:** there is potential conflict here between, on the one hand, the tight degree of targeting which donors may expect (and may be able to implement in the projects and programmes which they support), and the limited capacity of government to conduct the necessary poverty assessments and target delivery to specific categories of the poor.

**Growth and graduation:** Insufficient information is available at present to identify the impacts on individual income and wider economic growth of different types of cash transfer targeted in different ways. Full assessment of how given types of transfer work through to impact on income and growth can only be made via computable general equilibrium models. One such model is being developed for Cambodia and results will be available towards the end of 2007. However, two observations are pertinent: First, the growth potential of public works-type projects is will not be fully exploited unless, in addition to wage payments and any productive value of assets created, steps are taken to build human capacity (by training in new skills etc, and promoting further employment). Second, in relation to “graduation”, political pressures in Ethiopia on projects and programmes to demonstrate that individuals are moving out of poverty may be leading to excessive frequency of re-targeting.

**Relief and development:** It is not yet possible in detail to comment on how different forms of targeting may influence, or be influence by, potential transitions from relief to development. What has been argued in the India case is that targeting is relatively easy where basic human needs such as food security are concerned, but more difficult when attempting to provide broader support to the livelihoods of the poor.

Overall, the conceptual review of targeting and the examination of experience from three country case studies suggests that “the best may be the enemy of the good” in the sense that sophisticated approaches to classifying the poor (as in Cambodia) and sophisticated ways of applying multiple tiers of targeting (as in India) can be devised, but little is served if the complexities of implementing these simply confuse the poor as to what their entitlements are, and open the door to maladministration and corruption. The imperative for the future will be towards simple, robust and transparent ways of targeting, which may be relatively crude in their selection of beneficiaries, but make plain who is entitled to what, and by what criteria, thereby not only transferring benefits to them but also enabling them to recognise and voice their rights.

## 7. Lessons, new research questions and next steps

### 7.1 Lessons from Year One of the Programme

#### **Affordability**

***Affordability is about more than measuring costs of cash transfers as percentages of GDP***

Calculating the costs of expenditure on social protection as a percentage of GDP can be helpful in order to compare country spending on social protection. At the same time however it also masks some important differences. Individual countries budgets can make up very different proportions of GDP (in 2003 in Tanzania foreign aid constituted 27% of GDP and in India only 0.4% of GDP). Many sub-Saharan African country GDPs are heavily supported by donor budgets and so the question also becomes about who will pay for what type of programme. Poverty levels also vary by country which will influence the extent of coverage a cash transfer programme might aim to target. Calculating the costs of expenditure according to national budgets would give a more realistic idea about what countries can afford, and also take into consideration details of different types of transfers and levels of coverage.

#### **Acceptability**

***Acceptability depends more on the type of programme and targeting than on affordability and budgets***

The growing number of cash transfer programmes in developing countries, particularly in countries where cash is a novel approach, demonstrates that cash is increasingly accepted by governments and their donor partners in a range of contexts. However, whilst evidence on the economic impacts and cost-effectiveness of cash transfers is emerging, and advocacy, conferences and the sharing of experience have all increased the attention paid to cash, there remain concerns in many places about dependency and anti-social expenditures. As a result, programme design (for example whether to make cash conditional on a work or school attendance requirement) and targeting are critical dimensions of acceptability.

#### **Complementarities and Sequencing**

***For cash transfers to achieve their potential, other investments are critical***

Our literature review, and the work on Sierra Leone and Malawi demonstrate the importance of complementary investments if cash transfer programmes are to be effective. There is widespread evidence that investments in markets are required to maximise multipliers and linkages and to prevent transfers from being worth very little during seasonal food price spikes. Evidence from conditional cash transfer programmes shows how they increase the demand for health and education services so that investments in the supply of health and education are required. In Sierra Leone, investments in institutions to build capacity and ensure accountability are seen as prerequisites for efficient cash transfers. The critical emerging question is how far these investments are prerequisites for cash to be successful, and which only partially undermine the effectiveness of cash and should not by their absence hold back the implementation of cash programmes.

## Targeting

***Simple and robust targeting mechanisms are more appropriate than complex procedures***

The targeting paper suggests that sophisticated approaches to classifying the poor (in the case of Cambodia) and sophisticated ways of applying multiple tiers of targeting (as in India) can be devised but may create confusion of beneficiary entitlements and provide opportunities for maladministration and corruption. Simple, robust and transparent ways of targeting may be relatively crude in their selection of beneficiaries, but make plain who is entitled to what, and by what criteria, thereby not only transferring benefits to them but also enabling them to recognise and voice their rights.

## Aid Modalities and Capacities

***There are many pilot programmes being implemented but not much understanding on the sustainability of cash transfers***

Many cash transfers have been implemented recently as pilot programmes targeted at a small proportion of the population. As evidence from Malawi and elsewhere indicates, these pilot programmes have benefited not only from external financing from donors but also implementation and technical capacity from international actors. Additionally, there may be conflict between the tight degree of targeting which donors may expect and the limited capacity of the government to identify and target specific categories of the poor. A big question here is how to make cash transfers sustainable by national governments given unpredictable or short-term donor and international support.

## Growth and Graduation

***Pressure for households to graduate out of poverty leads to unrealistic expectations about what cash can deliver***

The literature review shows that emerging evidence on cash transfers makes clear links between households receiving regular and reliable income with income smoothing consumption and income, and protecting household assets. In Ethiopia and Sierra Leone there is pressure on households to be able to graduate out of poverty into sustainable, independent and resilient livelihoods on the cash transfer or grants that they are given, but emerging evidence from Ethiopia shows that a cash transfer alone is unlikely to lift a household out of poverty into a sustainable livelihood.

## Relief and Development

***As part of long-term social protection programmes, existing cash transfer can be but are rarely designed to scale up to address emergencies***

Our work suggests that there is little evidence of longer term social protection policies and programmes being deliberately designed to expand during periods of crisis, with the exception of Ethiopia's PSNP which provides a mechanism for (limited) horizontal scaling of the safety net to increase the number of beneficiaries when the number of chronically vulnerable households increases. As a result, cash transfers for development tend to follow emergencies, rather than emergencies responses being built on the back of existing cash transfer programmes. The same is true in post-conflict contexts



where the emphasis is on linking to growth and recovery processes by providing welfare support for the poor.

## **7.2 Progress towards the aims of the Cash Transfers Programme**

On page 5 of this report we outline the original aims of the Cash Transfers Programme. Progress and outstanding steps towards achieving these aims, both through direct SDC programme funding and via responsive grants from other funders, is shown in Table 2. In our first year, we have made significant progress in building the evidence base on cash but there is further work to be done. We have made less progress in terms of sharing the evidence on cash in order to support decision-making by policy-makers in governments and donor agencies. Subject to agreement from SDC, this will be a focus of activities in the latter part of the programme.

**Table 2: Progress towards aims**

Programme aim	SDC-funded activities	Other funded activities
<p>a) In a selection of countries where cash transfers are currently being implemented, systematically gather qualitative and quantitative evidence on the feasibility, cost-effectiveness and impacts of cash transfers as practice evolves</p>	<ul style="list-style-type: none"> <li>• In our literature review and update on cash transfers programming worldwide, we have gathered evidence about the feasibility, cost-effectiveness and impacts of cash transfers.</li> <li>• In our joint study with the Economic Policy Research Unit of the Government of Sierra Leone, we have assessed the prospects for cash transfers in Sierra Leone, and generating wider lessons for post-conflict countries</li> <li>• In our targeting study we have developed a comparative assessment of targeting policies and practices in cash transfers across three countries</li> <li>• In our institutions study, we have analysed how lessons about and experience with cash transfer programmes is shared in different kinds of donor and NGO institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• In partnership with the Centre for Social Research at the University of Malawi, we have completed a stocktake on social protection in Malawi (WB-funded). Lessons on cash programmes have been drawn out for this report.</li> <li>• In partnership with IDL and local Ethiopian consultants, members of our cash team have completed two appraisals – on institutional / programme linkages and on targeting and grievances in the Ethiopian Productive Safety Nets Programme (PSNP).</li> <li>• Members of our cash team have also completed a three year research programme looking into when the option of giving people money instead of, or as well as, in-kind assistance is feasible and appropriate in emergencies</li> </ul>
<p>b) Use this new knowledge to:</p>		
<ul style="list-style-type: none"> <li>• Influence policy and practice within those countries studied under a)</li> </ul>		<ul style="list-style-type: none"> <li>• The Malawi stocktake is being drawn on in the development of a new Government of Malawi Social Protection Policy – including the expansion of social cash transfers pilots to 5 additional districts by the end of 2007.</li> <li>• PSNP appraisals are being used by the Government of Ethiopia and donors as they implement the second phase of the PSNP. Changes include policies on linkages with other food security programmes and the public works requirements of the programme.</li> </ul>
<ul style="list-style-type: none"> <li>• Influence policy and practice in countries where little publicly funded social protection for livelihood protection and promotion exists.</li> </ul>	<ul style="list-style-type: none"> <li>• Our action research in Sierra Leone has involved a close and influential collaboration with the Government of Sierra Leone’s Economic Policy Research Unit and NASSIT, both of which are influencing the development of social protection as part of Sierra Leone’s post-conflict development strategy.</li> </ul>	
<ul style="list-style-type: none"> <li>• Influence those countries where social protection is largely premised on in-kind transfers, and cash transfers have received little attention so far, but potentially have a substantial role to play</li> </ul>		<ul style="list-style-type: none"> <li>• As part of the Chronic Poverty Research Centre, members of our cash transfers team have designed a pilot cash transfers programme for the Government of Uganda</li> </ul>

### **7.3 Towards a future research plan**

The purpose of this final section is to set out options for our research foci and approach in years 2 and 3 of the study. This will serve as a basis for discussion with SDC during the first year review meeting envisaged for September 2007.

There are two major questions to be resolved in the September meeting:

#### **1) *Which of the proposed major themes should be taken forward?***

The selection of these themes draws on the research questions put forward in the original proposal; it also draws on the evidence generated so far, and on new questions arising during the first year of work. These themes does not represent a major departure from the research questions raised so far; they are, rather, an attempt to regroup and prioritise for SDC's and others' policy purposes what would otherwise be an unmanageably large number of potentially disjointed questions and issues<sup>3</sup>. The structuring of ideas, questions and evidence underpinning the conceptual frame discussed above has helped to identify these themes.

#### **2) *How should the proposed themes be taken forward?***

We propose a continued focus on both the action research methodologies and partnership arrangements presented in the original research proposal and implemented in the first year of the programme. In years 2 and 3 we propose a gradual shift in approach away from gathering new evidence and towards drawing on that evidence in order to influence the policy and programming approaches to cash in various types of countries:

- Countries where cash transfers are already implemented;
- Countries where little publicly funded social protection for livelihood protection and promotion exists; and
- Countries where social protection is largely premised on in-kind transfers, and cash transfers have received little attention so far, but potentially have a substantial role to play.

Which named countries we focus on will depend on the outcome of discussions in September 2007 when SDC will outline their key priorities for the coming years.

The final issue to be addressed in terms of 'how' is the extent to which SDC would find it valuable for ODI to continue to explore the mechanisms by which institutions, especially donor institutions, learn about cash programming and effectiveness.

---

<sup>3</sup> The study on targeting completed during the first year provides an example (but not a blueprint) of how questions can be regrouped around a major theme, with evidence drawn from conceptual material, existing reviews, and country case studies.

## Proposed Themes

### #1: The politics of cash transfers

Despite emerging rigorous and compelling evidence about the economics of cash transfers, decisions about cash programming remain strongly influenced by politics.

#### Central issues here are:

- How can we understand the politics of *budgetary allocations* to social protection in general, and specifically in relation to social transfers and to cash as part of social transfers. Should we think less about allocations in relation to GDP and more about allocations in relation to national budgets, to other sectoral budgets (comparisons with health and education expenditures) and to foreign aid expenditure? What types of comparisons are most useful when making the case for increased allocations to cash transfers?
- What political factors determine the *relationships* between cash and other forms of social protection and social assistance? Under what conditions might these be changed?
- What role have *donors* played in financing social protection generally and cash transfers more specifically, and in promoting awareness of the strengths and weaknesses of different forms of cash transfer, of approaches to targeting etc?
- Given that there is pressure for recipients of cash transfers to “*graduate*” out of existing programmes (and, by implication, appear to be graduating out of poverty), how much of this pressure is attributable to donor strategies and how much to national governments? What are the prospects of reducing such pressures, and what are the implications for the management of cash transfer programmes of allowing such pressure to continue?
- How can concerns about dependency be overcome?

#### Approach

Lessons can be learned via comparisons between countries having well-established social transfer systems, but which contain only limited types of cash transfer (e.g. India) on the one hand, and, on the other, countries which have less historical experience in social transfers, and are relatively open to cash transfers (e.g. Malawi). A second important dimension is the importance of foreign aid in public expenditure in general, and in cash transfers in particular. Work within this theme would include detailed analysis of budgets and public expenditure plans and analysis of the politics of budget planning and allocation processes within particular countries. It would look at both the internal politics of social protection and how this is influenced by donor policies and support.

### #2: The implementation of cash transfer projects

This theme will examine evidence around the practical challenges for implementing cash transfers in different contexts. It will look at questions of how cash transfers can be scaled up from small pilots to large-scale national schemes, examine questions around state capacity with a particular focus on fragile states and those with limited administrative capacity and focus on interactions between relief and development actors in delivering cash transfers.

#### Central issues here are:

- What are the key challenges in scaling up cash transfers programmes from small pilots to large scale national programmes?
- What are some of the recent innovative delivery mechanisms for cash transfers and would they be relevant for other countries with limited financial systems?.

- What minimum level of *public expenditure management* capacity is required to effectively implement cash transfers, and how can systems and personnel be enhanced to reach that level?
- How can cash transfers be established as a *regular component* of budgets, instead of being subject to erratic allocations?
- What are the implementation costs of different types of cash transfer, and how do these compare with the benefits generated (see also theme 3)?
- What options are there for a *division of responsibilities* between public and private implementing agencies? What is the minimum requirement for *regulatory frameworks* to ensure that delivery proceeds as intended?
- What *complementary investments* need to be in place (e.g. in infrastructure; in poverty monitoring and targeting ...) to ensure that cash transfers function effectively? How, in states with limited administrative capacity, can actions best be *coordinated and sequenced*?
- How can such coordination between government and non-government actors best be achieved particularly in *emergency and post-emergency contexts* which offer the prospect of a shift from one-off relief to longer term transfers designed to reduce the vulnerability of the poor to crisis events?
- Can small, regular cash payments to vulnerable households and individuals in locations of actual or potential emergency reduce their vulnerability and to some degree substitute for humanitarian relief?
- Can long-term cash transfer projects be scaled up or expanded during crises as part of disaster response?

### Approach

Research in this theme would examine lessons being learnt from the implementation of cash transfer schemes around state and non-governmental capacities and how these are coordinated and regulated. There would be a particular focus on fragile states and potential transitions from relief to development such as in DRC and South Sudan.

A comparison is required among different types of regime and context. On the one hand, some of the weaker states in India (e.g. Bihar; Orissa) have limited administrative capacity but moderately good infrastructure. On the other hand, some African states have both weak administration and weak infrastructure. However, coordination among different initiatives has been moderately good in some, such as Ethiopia's PSNP.

### #3: The economic and social impacts of cash transfers

Central issues here are:

- The types and levels of *social impact* of different kinds of cash transfer in different contexts – for instance, how and how far are existing social safety networks replaced or complemented by cash transfers? If resources are released from such networks, how are they put to use?
- How do patterns of individual and/or household *expenditure* change in different contexts when cash transfers are introduced? How much is invested and in what? What are the impacts on overall consumption levels, and on consumption smoothing?

- How and how far do cash transfers impact on *local markets* for basic commodities in different contexts? Is there evidence of inflationary impacts? Is there evidence of supply response by e.g. local food producers in response to increased demand?
- What *public investment* or other measures are necessary, and in what combinations and sequences, to allow fuller positive effect of cash transfers on local markets and to reduce any potentially negative effects?
- What are the *overall economic impacts* of cash transfers, including direct effects on individuals and households, but going beyond these to include second-round and subsequent effects on producers, labourers etc.

### Approach

Assessment of social impacts will take place in village-based action research mode with partners in (tentatively) three countries. Rigorous assessment of economic impacts, particularly of second-round impacts, will require the construction and estimation of models, probably of a computable general equilibrium kind. Data requirements for these are substantial, and this will limit application of the approach to one or two countries – Malawi and Cambodia are candidates.

## #4: Promoting voice among beneficiaries

### Central issues here are:

- Can cash transfers be part of a transformative agenda for social protection?
- Can intended recipients of cash transfers be empowered to actively claim entitlements?
- How can types and levels of *criteria for targeting* be developed that keep errors of exclusion and inclusion low, but at the same time are robust in the face of endemic corruption, simple to implement and easily understood even by those having limited literacy? The evidence suggests that much existing targeting is sophisticated in its focus on minimizing inclusion/exclusion errors, but tends to use criteria and approaches which are inaccessible to the poor
- *Publicity for and information on* cash transfers: how can this reach the more remote areas and households, and be accessible to those with low literacy?
- How can *systems of redress* be established so that those having complaints can make themselves heard?

### Approach

Illuminating here would be comparisons between, on the one hand, a country such as India having a large number of anti-poverty schemes, some of them involving cash transfer, but virtually all having complex inclusion criteria, and, on the other, countries having simpler and more robust criteria for inclusion, with moderately good mechanisms for voicing grievance.

## References

- Barrientos, A. and Holmes, R. (2007) Social Assistance in Developing Countries Database. DFID, London
- Darcy, J. (2004) Conflict and Social Protection: Social Protection in Situations of Violent Conflict and its Aftermath. DFID, London
- Davies, S. (2007) Making the Most of It: A Regional Multiplier Approach to Estimating the Impact of Cash Transfers on the Market. Concern Worldwide (Malawi).
- Government of Malawi/World Bank (2006) Malwai Poverty and Vulnerability Assessment. Draft.
- Holmes, R. and Jackson, A. (2007) Cash Transfers in Sierra Leone: Appropriate, Affordable and Feasible? EPRU, Ministry of Finance, Sierra Leone, ODI, London. Draft.
- Kebede, E. (2006) Moving from Emergency Food Aid to Predictable Cash Transfers: Recent Experience in Ethiopia. *Development Policy Review* 25(5): 579-99.
- McCord, A. (2006) An Overview of Social Protection Interventions in Kenya. UNICEF Kenya
- Pearson, R., Alviar, C., and Hussein, A. (2006) The Evolution of the Government of Kenya Cash Transfer Programme for Vulnerable children between 2002 to 2006 and prospects for nationwide scale-up. Draft. UNICEF.
- Schubert, B. and Huijbregts, M. (2006) The Malawi Social Cash Transfer Pilot Scheme, Preliminary Lessons Learned. Paper presented at the conference on "Social Protection Initiatives for Children, Women and Families: An Analysis of Recent Experiences" New York, 30-31 October 2006  
<http://www.globalaging.org/elderrights/world/malawi.pdf>
- Sharp, K. Brown T. and Teshome A. (2006) Targeting Ethiopia's Productive Safety Net Programme (PSNP). The Overseas Development Institute, The IDL Group Ltd., A-Z Capacity Building Consult.
- Shepherd, A. (2007) Uganda Cash Transfer Pilot Scheme. Case study from ODI Annual Report 2007 [http://www.odi.org.uk/annual\\_report/ar2007/holmes\\_social\\_protection.pdf](http://www.odi.org.uk/annual_report/ar2007/holmes_social_protection.pdf)
- Slater, R. Ashley S. Tefera M. Buta M. and Esubalew D. (2006) PSNP Policy, Programme and Institutional Linkages. The Overseas Development Institute, The IDL Group Ltd., Indak.
- Slater, R. and Tsoka, M. (2007) Social Protection in Malawi: A Status Report. Forthcoming, World Bank country Working Paper