Cash Transfers, Social Protection and Poverty Reduction

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Summary

Interest in social protection and the role that it can play in poverty reduction and development has grown rapidly in recent decades. Cash transfers form an important and growing part of social protection programming in many developing countries. These schemes have evolved differently in different parts of the world and there are significant variations in programmes’ designs and objectives across countries and regions.

Some Southern governments and Northern aid agencies promote these programmes as a key social protection instrument to tackle poverty while at the same time building human and physical capital and strengthening vertical and horizontal equality. Given the often limited resources available for social protection programmes in developing countries, coverage and entitlements are a critical policy issue. Entitlements to cash transfers can be unconditional or conditional on school or clinic attendance or gained by taking part in public works. Cash transfers can be universal (all people are entitled to them – though this does not always translate into all people receiving them), or targeted on the basis of poverty or vulnerability or specific social categories – for example age or gender.

The aim of this paper is to evaluate the use of cash transfers as a tool for reducing poverty and inequality in developing countries. Drawing on UNRISD’s policy regime approach, the paper draws on data and studies on existing cash transfer programmes in developing countries to synthesise evidence on the effects of cash transfer programmes on poverty and inequality. Of particular interest are the appropriateness and cost-effectiveness of targeted versus universal cash transfers, and conditional versus unconditional transfers.

The paper concludes that in practice transfers are never really universal and where they involve identifying and targeting specific groups of people they can be relatively simple to administer. However, targeting based on social categories is likely to involve major errors of inclusion and exclusion.

A fine balance has to be struck here: on the one hand, overambitious procedures for targeting or conditionality should be avoided where administrative capacity is low. On the other, to rule out any possibility of conditionality or targeting on the grounds of weak administrative capacity leaves only the option of universal transfers. In policy settings where these involve major errors of inclusion or exclusion, or where there is a fear of the de-motivating effects of “handouts”, political opinion (and wider public opinion) may shift against social transfers altogether. Not only will this work against the interests (and rights) of the poor, it will also be detrimental to the building of precisely that administrative capacity which will be necessary for improved efficiency and effectiveness in making transfers.
Hence, the central policy questions concern the ‘how’, ‘how much’ and ‘how quickly’ of introducing targeting and conditionality, and the responses must be located in the specifics of political and economic contexts.
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1. Introduction

In 2006, amidst concern that lessons from countries where substantial poverty reduction has been achieved in the past few decades were not being learned, the UNRISD initiated a project to study the causes, dimensions and dynamics of poverty. The project draws on a policy regime approach to examine the complex ways in which poverty outcomes are shaped by the configuration of institutions and policies in the spheres of economic development, social development and politics.

Despite high growth in some developing countries, the persistence of poverty and limited progress towards the Millennium Development Goals (MDGs) in other developing countries is focusing attention on a long-term debate about whether poverty is structural or residual. In countries where a substantial proportion of people live in poverty, it may make little sense to treat the poor as a residual category (Mkandawire, 2005). A focus on poverty as relational rather than residual (see for example Hickey and du Toit, 2007) requires policy responses to poverty that tackle inequality and aim to break structural poverty traps. The implication is that policies and programmes that simultaneously address poverty and inequality and enable poor people to participate in a (just/fair) way in markets, especially labour markets, are critical. Social protection policies and programmes are one potential way to do so and will also be able to contribute to achievement of MDGs.

Interest in social protection and the role that it can play in poverty reduction and development have grown rapidly in recent decades. The right to social security is enshrined in Article 22 of the Universal Declaration of Human Rights of 1948\textsuperscript{1}. However, Slater \textit{et al} (2007) note that social protection in developing countries is rather different from that of more industrialised nations and goes beyond a rights-based approach. They argue that the emerging social protection policy agenda stems from three main factors. First, high levels of risk and vulnerability are having severe negative effects on well-being, productivity and households’ capacity to take advantage of opportunities to increase their income in the short to medium term. Second, addressing risk and vulnerability can also have longer-term impacts: social protection constitutes an investment in people that can contribute towards ending the intergenerational transmission of poverty in the long term. Third, in many countries social protection is emerging as a response to concern about a vicious cycle of emergency appeals to tackle predictable poverty and hunger and the recognition that relief programmes should not just save lives but also support livelihoods. The linkages between social protection, risk and vulnerability are shown in Box 1.

\begin{footnote}{Everyone, as a member of society, has the right to social security and is entitled to realisation, through national effort and international cooperation and in accordance with the organisation and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his (her) personality." Article 22 of the Universal Declaration of Human Rights of 1948.}
\end{footnote}
Cash transfers form an important and growing part of social protection programming in many parts of the developing world. Cash transfers have evolved differently in different parts of the world and there are significant variations in programmes’ designs and objectives across countries and regions. Different forms of cash transfers have become much more common in the past decade and are now being promoted by some Southern governments and Northern aid agencies as a key social protection instrument to tackle poverty while at the same time building human and physical capital and strengthening vertical and horizontal equality. Given the often limited resources available for social protection programming in developing countries, coverage and entitlements are a critical policy issue. Entitlements to cash transfers can be unconditional or conditional on school or clinic attendance or gained by taking part in public works. Cash transfers can be universal (all people are entitled to them – though this does not always translate into all people receiving them), or targeted on the basis of poverty or vulnerability or specific social categories – for example age or gender.

The aim of this paper is to evaluate the use of cash transfers as a tool for reducing poverty and inequality in developing countries. Drawing on UNRISD’s policy regime approach, the paper draws on data and studies on existing cash transfer programmes in developing countries to synthesise evidence on the effects of cash transfer programmes on poverty and inequality. Of particular interest to UNRISD are the appropriateness and cost-effectiveness of targeted versus universal cash transfers, and conditional versus unconditional transfers. In drawing this comparison, four questions are particularly pertinent:

- What are the implications of different welfare regimes in developing countries (and the ideological positions that underpin them) for approaches to cash transfer programming – especially targeting / universal and conditional / unconditional?
- What are the implementation implications of different approaches to cash transfer programming? For example what are the expected costs and benefits of targeted versus universal programmes? What infrastructure is required to reduce inclusion and exclusion errors?
- Under what circumstances is conditionality necessary or appropriate to achieve programme and wider development goals?
- How is cash transfer programming driven by political economy issues? For example how sustainable are cash transfer programmes in terms of political support?

Following a review of different cash transfers programmes with regard to objectives, targeting and conditions, the remainder of the paper focuses on each of the above questions in turn and assesses the implications of different approaches to targeting and conditions in programming.
**Box 1: Understanding risk, vulnerability, and social protection**

Social protection can be broadly understood as measures intended to help people cope with insecurity and risk and to minimise vulnerability. Such measures include the redistribution of income or assets, the provision of services (especially health services), mechanisms to insure against risk, and the upholding of standards of health and safety. Social protection is lacking for many people across the world. While this deficit is present in urban areas, it is particularly acute and prevalent in rural areas of developing countries, leaving people there particularly vulnerable to risks.

**Risk is the likelihood that a potentially harmful event will occur.** Such events vary in their speed of onset and impact, and predictability, and a broad distinction is often drawn between relatively unpredictable, rapid onset, and immediate impact events, termed ‘shocks’ (earthquakes, unexpected illnesses, accidents), and more predictable, slower onset events whose impacts emerge over time, termed ‘stresses’ (declining soil fertility, fragmentation of land, chronic illness, life-cycle changes – costs of education, marriages, and health costs associated with old age). Shocks and stresses can overlap. Floods can be seasonal and relatively predictable, poor health and safety standards can make accidents very likely. In the case of both shocks and stresses, health is a particularly important category – with around one-fifth of descents into poverty resulting from ill-health.

Shocks and stresses can also be analysed in terms of how they are distributed within a given population group at one time. Those which affect only certain individuals or households, for example one household’s loss of assets or cash to thieves, are termed ‘idiosyncratic’; those which impact much more widely are known as ‘co-variant’, for example the outbreak of war, or a drought. Co-variant shocks and stresses may place greater demands on existing risk mitigation systems of the affected population and have implications for the appropriateness of insurance mechanisms. But all risk is experienced differently by different people in society, depending on their level of vulnerability.

**Vulnerability is high when households are unable or have only limited capacity to prevent, mitigate or cope with the impacts of shocks and stresses.** For example, poor households in India are vulnerable to indebtedness when their children marry because they are less able to save in advance to pay for marriage costs. Poor households living in the Chars in Bangladesh have very limited capacity to protect themselves and their assets from the annual cycle of floods which can wash away land. Vulnerable households are also often risk averse. In rural areas in Africa, for example, they are often unwilling to take credit in order to purchase of fertiliser because, whilst this could result in increased returns, rainfall variation and volatility in output prices together create significant uncertainty in returns. Certain stages in the lifecycle – particularly childhood and old age – also correlate strongly with vulnerability.

Source: Slater *et al* 2007:8
2. Features of Cash Transfers Programmes

Definitions/types of programmes

For the purposes of this paper, social protection encompasses a sub-set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty. Operationally social protection can be sub-divided into three key components:

- **Social insurance** involves individuals pooling resources by paying contributions to the state or a private provider so that, if they suffer a shock or a permanent change in their circumstances, they are able to receive financial support (for example, unemployment insurance, contributory pensions and health insurance). Social insurance is, in general, more appropriate for better-off individuals (because they can more easily afford to pay insurance premiums) although it can have an important role in preventing them from dropping into poverty.

- **Social assistance** involves non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. Examples include social transfers (non-contributory pensions, child welfare grants, food vouchers) and other initiatives such as school feeding or fee waivers for education or health.

- **Standards/Regulation** refers to the setting and enforcing of minimum standards to protect citizens. The focus of standards could, in theory, extend across the whole economy but in practice tends to be focused on workplaces and, as such, is difficult to achieve within the informal economy.

Within this definition of social protection, this paper focuses on cash transfers as a form of social assistance. It focuses on:

- cash that is given to individual households, as distinct from communities or governments;
- cash grants, cash for work and voucher programmes that are paid to individuals or households and do not involve any repayments, rather than interventions such as:
  i) monetisation\(^3\) and budget support (which are paid to government or NGOs); or
  ii) microfinance and insurance (which require either initial outlay or subsequent repayments); or
  iii) fee waivers (where no cash is physically transferred to individuals or households);

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\(^2\) For more on the operational definitions drawn on in this paper, see Farrington and Slater (2006), Harvey (2005) and DFID (2005).

\(^3\) In this context, monetization refers to in-kind aid – such as food – which is then converted into cash to fund development projects.
• 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.

**Types of cash transfer programmes**

There are a range of different cash transfer programmes in developing countries with various objectives and intended outcomes (see Table 1). The primary objective of cash transfers is, in almost all cases, to enable household consumption of basic needs – particularly food. Examples include social assistance payments – such as social pensions for the elderly, disabled and widows, or allowances to HIV/AIDS orphans (Farrington *et al* 2004; Case and Deaton, 1998) and other livelihoods support payments paid to households below the poverty line. Some programmes link these consumption objectives with other longer-term objectives. Conditional cash transfers do this by attempting to simultaneously maintain consumption and build human capital – transfers are linked to (the demand-side of) service delivery and are paid on the condition that children enrol and attend school and young children are seen at clinics (for more about conditional cash transfers, see the following section). Cash for work payments are made to poor households who carry out public works (or private/NGO works subsidised by government) under supervision. When well planned, the outputs of public works (for example roads, school buildings, conserved soil) can create community assets to support household livelihoods. Cash transfers can be part of long-term social protection programming, or can be transitional, for example, as part of emergency relief or to facilitate post-emergency transitions (see the special theme issue of the journal *Disasters* 30(3), 2006).

<table>
<thead>
<tr>
<th>Types</th>
<th>Examples</th>
<th>Intended outcomes</th>
</tr>
</thead>
</table>
| 1. Targeted but unconditional transfers – focus on consumption | • Social old-age pensions (for example, India – Farrington *et al* 2003; South Africa – Devereux 2002)  
• Social cash transfers (for example, Zambia – Schubert and Goldberg, 2004) | To increase and smooth consumption of basic needs (especially food) and for publicly or privately provided goods and services |
| 2. Targeted and conditional transfers – focus on consumption and building human capital | • Child health and education (for example, *Oportunidades* in Mexico – Barrientos and DeJong, 2004, Holmes and Slater, | To increase and smooth consumption of basic needs (especially food) and for publicly or privately provided goods and services – especially health and... |
Conditional cash transfers

Conditional cash transfers (CCT) are defined as programmes that ‘link safety nets directly to human capital development, by making receipt of the transfer conditional on school attendance and health-care checkups’ (Handa and Davis 2006: 513). Conditional cash transfers have come to dominate social protection programming in Latin America. Conditionality has perhaps been one of the most controversial aspects of the recent rise in adopting cash transfers as a means of poverty reduction. There are strong views on either side.

In most countries in Latin America (with the exception of Brazil where the current programme, Bolsa Família, was established to incorporate a series of ad hoc programmes into a coherent programme and Mexico where the Progresa / Oportunidades programme was a response to inefficient food subsidies) conditional cash transfer programmes are designed to address a critical ‘development bottleneck’ (Handa and Davis, 2006). There are questions about the effectiveness of CCTs in addresses the bottleneck (Box 2.1).

Box 2.1: Can Conditional Cash Transfers address development bottlenecks?

Development bottlenecks occur where inequality of access to health and education results in poor health and education outcomes and hinders progress in poverty reduction and subsequent development. The theory behind many of the conditional cash transfers in Latin America they can provide an appropriate mechanism to address the bottleneck.

Handa and Davis (2006) question the extent to which the education and health components of CCT programmes are an effective response to the fundamental development bottleneck, particularly in poor countries such as Nicaragua, Honduras and Columbia. In all three countries they argue that administrative capacity and financing are low and poverty are widespread and:

<table>
<thead>
<tr>
<th>3. Transfers linked to productive activity – self-targeted</th>
<th>Cash for work (for example, Rural Employment Guarantee in India – Dreze, 2005)</th>
<th>To increase and smooth consumption; to create or rehabilitate community physical or natural capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Matching grants to individuals</td>
<td>Government transfer of matching grants (for example Mexico’s 3x1 Programme for Migrants – Rocha Menocal 2007)</td>
<td>To insure household consumption by supporting migration and remittance systems</td>
</tr>
</tbody>
</table>

2007; *Bolsa Escola* in Brazil – de Janvry et al, 2005) education services; to invest in human capital
In these three countries primary school net enrolment rates hover around 85% and are lower for poor families and in rural areas. The demand-side subsidy has proved unable to bring all the remaining 10-15% of this age group into school [i.e. increase enrolment], since these are the most marginalised and are unlikely even to have access to a school. A demand-side transfer is more likely to make a difference to attendance (and hence achievement) as well as age of entry. In these and other countries (Brazil, Mexico) delayed entry is a widespread phenomenon among the poor and in rural areas. One exception is Jamaica where basic schooling is universal across the country (although the quality of service does vary by region). However, school attendance (as opposed to enrolment) in rural areas is inconsistent and linked to economic factors. In this case the argument for a CCT would be to address the attendance problem in rural areas and in urban ghettos.

With regard to basic health, the same general pattern of inequalities in child nutritional status, pre-natal care and preventive health check-ups exists as in primary education. The poor and rural families are less likely to use the health services and have poorer birth and child nutritional outcomes.

Source: Handa and Davis (2006: 516)

Conditions can be used to ensure that cash transfers are allocated by recipients to intended purposes (Farrington and Slater, 2006). This is viewed by some as positive – in that it provides incentives for people to behave in particular ways and reduces the likelihood that cash transfers will be spent on ‘anti-social’ expenditures such as alcohol or cigarettes. Others consider conditions to be little more than social engineering. Freeland, for example, describes conditional cash transfers as pernicious, abominable, atrocious and superfluous (2007) whilst Schubert and Slater (2006) raise four key concerns:

- On the supply side, there are questions about whether service delivery agencies – largely meaning government-administered education and health services – will be able to meet any additional demand likely to arise when beneficiary households try to meet the conditions.
- Implementation capacities for managing social cash transfer schemes are weak in low-income African countries. This weakness is the main bottleneck impeding the scaling-up of social cash transfer pilot projects. Would the social welfare administrations in these countries be able to meet the additional administrative demands related to conditionalities?
- Administering conditionality implies additional administrative costs. Would cost-benefit analysis justify these additional costs?
- Are there socio-cultural, ethnic and political differences between Latin American and African countries that have to be taken into account?

Molyneux (2007) and Jones et al. (2007) also question the wider social policy objectives of conditional cash transfers. While conditional cash transfers in Latin America often aim to change the paternalistic relationship between the citizenry and state-funded social programmes and to present access to basic services for children as a joint responsibility of both parents and the state, Jones et al.’s (2007) analysis of Peru’s conditional cash transfer Juntos find
that in reality this is far from happening. They found that ‘while some respondents were using the language of rights, this was far from widespread. Many of the women, in particular, knew about the demands of the programme they had to meet, but couched this in terms of tasks to be completed due to instructions from authorities rather than about a balance between citizens’ rights and responsibilities’ (2007:16).

Molyneux (2007) further argues that conditionality reinforces asymmetrical and unequal gender relations through the re-traditionalising gendered roles and responsibilities. She notes that ‘given that the market capacities of women are already weak and household survival is precarious, both can be further undermined through presumptions of “natural” dispositions as mothers and caregivers. Women and households need sustainable routes out of poverty, ones that are at the same time more realistic and imaginative than the maternalistic options that are currently on offer’ (2007:43).

**Targeting of cash transfers**

Farrington et al (2007) argue that targeting is characterised by three stages:

- a set of policy decisions about (more precisely) who is to be supported through transfer programmes;
- the processes of identifying those people, and of keeping such lists up-to-date, and
- the design and implementation of mechanisms to ensure that support is provided to those intended, with minimal errors of inclusion and exclusion.

These three stages translate into a typology of commonly used targeting approaches (Table 2.1).

Targeting is widely acknowledged to be crucial for efficient resource use (Farrington and Slater 2006) and is particularly important in poor countries with limited resources available for social protection. At the same time, evidence from other social protection programmes shows that targeting can be very problematic, especially in countries where poverty headcounts are high and the differences between the lower deciles in the poverty and income profile are negligible. In Malawi, farmers rejected targeting of inputs transfers and argued that they were equally poor (Levy et al 2004) while in India, data from a survey of 5,000 households in 12 villages showed that beneficiaries of subsidised transfers were predominantly from middle-income quintiles – errors of inclusion and exclusion were occurring as politicians attempted to gain support and as a result of rent seeking (Farrington et al 2006). There are also concerns that targeting cash may be even more difficult than targeting other forms of social assistance because self-targeting/self-selection is hard to operationalise with cash.
### Table 2.1 Typology of Targeting

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Advantages</th>
<th>Cost/Inputs</th>
</tr>
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<tbody>
<tr>
<td><strong>Individual / Household Level</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual / Household Assessment</td>
<td>Involves direct assessment of whether a household is eligible for the programme based on independent verification of income.</td>
<td>Provides most rigorous indication of eligibility</td>
<td>High</td>
</tr>
<tr>
<td>Simple means tests</td>
<td>Made on the basis of a household visit by a programme social worker using simple proxy indicators such as housing quality, food stocks etc.</td>
<td>Proxy indicators reduce inputs compared to full assessments.</td>
<td>Medium</td>
</tr>
<tr>
<td>Proxy means test</td>
<td>Generate a score for applicant households based on observable characteristics (derived from statistical analysis) such as location and quality of dwelling, ownership of durable goods, demographic structure of the household, education and/or occupation of adult members.</td>
<td>Accuracy of score enabled using regression analysis or principle components</td>
<td>Medium</td>
</tr>
<tr>
<td>Community-based targeting</td>
<td>Uses community members/leaders to decide who in the community should benefit.</td>
<td>Lower demands on human capacity than means tests conducted by government social workers or using proxy means test.</td>
<td>Low – medium</td>
</tr>
<tr>
<td><strong>Other approaches</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Categorical Targeting</td>
<td>Defines categories, all members of which are eligible. Involves household characteristics that are fairly easy to observe, hard to falsify and correlated with poverty e.g. age, lagging regions, gender, ethnicity, caste, economic/occupational status (e.g. landless), social status.</td>
<td>Low / no demands on human capacity</td>
<td>Low</td>
</tr>
<tr>
<td>Self-selection</td>
<td>Access to programmes is unrestricted but the design (e.g. lower wages on public works, timing of benefits, inferior goods transferred (yellow maize in Africa, broken rice in Asia); location of pay points) makes the programme attractive only to the poorest.</td>
<td>Low / no demands on human capacity</td>
<td>Low</td>
</tr>
</tbody>
</table>

Box 2.2 Self-targeting or self-selection in social protection programmes

There are many instances where transfers are available to anyone who chooses to take them up. In these cases uptake is reduced by decreasing the value of the transfers or transferring less preferred goods so that only the poorest people will be willing to consume them. Self-targeting is common in public works programmes where the wage rates are lower than those prevailing in agricultural / casual wage labour or where the work to be carried out is viewed as socially demeaning. Other examples of self-targeting include the provision of yellow maize during food aid distributions in Africa. Across Africa, white maize is preferred for human consumption while yellow maize is viewed as food for animals. In Asia, self-targeting is achieved in food distribution by the provision of lower-grade or broken rice. There are serious moral and rights-based challenges to this kind of targeting.

In the case of cash, the only way to self-target is to make the application procedure so arduous and time-consuming, and the amount of cash to be received so small, that only the very poorest households will take-up the programme.

Table 2.1 clearly demonstrates the critical targeting choice that policy-makers face. Information about who is poor is difficult and costly to collect, analyse and apply in a timely fashion in many developing countries (Farrington et al 2007). As a result, some inclusion and exclusion errors are inevitable. Among governments, donors and other stakeholders, there are different views on how much inclusion and exclusion is acceptable and what level of expenditure on targeting to minimise these errors is acceptable. Essentially, the policy choice is between those targeting approaches which are rigorous but require greater capacity (at the top of table 2.1) and those that are less rigorous but have much smaller capacity requirements and costs (at the bottom of the table).

Farrington and Slater (2006) find that ‘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’ (2006:509).

UNRISD refers to the differences between ‘targeted’ and ‘universal’ support (Mkwandawire 2005). It is important to be clear that, in practice, all cash transfers are targeted to some extent. A true universal transfer would be paid to ever citizen in a country. ‘Universal pensions’ or ‘universal child support grants’ are targeted based on social categories – they are only universal within that social category and not across the whole population. In practice, the big policy choice is not between targeted and universal cash transfers (since universal cash transfers are not an available policy choice). Rather, the key choice is between targeting based on social categories and targeting
based on verifiable income-based criteria. Both the ILO and ODI are currently developing tools that use empirical data to help policy-makers to assess the costs and errors associated with different types of targeting.

**Costs and benefits of cash transfer schemes**

Analysing costs and benefits of cash transfer schemes raises difficult methodological challenges for researchers. Frequently, concerns about ‘affordability’ have been a major obstacle to the expansion of cash transfer programmes in poorer countries. As a result, much of the analysis to date has focused on affordability rather than actual cost-benefit analysis. A significant body of work by the ILO, for example, calculates the cost and affordability of basic social protection package scenarios in 12 countries. Their analysis suggests that, depending on the size of the domestic budget compared to GDP, a core social protection package may be affordable but that the burden on government budgets is much greater for poor countries. More importantly, when they distinguish between limited and universal coverage for certain social categories they identify a trade-off between costs and the impacts on poverty reduction and economic growth.

Kebede (2006) raises concerns that discussions regarding the affordability of cash transfers often fail to incorporate the wider costs and actions that are required if the implementation of cash transfer programmes is to lead to the desired outcomes. For example, in 2005 in Ethiopia, cash transfers contributed to rising market food prices in the absence of actions to improve the supply of grains into markets where the Productive Safety Nets Programme was distributing cash to poor households. Referring to Kebede’s findings, Farrington and Slater suggest that ‘Getting cash transfers right means ensuring linkages with wider programmes and making other investments in, for example, markets, roads and the availability of services. Without these, the impacts of cash transfers on consumption-smoothing and on broader asset-protection and asset-building are severely constrained’ (2006:506). While it has often been suggested that cash transfer programmes are administratively cheaper to implement than, for example food or inputs transfers, current cost-benefit analysis of cash transfer programmes rarely take into account the costs of required complementary actions such as ensuring market supply.

There are methods that can be used to assess and compare the relative effectiveness of different types of social assistance. Gelan (2006) draws on an economy-wide modelling approach to compare cash and in-kind (food aid) transfers and finds that cash aid provides efficiency gains from savings on logistics, avoids disincentives to local food production and has greater multiplier effects. While these benefits are felt by both beneficiaries and non-beneficiaries, where cash transfers cause food prices to rise, the negative effects are felt more acutely by non-beneficiaries. This has implications for the need for targeting with acceptable levels of inclusion and exclusion errors.
Kakwani et al’s (2006) work also has important implications for targeting policies and for establishing conditions. Their simulation model draws on data from 15 African countries and suggests that cash transfers would have to be sizeable (2–8% of GDP) in order to reduce the poverty headcount ratio by increasing the incomes of poor households. Such an increase would not be enough to increase school attendance significantly. They suggest that higher impacts could be achieved at lower costs by targeting and introducing conditions but that the targeting costs would be high and create a significant burden for low capacity administration systems. Ultimately, Kakwani suggest that a combination of geographical (rural) and categorical (children) targeting would provide the same results as income-based targeting and would be administratively feasible.

Beyond the findings of simulations (for example Kakwani et al 2006), there is only very limited evidence to demonstrate that the positive education and health-related outcomes of conditional cash transfers can be attributed to the conditions themselves. Schubert and Slater (2006) argue that the impact of conditionality itself is unknown as there have been no rigorous analyses of the respective costs and benefits of conditional versus unconditional transfers. Experience from other parts of the world where cash transfers are implemented without health or education conditions suggest that predictability of income may be as or more important than conditions.

In the case of targeting of cash transfers, rather more is understood about cost-benefit analysis. Farrington et al (2007) identify and classify costs associated with acquiring information required to get targeting right:

- **Administrative costs**: such as the costs of means-testing households or of conducting a survey on which to base a poverty map. The costs of gathering information, analysing it and applying it in time to be operationally useful, are likely to increase with the degree of precision required.
- **Private costs**: households also incur private costs involved in taking up transfers. For instance, public works programmes incur an opportunity cost in terms of forgone income opportunities and energy expenditure. Travelling and/or queuing to collect benefits can involve both opportunity costs and cash outlays, as can also the need to obtain certification such as identity cards, or proof of residency or of disability. Keeping children in school also involves private costs.
- **Incentive costs**: also known as indirect costs, result where eligibility criteria may induce households to change their behaviour in an attempt to qualify. For example, a programme open only to those below a minimum income may cause some households to reduce the amount of work they do, and thus their earned incomes. Transfers that guarantee a minimum income may change incentives in these ways. Examples of this include the Ethiopia Productive Safety Net.

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4 This is particularly an issue with Food For Work programmes in any context where workers are malnourished.
Programme (PSNP) where inclusion in the programme brings programme beneficiaries to levels of income and consumption that are significantly higher than neighbours who were previously richer than beneficiary households; and India, where there are concerns that the National Rural Employment Guarantee Act may discourage risk averse households from migrating to take up more remunerative but risky labour opportunities in urban growth poles in order to guarantee themselves 100 days of labour in the scheme.

- **Social costs**: may arise when the targeting of poor households involves publicly identifying households as poor, which may carry a social stigma.
- **Political costs**: targeting may shift the balance of political support for or opposition to transfer programmes: those excluded may increase their opposition, but this may be outweighed by increased support from the poorer, as seems to have happened during the 2006 presidential elections in Brazil where social transfers were a major electoral issue.

The key debate regarding the costs and benefits of targeting is concerned with using social categories as a proxy for identifying poor households. Table 2.1 shows that social and geographical categorical targeting is easier and therefore cheaper than more complex means-testing techniques, and so are more appropriate in the poorest countries. The effectiveness of this approach depends on how well social categories correlate with other indicators of poverty, particularly income and expenditure. An example of this discussion is found in Barrientos and DeJong (2006) who review the poverty-reduction efficiency and cost implications of categorical cash transfers targeting at children (Box 2.3)

**Box 2.3 Poverty-reduction efficiency of categorical cash transfers**

Cash transfer programmes can be evaluated in terms of their relative efficiency in reducing poverty, as measured by the poverty headcount and the poverty gap. Atkinson (1995) defines two measures of poverty-reduction efficiency: vertical poverty-reduction efficiency measures the extent to which a cash transfer programme leaks to the non-poor, while horizontal efficiency measures the extent to which a programme reaches all the poor. Targeting reflects a concern with vertical poverty-reduction efficiency, while concerns with coverage prioritise horizontal efficiency.

Figure 1 is a simple representation of a cash transfer focused on children. It provides a basic framework for interpreting information on the poverty effectiveness of child-focused cash transfer programmes. In the figure, households with children are ranked according to their per capita household income $Y$, and $\%H$ measures the proportion of households with children at each income point. To simplify the presentation, it is assumed that the proportion of poor households is linearly related to income levels, and initially that households have an equal number of children. Pre-transfer income is described by $y^0$. With a poverty line at $z$, $0h$ indicates the proportion of households that are poor, and the area indicated by $zmy^0$ the aggregate poverty shortfall. Let us now assume a cash transfer is introduced set at a
fixed level (because of our assumption that all households have the same number of children, it is immaterial at this stage whether the benefit is given per child or per household), so that the post-transfer income is now described by $b_0 b_1$.

In terms of vertical poverty-reduction efficiency, the programme performs poorly, as the area $mny_1b_1$ goes to the non-poor. An alternative would be to restrict entitlement to the child transfer to those households in poverty, so that the benefit is now $b_0 y_0 p n$, but there is still an area $mnp$ which goes to the non-poor. A child transfer calculated so that post-transfer income is capped at the poverty line would have no leakages to the non-poor, but would be very costly to calculate as it would require accurate knowledge of household income.

Figure 1a: Cash transfers when households have the same number of children

![Figure 1a](image)

Figure 1b: Cash transfers when household poverty is correlated with the number of children

![Figure 1b](image)

Relaxing the assumption that households have a fixed number of children takes us closer to a more realistic scenario in which poverty is positively correlated with the number of children in the household. It is a common finding that the incidence of poverty rises with the number of children in the household. Figure 1b takes this on board. Households with more children are
more likely to be on the left side of the figure, and a fixed transfer per child will raise their post-transfer income to a much greater extent than for less poor households with fewer children. Simply by virtue of this change in our assumptions, leakages to the non-poor decline considerably, while the poverty gap of the poorest households decreases. The main point is that, providing that households with more children are poorer, categorical transfers per child will improve poverty-reduction effectiveness relative to fixed-level transfers targeted on households.

Source: Barrientos and DeJong (2006:539-541)
3. Cash Transfers and Welfare Regimes

There is a strong element of path dependency in the emergence of social protection programmes in general and cash transfer programmes in particular. Existing contexts and welfare regimes have a strong influence on policy decisions about cash transfer programme coverage, targeting and conditions.

In different countries and/or regions, the origins of cash transfer programmes are markedly different. In Latin America, cash transfer programmes emerged in response to concerns about increasing inequality and the negative effects of structural adjustment programmes and accompanying economic crises. Handa and Davis (2006) argue that the popularity and success of conditional cash transfer programmes in Latin America can be partially attributed to overwhelming support from the Inter-American Development Bank (IADB) and the World Bank who financed human-capital investment loans alongside the physical investment that typically dominated their lending portfolios. While international lending agencies have certainly influenced the development of these programmes, the policy decision to make cash transfers conditional on utilizing health and education services cannot be solely attributed to them. Both Bolsa Escola (subsequently merged with other programmes into Bolsa Familia) and Progresa (subsequently Oportunidades) were originally designed and implemented using national funding – in Mexico to reimburse the poor following the removal of food subsidies and in Brazil originally to reduce child labour (Barrientos and DeJong 2006). Political acceptability was also critical and is discussed in the section on political economy and sustainability.

In Africa where pre-existing welfare regimes are often absent or very weak, by comparison, the origins of cash transfer schemes stem from the search for alternatives to food and inputs transfers to tackle hunger. Recently there has been a significant shift in emphasis away from in-kind assistance to cash, especially in the poorest countries. Historically, responses to food insecurity have focused on hunger as an acute and transitory problem where droughts or floods result in loss of production and subsequent famine. The response to this has typically been emergency appeals to provide food aid for hungry people and inputs transfers to support household livelihoods recovery and rehabilitation. However, increasing recognition that hunger is a chronic rather than transitory and acute problem is leading policy makers to respond to predictable hunger with predictable resources rather than emergency appeals where food often arrives too late and donors are increasingly showing signs of fatigue. In Ethiopia, this recognition has resulted in the establishment of a multi-annual safety-net programme, the Productive Safety Net Programme (PSNP) that provides six months of either food or cash transfers to chronically food insecure households (see Box 3) (see Devereux et al, 2006; Slater et al 2006; Sharp et al 2006).

A number of other countries are also designing or implementing pilot or full scale cash transfer programmes including Kenya, Uganda, Malawi, Zambia, Lesotho, South Africa, Namibia, and Mozambique. In most of these countries the underlying rationale is addressing increasing poverty and vulnerability.
resulting from the serious shocks and stresses that households face. In contrast to Latin America, where programming is driven by a need to respond to structural changes in the economy that threaten poor people’s consumption and livelihoods, in Africa, concerns about food insecurity and HIV/AIDS are the most commonly cited factors that programming seeks to address.

The conditions generally attached to cash transfers in Africa are starkly different to those in Latin America. Conditions in Africa tend to be linked to the immediate creation of community assets (for example through public works requirements) and not linked to school enrolment/attendance or attendance at healthcare clinics. There are two main reasons for this. First, given the more severe fiscal constraints in Africa, implementing governments are concerned that poor households will become dependent on cash transfers and never graduate from the programme into an independent and sustainable livelihood. Second, there are serious capacity constraints limiting government service delivery in health and education in Africa – there is no point increasing demand for services if the supply side is not in place.

Box 3: Lessons from Ethiopia’s Productive Safety Net Programme

The Productive Safety Net Programme (PSNP) transfers cash or cash and food to a) households who have no labour and no other source of support through “direct” support (DS), and b) households with labour who are required to do 5 days’ paid work per month for 6 months per household member in order to receive cash payment. The PSNP was designed and implemented to support food insecure households and move away from years of dependency on food aid. A main objective of the programme is to enable most households to graduate out of poverty to a resilient livelihood in five years.

The timing and predictability of transfers is vital in enabling households to invest in longer-term asset building. Given that many rural households engage in agriculture, Ethiopia’s Productive Safety Net Programme (PSNP) distributes cash directly to households who cannot work, and implements a public works scheme with cash payment for those who can work, in the six month agricultural slack season. Evidence from the first year of implementation has shown that cash expenditure varies across type of households, but that income was used for consumption as well as health and education related expenses, it prevented distress sale of assets and helped prevent households having to work in uncertain casual labour markets, thereby freeing up labour to work on own or share-cropped land. Also, the security of predictable household income enabled some households who were previously risk averse to take credit packages and invest in productive assets, or savings (Slater et al. 2006). Thus, if well implemented, cash transfers and work requirements can bridge the gap in hungry and slack agricultural seasons; if they are predictable, households can start investing in more riskier and productive activities.

Whether conditions are necessary in order to achieve health and education outcomes or whether they may undermine them is hotly debated. Freeland
(2007) suggests that it is not demand for health and education that creates the development bottleneck identified by Handa and Davis (2006). Rather, it may be that the supply-side is a far more significant in delivering improved livelihood outcomes: if we want improved school and clinic attendance by the poor, then the best way would be to improve primary education and health services close to where poor people live’ (2007:77). How ‘supply-side conditionality might be successfully implemented is much less clear and brings us back to difficult debates about accountability and the appropriateness of aid conditionality.

Similarly, in South Africa, there is evidence that social grants for children in households have positive effects on education and health, even with no conditions:

“extensive evaluations document the substantial impact of social grants – children (particularly girls) in households receiving grants demonstrate better weight-for-height indicators, improved nutrition, less hunger and better school attendance than children in comparable households that do not receive grants. Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants” (Samson et al 2006).
4. Developmental Effects of Social Transfers

It is widely agreed that cash transfers do support household consumption and so directly improve household welfare. However, the broader poverty reduction and development effects of social transfers, especially targeted and/or conditional cash transfers, are disputed. At the heart of these debates are disagreements about the balance between social development (for example health and education) and economic development objectives and about the timeframes and levels over which we can expect cash transfer to achieve intended outcomes.

Levels of outcomes

While it is possible to demonstrate the household level welfare impacts of cash transfers, it is much more difficult to attribute changes in national level poverty headcounts to cash transfers. Targeting is recognised as a critical tool for ensuring that cash transfers are progressive and result in some redistribution of income and of opportunities for the poorest households but once again, while the incomes of the poorest households appear to increase under cash transfers, this is rarely mirrored in improved Gini coefficients at national level where a larger number of factors come into play. At present the low coverage rates of many current cash transfer programmes make it difficult attribute changes in inequality to cash transfer programmes. As more and more cash transfer programmes are rolled out across Africa and Asia, there will be more opportunities to assess whether cash transfers effects are limited to their palliative impacts on undernutrition and poverty or whether they can provide a useful tool to tackle structural poverty / inequality. This provides a critical research agenda for future evaluations of programmes.

Timescales of outcomes

In terms of timeframes, it is important to differentiate between short and long-term investments in capital. Handa and Davis (2006) argue that a ‘common criticism of CCT programmes is the almost exclusive focus on human capital accumulation for children, which takes years – sometimes a generation – to develop. These programmes tend to ignore building human capital or productive capacity for adults who are past school age, and the accumulation of productive capital for the here and now: that is, capital, such as land or non-agricultural assets, which would have both long- and short-term effects on poverty alleviation. Through CCTs children will be better prepared for the labour market when they are older, but productive investment of the transfer would allow the family to sustain the impact of the cash transfers, which cannot continue indefinitely’ (2006:518). The trade-off between long and short-term effects raises questions about whether CCTs are currently a less predictable substitute for formal child benefits and what would be required for CCT to be scaled-up to regular child benefits.
**Linking social and economic development objectives**

For targeted cash transfers there appears to be significant scope for linking social and economic developmental objectives but there are many questions about how this can be achieved. ODI’s research programme on linking social protection and agricultural growth differentiates between protection, prevention and promotion as potential outcomes of targeted cash transfer programmes and shows how these translate into wider positive economic effects for both beneficiaries and non-beneficiaries (Figure 1). At a household level targeted cash transfers result in investments in productive activity (and by extension in economic growth). For example, cash transfers allow fuller engagement by the poor in their own farming as the requirement to seek casual and unreliable off-farm work is reduced (Harnett and Cromwell 2000).

**Figure 1: Social protection – household and market impacts**

**At household level, social protection:**
- Protects consumption
- Prevents distress sales of productive assets
- Promotes investment in assets / livelihoods

**At market level, social protection:**
- Creates increased demand (for food, basic needs, services)
- Provides wage labour opportunities / enables investment in labour
- Does this generate a supply response or inflation?
- What happens to demand for labor? Wage rates?

**Complementarities and alternatives**

The outstanding questions about these linkages include:

- How can complementarities among different kinds of cash transfer, and between these and in-kind transfers best be designed?
- What additional policy responses are required to maximize the positive impacts of cash transfers (for example improved market access and
market coordination to enable a supply response to the increased
demand generated by the injection of cash into local economies)?

There are numerous examples of where social protection can link social and
economic development objectives (most recently in Ethiopia’s Productive
Safety Nets Programme (Slater et al 2006); in Malawi’s Agricultural Inputs
Subsidy Programme (Dorward et al 2008) and India’s Rural Employment
Guarantee (Sjoblom and Farrington 2008). However, the challenges
associated with making these linkages in conditional cash transfer
programmes are not well understood and there are few examples from
conditional cash transfers of this being achieved. Given the long-term impact
of conditional cash transfers or unconditional social pensions (which are spent
on the education of grandchildren) a ‘give them dollars’ approach (Hanlon
2004) will in itself be inadequate and needs to be complemented by broader
measures spanning economic and social sectors.

Similarly, Handa and Davis (2006) find that, while conditional cash transfers
have, in general, achieved core objectives, it remains unclear whether they
have adequately addressed the ‘development bottleneck’ nor whether
conditional cash transfers are the most cost-effective or sustainable means of
addressing the bottleneck. The almost exclusive focus of conditional cash
transfers on human capital formation among children may have ignored
opportunities in terms of impact on household welfare and the broader rural
development context.

Overall, the evidence suggests that targeted and conditional cash transfers
are far from a panacea for development problems (Farrington and Slater
2006). Analyses of Progresa/Oportunidades for example, show that
education and health outcomes are centre-stage, while any impact of the
programme on poverty and food security is secondary. Handa and Davis;
Barrientos and DeJong; and Kakwani et al (all 2006) all suggest that ‘too
much emphasis is placed on enhancing demand by the poor on (especially)
health and education services, and not enough on ensuring that their
provision is adequate. Where market conditions prevail, stronger demand
might elicit an increase in supply, but the provision of health and education
remains largely in the public domain, which is much less likely to be
responsive to demand’ (Farrington and Slater 2006:507).
5. Political Economy of Social Transfers

**Conditional cash transfers and political acceptability**

In section 3 it was noted that the imposition of conditions in cash transfer programmes in Latin America could not be solely attributed to the involvement of international lending agencies since some of the programmes were initially designed and implemented without external financing. Internal politics thus play a significant role in influencing cash transfer programming.

In Latin America, public attitudes regarding the perceived causes of poverty suggest that poverty is seen as having more to do with individual failure than a (structural) lack of opportunity (Graham 2002).

Thus, Handa and Davis show how conditions are also critical from a political-economy perspective:

“Public support for safety-nets in general, and the provision of cash in particular, is a function of the values of society as well as of the characteristics of the poor. Support will be less in countries where citizens feel that poverty is due to individual lack of effort or responsibility, for example, or when the poor are easily identified as ‘different’. In Latin America the ‘face’ of the poor is typically very different from that of [what is presumed to be] mainstream society, and the poor are often geographically marginalised. CCT programmes respond to this political constraint by requiring the poor to take responsibility for their actions and ‘work’ for their money” (2006: 523).

This view is echoed by Soares (2007) who notes that it is conditions that make cash transfers in both Brazil and Mexico socially acceptable.

In this context, Schubert and Slater (2006) examine the political economy of cash transfers in Africa and elsewhere and suggest that concerns about corruption and dependence may be a ‘front’ for deeper reluctance to use cash transfers to respond to chronic poverty and food insecurity, namely, the hesitance of governments (and donors and NGOs) to hand over control and decision-making power to beneficiaries. At the same time, however, it is clear that, for as long as conditions and targeting are important for maintaining political support for cash transfers, these programmes have greater potential to make the transition from short-term humanitarian/relief safety nets, to long-term predictable social protection programmes.
Sustainability, financing and political support for cash transfers

The question of what types of transfers are likely to be politically feasible is also linked to financing. We have already discussed what is known about affordability and cost-benefit analyses of cash transfer programmes (Section 2). In addition to this, there are important questions about what types of transfers are likely to be politically and financially feasible in the long-term.

Evidence from Lesotho, Malawi and Zambia (where pilots have been expanded with varying levels of success) suggests that it is easier to persuade governments to expand cash transfer programmes where they are a partial substitute for existing social protection or humanitarian responses and when they are linked to other objectives, than where they require “new” money. In Lesotho, for example, a one-year cash-for-work programme has been extended for five years on the basis that it partially substitutes for food aid under the existing humanitarian response and it contributes both to relief and recovery through the rehabilitation of degraded land.

However, policymaking is not a linear process from ‘problem’ to ‘enquiry’ to ‘evidence’ to ‘solutions’ to ‘implementation of evidence-based solutions’. It is, rather, a process of contestation among the ‘solutions’ proffered by different groups, often dominated by elites, and often dependent on electoral cycles, the availability of windows of policy opportunity, and the possibility of engaging the interest of policy ‘champions’ (see Box 5.1 and Sutton 1999; Maxwell and Court 2005).

Box 5.1 Policy Challenges to cash transfers programmes in India

The case for cash transfers might appear easier to make where social assistance is already substantial, since the arguments would then be over reallocations from one budget line to another. But even such reallocations can encounter substantial political opposition. For instance, Farrington et al (2003) have argued that the US$100 million/year allocated by the central government in India to social pensions fails to cover more than a fraction of the elderly in need, and amounts to only US$1.60 per month for those who do receive it. This total is miniscule in comparison with the US$5.5 billion paid out on other poverty-focused rural development and transfer schemes, and the further US$10.5 billion paid on food procurement and subsidised redistribution. Furthermore, there are major inefficiencies in subsidised food distribution: the costs of acquisition, storage and redistribution amount to more than double the value of the food eventually delivered to intended beneficiaries. Larger scale, surplus-producing farmers benefit from the favourable prices offered by the acquisition scheme. This, plus the fact that labour employed by the acquisition/distribution agency (the Food Corporation of India) is highly unionised, makes it politically difficult to move away from high-cost food transfers to lower-cost cash transfers in India.
There are also barriers to the adoption of cash transfers as a possible policy response in the ways in which international assistance is structured. In the humanitarian system the dominant UN actor is mandated to provide food aid and large volumes of aid continue to be tied to food surpluses in donor countries. While attitudes within donor agencies are changing, giving people money continues to frequently inspire a more deep-seated reluctance on the part of aid professionals (in both donor agencies and NGOs), which raises complex issues about attitudes towards the poor. Partly, this is about a loss of control: giving people money involves a transfer of choice from the agency to the affected population. The widespread assumption that people will misuse cash, for example, hints at the feelings of superiority which sometimes underpin relations with the people who are labelled ‘beneficiaries’ by the agencies concerned, a term which itself suggests the passive receipt of assistance. There are also concerns that cash transfers will create dependency on ‘handouts’ and that incentives to seek work will be reduced.

However, at the same time, the current likely expansion of aid budgets is creating pressure on donors to spend more, and, coupled with a ‘freeze’ on staff numbers, is prompting increased interest in donor-funded cash transfers. An important question for donors is whether cash transfers open up new avenues for resources to be channelled through central government, which may be less limited by absorptive capacity constraints. Alternatively they may represent a form of development assistance which is less dependent on central government implementation channels, and so allow absorptive capacity constraints to be sidestepped (de Renzio 2005). Few donors would wish to emulate the example of Colonel Gadaffi, who is known to have thrown cash from an open-top car on official visits to, for example, Malawi and Mozambique (Harvey et al 2005), but to channel cash transfers through local government and/or through NGOs may be an option where central government is constrained or where decentralisation is a cornerstone of government policy. Decentralising cash transfers will face significant operational barriers but there is also one fundamental caveat: Reconciling decentralisation with a rights-based approach to social protection may present the most serious challenges of all.

6. Conclusions

This review of cash transfers in relation to poverty and inequality suggests that transfers which are universal and unconditional have a certain appeal in terms of their inherent ‘inclusiveness’. However, in practice transfers are never really universal and where they involve identifying and targeting specific groups of people they can be relatively simple to administer to clearly-definable segments of the population – the elderly, widows, orphans and vulnerable children and so on. However, targeting based on social categories is likely to involve major errors of inclusion and exclusion – for example including elderly people who are not poor, or excluding prime-age adults that are poor. It therefore becomes less and less appropriate where the policy
focus is on poverty reduction among wider sections of the community. Depending on what the key constraints are in developing human capital in a given country (e.g. limited quality and/or supply of basic services, or direct and indirect costs of accessing services) it may also be inappropriate where behavioural change is sought – e.g. where parents need encouragement to vaccinate children, improve their nutritional status or keep them at school. To achieve closer poverty focus requires targeting; to achieve behavioural change may require conditionality.

Targeting and conditionality, in turn, require effective administrative systems. These may currently be lacking in poorer countries, but a long-term objective of both governments themselves and of development assistance agencies will strengthen these, in wider contexts than merely of social transfers.

A fine balance has to be struck here: on the one hand, overambitious procedures for targeting or conditionality should be avoided where administrative capacity is low. On the other, to rule out any possibility of conditionality or targeting on the grounds of weak administrative capacity leaves only the option of universal transfers. In policy settings where these involve major errors of inclusion or exclusion, or where there is a fear of the de-motivating effects of “handouts”, political opinion (and wider public opinion) may shift against social transfers altogether. Not only will this work against the interests (and rights) of the poor, it will also be detrimental to the building of precisely that administrative capacity which will be necessary for improved efficiency and effectiveness in making transfers.

For all of these reasons – of focusing resources on the poor, of fiscal prudence, of achieving behavioural change – there is no alternative to some combination of targeting and conditionality. The central policy questions concern the ‘how’, ‘how much’ and ‘how quickly’ of introducing targeting and conditionality, and the responses must be located in the specifics of political and economic contexts.
References


