

Cash Transfers

Evidence Paper
Policy Division 2011



Front Cover photo: Massi, aged 4, with a toy mobile phone, in Korogocho, Nairobi

DFID is working in Korogocho, an informal settlement in Nairobi, Kenya in partnership with Unicef and the Kenyan Government, to improve the lives of orphans and vulnerable children through a simple cash transfer scheme. The scheme gives very poor families 3000 Kenyan shillings (about £25) every two months, for help with basic household expenses.

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DFID Cash Transfers Evidence Paper

April 2011

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Executive Summary

This paper provides a synthesis of current global evidence on the impact of cash transfers in developing countries, and of what works in different contexts, or for different development objectives. Cash transfers are direct, regular and predictable non-contributory cash payments that help poor and vulnerable households to raise and smooth incomes. The term encompasses a range of instruments (e.g. social pensions, child grants or public works programmes) and a spectrum of design, implementation and financing options. While the primary purpose of cash transfers is to reduce poverty and vulnerability, the evidence shows that they have proven potential to contribute directly or indirectly to a wider range of development outcomes.

Rationale for cash transfers

The theoretical case for transfers is straightforward. While poverty is multi-dimensional, low and variable income is central to the problem. Modest but regular income from cash transfers helps households to smooth consumption and sustain spending on food, schooling and healthcare in lean periods without the need to sell assets or take on debt. Over time, transfer income can help households to build human capital (by investing in their children's nutrition, health and education), save up to buy productive assets, and obtain access to credit on better terms. Cash transfers can thus both *protect* living standards (alleviating destitution) and *promote* wealth creation (supporting transition to more sustainable livelihoods). Depending on context, they may also help *prevent* households from suffering shocks and *transform* relationships within society, and between citizens and the state.

Over the past 15 years, a 'quiet revolution' has seen governments in the developing world invest in increasingly large-scale cash transfer programmes. These are now estimated to reach between 0.75 and 1 billion people. While this expansion began in middle-income countries (MICs), governments in low-income countries (LICs) have also started to develop cash transfer programmes. This rapid spread has been driven by a range of forces. Firstly, there is growing recognition that while global economic integration brings poor households opportunities, it also brings increased exposure to stresses (e.g. volatile food and fuel prices) and shocks which can push many into poverty. In this context, transfers are seen to play a role in reducing *transitory poverty*. Secondly, there is growing evidence that transfers can help people escape *chronic, often inter-generational poverty*; in part by leveraging gains in non-income, human development outcomes, accelerating progress towards Millennium Development Goal (MDG) targets. Finally, there is recognition that in situations of chronic food insecurity (e.g. Ethiopia), institutionalised transfer programmes are more efficient and effective than repeated annual emergency food aid.

Evidence for multiple forms of impact

Cash transfers are one of the more thoroughly researched forms of development intervention. Latin American countries that pioneered the current generation of cash transfers built in best-practice monitoring and evaluation (M&E). The association of cash transfers with high quality M&E and impact evaluation has continued as cash transfers have spread, but remains less developed in low-income countries.

While the evidence base for cash transfers is better than for many other policy areas, it is also uneven. Less is known about some instruments (public works) and outcomes in certain regions (sub-Saharan Africa). Capturing the full range of effects is challenging and variations in assessment methodology make systematic review complex. It is possible to distinguish a *hierarchy of knowledge*, with declining robustness of evidence for some forms of impact relative to others.

There is convincing evidence from a number of countries that cash transfers can reduce inequality and the depth or severity of poverty. For example, in Brazil a combination of cash transfer programmes accounted for 28 percent of the total fall in the Gini index (a summary measure of inequality) between 1995 and 2004.

There is an increasing volume of research into how cash transfers might support 'graduation' from poverty for those of working age. Evidence from Bangladesh and Ethiopia suggests that transfers are unlikely to achieve graduation without complementary interventions (e.g. skills training or agricultural extension) to promote livelihoods.

There is robust evidence from numerous countries that cash transfers have leveraged sizeable gains in access to health and education services, as measured by increases in school enrolment (particularly for girls) and use of health services (particularly preventative health, and health monitoring for children and pregnant women). Effects are typically larger in LICs with lower baseline levels. Cash transfers also have a proven role in supporting specific vulnerable groups (people living with HIV and AIDS, orphans and vulnerable children).

However, transfers have had less success in improving final outcomes in health or education. Cash transfers can help the poor overcome demand-side (cost) barriers to schooling or healthcare, but they cannot resolve supply-side problems with service delivery (e.g. teacher performance or the training of public health professionals). Cash transfers therefore need to be complemented by ongoing sectoral strategies to improve service quality. Nutrition may be an exception: households receiving transfers spend more on food, resulting in significant gains in children's weight and height in several countries.

Well-designed and implemented cash transfers help to strengthen household productivity and capacity for income generation. Small but reliable flows of transfer income have helped poor households to accumulate productive assets; avoid distress sales; obtain access to credit on better terms; and in some cases to diversify into higher risk, higher return activities. These intermediate outcomes help draw poor people into the market economy on terms that allow them to benefit from and contribute to growth.

There is some evidence (from Zambia and Namibia) that the introduction of cash transfers into poor, remote areas can stimulate demand and local market development. The limited evidence available for such effects reflects in part a lack of focus on this outcome in programme design and evaluations.

There is very little evidence that cash transfers in developing countries have had negative effects on labour market participation or fertility. Where effects have been found, they have been small. An equal number of studies (e.g. from Brazil and South Africa) find positive effects on labour market participation, as transfers are used to cover costs associated with job seeking.

There is as yet little evidence of a relationship (positive or negative) between cash transfers and aggregate growth. While raising the income generation capacity of the poor and stimulating local markets should contribute to growth, the size of this effect is likely to be too small to distinguish. This reflects the extremely low share of national income going to poor households, the small size of transfers and the still low-levels of coverage in most LICs.

However, transfers are likely to contribute to long-term growth by raising the human capital of the next generation. The effects of transfer-induced gains in nutrition, health and education on future labour productivity can be estimated through models. Lags and complex causal chains make it hard to measure these links empirically, particularly at this early stage.

Transfers can influence gender relations and empower the poor to make their own decisions to improve their lives. Where the main recipients are women (as in Mexico's *Oportunidades*), cash transfers have often helped to increase their role in household spending decisions and promote more balanced gender relations. Cash transfers can support girls' education and their access to health care and other basic social services.

Cash transfers may contribute to conflict prevention and peace-building by helping to promote social cohesion and build the social contract between state and citizens. Kenya, Nepal, Rwanda and Sierra Leone have introduced or expanded programmes at least partly on this basis. This is an area where evidence is limited and more research is needed.

Finally, there is growing interest in including cash transfers and other social protection measures (e.g. insurance) within integrated approaches to strengthening resilience to climate change. This is a relatively new area of research. Some evidence is emerging from Ethiopia, where 'drought-proofing' public works are improving watershed management. Programmes in south Asia

are also attempting to integrate social protection, climate change adaptation and disaster risk reduction.

Evidence on design and implementation choices

There is a growing evidence base regarding design and implementation choices that can maximise the impact of cash transfers in different contexts.

While conditional cash transfers (CCTs) have achieved considerable success, it is not yet clear whether conditionality itself contributes. CCT programmes – e.g. Mexico’s *Oportunidades* – require that recipients undertake certain actions (e.g. ensuring children’s school attendance or attending antenatal care) to receive their transfers. There is clear evidence that these schemes have had significant impact. However, it is not clear what role conditionalities have played in these achievements. The success of unconditional cash transfers in South Africa and an impact evaluation in Malawi raises the possibility that cash alone might be enough, with no need for conditions. Some support for conditionality comes from a natural experiment in Mexico; however, this found the effect of conditionality on enrolment was confined to one particular stage of schooling, with no discernible impact at other levels. This debate matters as conditionalities create costs for governments, in monitoring, and for recipients, in demonstrating compliance.

Consideration of context is important in drawing policy conclusions from the limited evidence on conditionality. CCTs require effective, well-funded public services which can increase supply in response to a CCT-induced rise in demand for services. Hence there are grounds to question whether the success of CCTs in middle-income Latin American countries with well-developed public services can be replicated in LICs. In practice, attaching conditions may have less to do with gains in programme effectiveness and more to do with the politics of securing support for tax-financed redistributive programmes.

Public works programmes (PWP) aim to deliver a double benefit, reducing poverty both directly (through wage income for poor households) and indirectly (through the creation of infrastructure – e.g. roads or water control structures – that improve access to markets and support higher agricultural productivity). Public works can respond quickly to shocks and the need to generate employment to tackle transitory poverty in fragile or post-crisis situations.

In practice, however, PWPs in many LICs have not performed well. Transfers from short-term schemes are too low and unreliable to affect chronic poverty; while poor design, supervision and maintenance has resulted in unsustainable structures. Good results can be achieved when choices (e.g. between addressing short-term shock-induced unemployment or structural under-employment) are made explicit and reflected in design; and when arrangements are institutionalised. Infrastructure created through Ethiopia’s

Productive Safety Nets Programme (PSNP) has reduced vulnerability to drought, while providing direct support that is more helpful to vulnerable households. This is provided at lower cost than earlier emergency food aid. India has piloted an approach which guarantees each rural household up to 100 days of public works employment per year. Although effectiveness varies with state-level differences in capacity and implementation, the guarantee serves as a form of unemployment insurance and has exerted upward pressure on extremely low rural wages.

There is a growing evidence base about how different types of targeting work in different contexts. All forms of targeting (e.g. categorical grants, community selection, geographical targeting, self-selection, or proxy means tests) involves trade-offs. What constitutes the best option will be determined by programme objectives, the characteristics of the poor and vulnerable, the availability of data and funds, institutional capacity, and political acceptability. As such, targeting choices need to be determined by context rather than one-size-fits-all approaches. Programmes often achieve optimal results by combining targeting mechanisms.

Gender-sensitive design is critical to ensure that increased household income is effectively allocated and does not have any adverse effects on existing relations or the division of labour within the household.

Other design factors that influence impact include; the value, duration and frequency of transfers, coverage, and links with other types of transfers (of vouchers, productive assets or food). Key factors shaping implementation include: the quality of administration and monitoring; choice of payment mechanisms; investment in capacity building; involvement of recipients in design and monitoring; and integration with complementary interventions (e.g. vocational training). Experience highlights the importance of institutional capacities for planning, coordination and delivery. Added value has been achieved through use of new technologies and innovative institutional solutions (e.g. engaging the private sector in delivery, and civil society organisations in outreach and accountability). Evidence from South Africa, India, Kenya and Liberia has demonstrated that electronic payment systems involving smartcards or mobile phones can significantly reduce costs and leakage, while promoting financial inclusion of the poor.

Until recently, transfers in humanitarian and post-conflict contexts have tended to be in-kind (e.g. food) rather than cash. This is starting to change. Experience with successful delivery in conflict-affected environments – for example, in Zimbabwe, Somalia and Nepal – highlight a need for careful choices regarding targeting and implementing institutions, and the potential for innovative delivery mechanisms and stakeholder arrangements.

The introduction, expansion and sustainability of transfer programmes require fiscal space and domestic political support. It is important to understand the incentives of policy-makers and the preferences of key constituencies. While electoral politics play a major role in Latin America and

increasingly in Asia, this has not been the case in Africa. Evidence of success is critical for long-term political sustainability. Good M&E and communication of results helps to inform public debate and engage civil society support.

Value for money, affordability, and cost-effectiveness

Whether cash transfers represent value for money (VFM) depends on how the balance of benefits and costs compares with alternative uses of public (tax and donor) finance. While there is strong evidence on potential benefits, data and conceptual challenges make it hard to compare cash transfers to other interventions in simple VFM terms. In MICs (e.g. Colombia), large-scale implementation and availability of high-quality data have enabled cost-benefit analysis, yielding findings that justify these interventions. Such analysis is harder to obtain and interpret in LICs, where most programmes are small scale, short term, and externally financed (Lesotho and Nepal are notable exceptions); and where even basic data on programme costs is surprisingly scarce.

If credible quantitative cost-benefit analysis is not possible, it is possible to identify a checklist of qualitative criteria for judging the value of a proposed cash transfer programme. Spending can be justified if transfers are likely to achieve outcomes that are agreed to be important; the balance of receipts and taxation to pay for them is progressive; spending on transfers starts from a low base; and cash transfers offer clear advantages over alternatives (e.g. if they replace costly and regressive fuel subsidies, as in Indonesia).

Most developing countries spend one to two percent of GDP on social transfers. However, this conceals significant variation in absolute levels of spending. For MICs, two percent of Gross Domestic Product (GDP) is enough to finance national cash transfer programmes that reach 25 percent or more of the population with proven effects. By contrast, LICs struggle to meet higher levels of need from a smaller tax base. Models suggest that they would need to spend an unfeasibly large amount (two to six percent of GDP) to achieve what ILO defines as an adequate minimum of transfer provision.

LICs therefore face a considerable challenge in financing cash transfers. This is not unique to cash transfers (it is also a major challenge for these countries to fund health, education or infrastructure, with official development assistance (ODA) accounting for a significant proportion of total recurrent finance in these sectors). Setting international targets for social protection spend as a percentage of GDP or total public spending is unlikely to be helpful. As with similar targets for spending in other sectors, such targets are feasible only when taken in isolation of other sectors' needs, and ignore the need for budget allocations to reflect domestic politics and resource constraints.

Sustained financing for national cash transfer programmes is a serious challenge for LICs, but not impossible. Nepal and Lesotho both implement

domestically-financed national social pensions. Ethiopia's PSNP (externally-financed but with high levels of domestic ownership) is also indicative of government willingness to devote a significant share of the total resources available to them towards transfer spending, based on calculations that transfers are a far more efficient alternative to repeated annual food aid. Achieving higher levels of spending is likely to be a long-term process requiring a combination of (i) reallocating funds from ineffective spending (ii) increased revenue generation and (iii) effective donor coordination and ODA management.

Fiscal and political space is required to introduce and sustain national cash transfer programmes. Politicians and policy-makers need to secure and retain political legitimacy; control costs by starting small and gradually expanding; and consider trade-offs between targeted and universal transfers. International assistance can play an important role, particularly in early stages, in supporting analysis and the design or reform of transfer programmes.

Demonstrating results and strengthening evidence

Robust monitoring and evaluation are crucial both for programme performance and political sustainability. The rapid spread of cash transfers in MICs in recent years has been in large part due to just such high quality analysis and M&E. Monitoring implementation and outcomes helps to generate timely lessons for improved impact and communication to the public and policy-makers. Evaluation calls for methods that can identify and quantify the full range of outcomes (positive and negative) attributable to transfers. Current priorities are for data and analysis that:

- identifies the challenges and opportunities associated with different contexts and intended beneficiary groups;
- supports cost-benefit analysis that enables policy-makers to make more informed comparisons between cash transfer design options (and with investments in other sectors);
- deepens understanding of the political economy of cash transfers;
- tracks whether and under what circumstances transfer delivery supports access to and use of financial services;
- goes beyond specific transfer programmes to support the design and evolution of integrated social protection systems, linking cash transfers with policies for service delivery, accountability and labour-intensive growth;
- integrates cash transfers and other instruments (e.g. insurance) within multi-sectoral strategies to enhance resilience to climate variability.

What role for DFID?

DFID should continue to support cash transfers through the bilateral programme; engagement with multilateral agencies and international fora; and in generating and disseminating evidence.

Over the coming years DFID plans to support cash transfers in 16 country programmes, with emphasis on **building sustainable, nationally-owned systems**. Recognising that appropriate solutions are highly context-dependent, DFID will seek to avoid prescriptive blueprint approaches to design.

DFID will continue to encourage attention to and financing for cash transfers in international fora (e.g. the G20) and multilateral policy and programming. DFID will focus in particular on partnerships with the World Bank, UNICEF and the EC.

Finally, DFID will continue to encourage evidence-based policy-making and programming with investments in research and evaluation. Specific priorities include developing and promoting good M&E practices; embedding cash transfer M&E within national strategies for collecting and analysing socio-economic data; strengthening cost-benefit analysis for effective comparison across different instruments and design options; and tackling frontier issues in research on cash transfers (e.g. application in fragile and conflict-affected contexts; the role of social protection in building effective states and climate change adaptation; and links to financial inclusion).

Acronyms and abbreviations

AIDS	Acquired Immune Deficiency Syndrome
BAR	Bilateral Aid Review
AU	African Union
BRAC	Bangladesh Rural Advancement Committee
BWPI	Brooks World Poverty Institute (University of Manchester)
CBA	cost-benefit analysis
CCT	conditional cash transfer
CESSP	Cambodia Education Sector Support Project
CLP	Chars Livelihood Programme (Bangladesh)
CPRC	Chronic Poverty Research Centre
DAC	Development Assistance Committee (of the OECD)
DECT	Dowa Emergency Cash Transfer (Malawi)
DFID	Department for International Development (UK)_
DG ECHO	European Commission's humanitarian aid department
DHS	Demographic and Health Survey
DRR	disaster risk reduction
EC	European Commission
EPRI	Economic Policy Research Institute (South Africa)
EvD	Evaluation Department (DFID)
FACT	Food and Cash Transfers programme (Malawi)
GDP	Gross Domestic Product
HIV	Human immunodeficiency virus
HSNP	Hunger Safety Nets Programme (Kenya)
IDS	Institute for Development Studies (UK)
ILO	International Labour Organisation
IMF	International Monetary Fund
INAS	National Institute of Social Action transfer (Mozambique)
IPC-IG	(UNDP) International Policy Centre for Inclusive Growth
JAMA	Journal of the American Medical Association
LEAP	Livelihood Empowerment Against Poverty (Ghana)
LIC	Low income country
LSMS	Living Standards Measurement Survey
MDGs	Millennium Development Goals
MIC	Middle-income country
MLSS	Minimum Living Standard Scheme (China)
NDP	National development plan
NGO	Non-governmental organisation
NREGP	National Rural Employment Guarantee Programme (India)
ODA	official development assistance
ODI	Overseas Development Institute (UK)
OECD	Organisation for Economic Cooperation and Development
OIBM	Opportunity International Bank Malawi
OVC	orphans and vulnerable children
PETI	Programme for Eradication of Child Labour (Brazil)
PLHA	people living with HIV and AIDS
PNPM	Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment, Indonesia)

Acronyms and abbreviations

PRS	Poverty reduction strategy
PSNP	Productive Safety Nets Programme (Ethiopia)
PWP	public works programmes
RCT	randomised control trial
RHVP	Regional Hunger and Vulnerability Programme
RPC	Research Programme Consortium
SASSA	South African Social Security Administration
SCF	Save the Children Fund
SCTS	Social Cash Transfer Scheme (Zambia)
SPF	(AU) Social Policy Framework
SRM	social risk management
STI	sexually-transmitted infection
SWAp	sector-wide approach
TUP	Targeting the Ultra-Poor scheme (Bangladesh)
UCT	unconditional cash transfer
UN	United Nations
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
VFM	value for money

Chapter 1
Introduction

After decades in which development policy has emphasised improvements in the state's supply of public goods and services, there is increasing interest in what can be achieved by transferring resources directly to poor people. These 'transfers' may take the form of cash transfers, in-kind transfers (e.g. food), vouchers or free or subsidised access to goods and services (e.g. exemptions from health or education user fees, where these exist). This paper assesses the current evidence base for the impact of cash transfers on reducing poverty and increasing the resilience of poor households, and the extent to which that evidence is generalisable. It will look at design and financing features that help to maximise their effectiveness in a range of circumstances. Importantly, it will situate this review within a consideration of how cash transfers are one part of a broader strategy to achieve economic and social development.

Purpose and structure of the paper

This paper provides a synthesis of current global evidence on the impact of cash transfers in developing countries and of what works in different contexts, or for different development objectives and challenges. It takes into account inevitable trade-offs, for example, between targeting and keeping administration costs low. It updates DFID's 2005 Emerging Evidence Paper on *Social Transfers and Chronic Poverty*¹.

Firstly, evidence is summarised on the **multiple types of impact** that cash transfers can have in achieving a variety of social and economic policy objectives. Secondly, evidence is assessed regarding specific **design and implementation choices** for tailoring programmes to particular objectives and contexts. Thirdly, questions of **affordability and financing** are examined. The paper concludes with priorities for further evidence generation and recommendations for DFID policy and programmes.

Box 1: Cash transfers are an instrument for social protection

The Organisation for Economic Cooperation and Development (OECD) has developed a description of social protection as referring to "policies and actions which enhance the capacity of poor and vulnerable people to escape from poverty and better manage risks and shocks". Social protection measures include social assistance, social insurance and minimum labour standards (OECD, 2009). Cash transfers are generally seen as one of the main instruments for delivering social assistance.

¹ DFID, 2005. [Social transfers and chronic poverty: emerging evidence and the challenge ahead](#). DFID Practice Paper: October 2005.

This paper focuses specifically on cash transfers as a form of social assistance that have the potential to empower the poor to use small sums of money in productive and life-improving ways². Cash transfers are **direct, regular and predictable non-contributory payments that raise and smooth incomes with the objective of reducing poverty and vulnerability**. The field of cash transfers encompasses a diversity of transfer types (e.g. conditional and unconditional cash transfers); development objectives; design and implementation choices; and financing options. Appropriate design will depend critically on context, including political economy constraints. Transfers are often targeted at the poorest households and at sections of the population that are regarded as vulnerable (e.g. older people, persons with disabilities and children)³.

A wealth of new research and evidence has accumulated over the past ten years, in line with the expansion of cash transfer policies and programmes in developing countries⁴. In particular, this paper draws on findings of a published independent review of DFID's work in this emerging sector⁵ (see Box 2) and recent Research Scoping Studies on Social Protection⁶, both of which were completed in 2009. Much of the evidence presented from DFID-supported programmes (e.g. in Ethiopia, Zimbabwe and Bangladesh) includes programmes that employ a wider framework, using a mix of cash and other asset transfers.

² For more on definitions of terms (e.g. social assistance, social protection) see Annex 1. Social assistance comprises non-contributory social transfers or safety nets, which are terms often used interchangeably. This paper does not examine in-kind benefits (such as vouchers, food for work, school meals, etc.). It also excludes insurance schemes (e.g. self-financed health insurance, contributory pension systems) or any forms of subsidies (e.g. for food, energy supplies or education and health waivers).

³ Carmona, M., 2009 [Report of the UN independent expert on human rights and extreme poverty](#). Human Rights Council.

⁴ For a database of social assistance programmes, see Barrientos and Holmes, 2010 '[Social assistance in developing countries database](#)', Version 5.0. Supported by DFID. A searchable compendium matrix hosted by ILO provides detailed information on the effects of cash transfers, including a full list of country matrix. A recent OECD-DAC publication summarises the current consensus understanding of social protection within bilateral donors (see 'The role of employment and social protection: making economic growth more pro-poor' Policy Statement, DAC High-level meeting May 2009, included in DAC Povnet, 2009, *Promoting pro-poor growth: social protection*. DAC Network on Poverty Reduction, Paris).

⁵ Davies, M. et al., 2009 [DFID Social transfers evaluation summary report](#), Evaluation Division Working Paper 31, Institute of Development Studies Centre For Social Protection, July 2009.

⁶ Kabber, N., 2010 [Scoping study on social protection: evidence on impacts and future research directions](#). DFID Research and Evidence Division review; January 2010.

Box 2: Evaluation of DFID support to cash transfers

In 2007, DFID's Evaluation Department (EvD) commissioned an independent review of the effectiveness of DFID support to the implementation of 24 social transfer programmes (including both cash and in-kind transfers) in 16 countries. This review, by the Institute for Development Studies (IDS) of the University of Sussex, assessed available evidence on programme impact, including on poverty reduction and growth. Four studies were commissioned including a *Review of Evidence and Evidence Gaps on the Effectiveness and Impacts of DFID-supported Pilot Social Transfer Schemes* (Devereux, S. and S. Coll-Black, 2007). The findings and recommendations are referred to throughout this Evidence paper and inform its recommendations.

The summary review identifies key roles for DFID in furthering the evidence base for action on cash transfers. It finds that DFID has achieved its most significant levels of influence through acting as a 'knowledge interface' between key stakeholders and the wider evidence base. "DFID's most effective means of influencing government and donor approaches to social protection is its ability to facilitate the access of policy actors to the growing evidence base in this field. This capacity has allowed DFID to directly influence debate over social protection in ways that has increased the number of beneficiaries who benefit from cash transfer and public works schemes (e.g. Ethiopia)". DFID should continue this role through research and evidence generation, demonstrating cost-effectiveness and innovation in delivery, dissemination and capacity building.

Conceptual framework for reviewing the evidence

The theoretical case for cash transfers is straightforward, based on an assumption that individuals can be trusted and empowered to make effective use of resources available to them to improve their living standards. While poverty is multidimensional, low and variable income is central to the problem. Modest but regular and reliable flows of income from cash transfers help households to smooth consumption, enabling them to sustain spending on food, schooling and healthcare in lean periods, without the need to sell assets or take on debt. Over time, transfer income can help households to build human capital, accumulate productive assets, and obtain access to credit on better terms.

Direct transfers to households are not an alternative to improvements in basic services such as healthcare and education, but they are an important complement. Well-designed and implemented cash transfer programmes can have a significant impact on chronic poverty and vulnerability by helping poor men and women to benefit from and contribute to growth. Cash transfers can also help poor households overcome cost barriers that constrain their access to essential public services. This paper assesses the extent to which the evidence supports this theoretical case.

Figure 1 summarises how the receipt of cash transfers may contribute to mutually reinforcing gains in the economic and human potential of poor and

vulnerable households. The paper reviews the evidence available for each of these potential contributions to household wellbeing, and for aggregate gains in community- and nation-level economic, social and political outcomes.

Although there has been a marked convergence in thinking over the last decade, differences continue to exist within and between governments and international institutions in exactly how they conceptualise the objectives of cash transfers, and which instruments, outcomes and causal pathways they choose to emphasise. Broadly, the roles of cash transfers can be conceptualised (along with other social protection instruments) in terms of *prevention, protection, promotion and transformation*⁷. Table 1, below, provides a stylised summary of these terms. It also includes a list of specific instruments that would serve each of these objectives. This includes both those instruments that would conventionally be categorised as social protection (including cash transfers), and other instruments that also contribute to these objectives (but would not normally be thought of primarily in terms of social protection).

⁷ Drèze, J. and Sen, A. 1991 'Public action for social security: foundations and strategy' pp. 3–40 in Ahmad, E. et al. *Social security in developing countries*. WIDER Studies in Development Economics. Clarendon Press; Oxford; Devereux, S. and Sabates-Wheeler, R., 2004 [Transformative social protection](#). IDS Working Paper 232; October; World Bank, 2001 [Social Protection Sector Strategy: from safety net to springboard](#). Washington DC.

Figure 1: Causal pathways by which cash transfers can improve household welfare

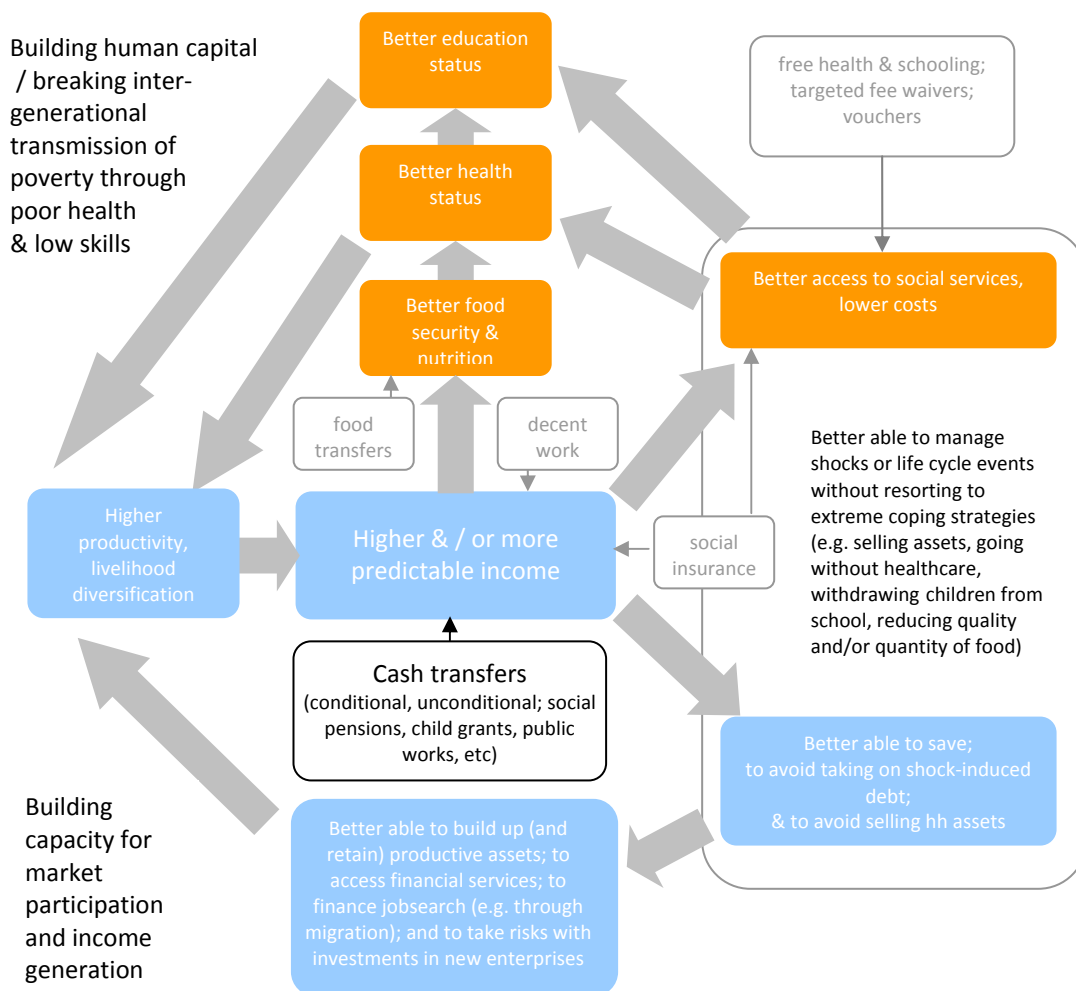


Table 1: Conceptual framework for the roles of cash transfers

Role	Objective	Key concepts	Focus on	Instruments	
				social protection	other
Prevention	to prevent shocks from causing irreversible damage to the productive capacities and human development of vulnerable households	social risk management (SRM); risk pooling (insurance); safety nets; mitigating and coping with shocks	the vulnerable (poor and near-poor); the transitory poor	social insurance (unemployment, disability, contributory pensions); cash transfers ; school feeding; short-term public works	insurance against productive risk (e.g. weather-based crop insurance); disaster risk reduction (e.g. irrigation, flood control); free health and education; economic diversification
Protection	to alleviate extreme poverty by raising living standards to a minimal acceptable standard	social floor; poverty reduction (reducing poverty depth and headcount); social contract and social cohesion; equity; welfare	the chronic poor	cash transfers ; in-kind transfers (e.g. food); vouchers; social services (e.g. child protection, orphanages); school feeding; public works	(re)distribution of assets (land, tools, livestock); microfinance; free or subsidised health and education
Promotion	to improve capabilities and opportunities for poor and vulnerable households; enable households to avoid low-risk, low productivity traps and so work their way out of poverty	escaping poverty traps; productivity; sustaining and building human capital; breaking inter-generational transmission of poverty; graduating from poverty; equality of opportunity; pro-poor growth	the economically active poor and vulnerable near-poor	cash transfers ; vouchers or subsidies for inputs; public works; school feeding	(re)distribution of assets; microfinance; property rights; rural roads; investment climate reforms; skills development; active labour market policies
Transformation	to change power relations that exclude certain social groups (women, Dalits, marginalised ethnic groups) from economic opportunities and access to public services	empowerment; citizen voice; equity; non-discrimination; decent work; social and political construction of vulnerability	socially marginal or excluded groups; women and children	legislative and regulatory protection for workers (minimum wage, occupational health), women and children, and ethnic minorities; sensitisation campaigns (e.g. against discrimination against HIV+ individuals); cash transfers	improvements to accountability of politicians and service providers; education; low cost and equitable legal systems; anti-corruption measures; assistance to community organisation and collective action

Source: adapted from Devereux and Sabates-Wheeler 2004

The expansion of cash transfers in developing countries

Over the past fifteen years, a ‘quiet revolution’⁸ has seen cash transfers move from the margins of development policy towards the mainstream in a number of global regions. This expansion has been driven by a range of forces, including:

- The twin challenges of tackling both chronic poverty and vulnerability
- Recent global crises (food, fuel and financial) and stresses (climate change). This has combined with recognition of the potential macroeconomic role of social protection instruments as automatic stabilisers for fast-acting fiscal stimulus⁹
- Scaling up provision of cash transfers, particularly in middle-income countries (MICs).
- The diffusion of thinking on the potential for cash transfers to serve as an ‘accelerator’ for making progress across a range of MDG targets.

Chronic poverty and vulnerability

Research into the multidimensional aspects of poverty and vulnerability has made an important contribution to the development of cash transfers¹⁰. Poor and near-poor households in low- and middle-income countries face a wide range of risks (such as crop failure, natural disaster, illness, accident, employment failure) which make it harder, and often impossible, to improve and sustain their standard of living over the long term. There is an established body of evidence to show that the poor are rarely able to insure themselves against such shocks. As a result, they cope with shocks by selling productive assets, taking children out of school, and reducing nutritional intake¹¹. This vulnerability affects both the non-poor, who are vulnerable to falling below the poverty line, as well as those already in poverty, who are vulnerable to falling into ever deeper destitution and chronic poverty. Cash transfers are not the only way of

⁸ Barrientos, A. and Hulme, D., 2008, [Social protection for the poor and poorest in developing countries: reflections on a quiet revolution](#). BWPI Working Paper 30; Brooks World Poverty Institute, University of Manchester; March 2008.

⁹ A number of papers exist on this, covering OECD, MIC and LIC countries. These include the EC [Europe joint report on social protection and social inclusion 2010](#) (EC 2009), which contains data on spend and impact; the Concluding report to the G8 Italy meeting ([G8 2009](#)); and the 2009 pre-London G20 Summit paper by the IMF ([IMF 2009](#)).

¹⁰ Barrientos, A., 2010. [Social protection and poverty](#), UNRISD Social Policy and Development Programme Paper Number 42 January 2010.

¹¹ See, for example, Chambers, R. 1989 “Vulnerability, coping and policy” Editors introduction to *IDS Bulletin* Special Issue on Vulnerability Volume 20 Number 2; and Dercon, S., 2005 [Vulnerability: a micro perspective](#). Oxford University QEH Working Paper no. 149.

addressing vulnerability. In some contexts, other interventions such as insurance provision and increasing access to finance offer better value for money. In many contexts, however, cash transfers work better than these alternatives, particularly for the poorest households.

Global crises

Globalisation is changing the nature of vulnerability faced by poor households in poor countries. As a result of the global economic shocks of the past two years, levels of unemployment, poverty and hunger have increased in the developing world.

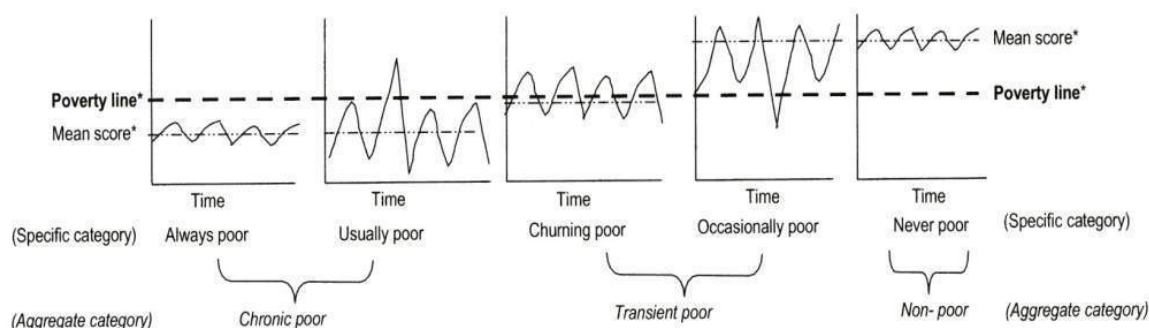
Box 3: Global trends in poverty and vulnerability

- Over the last five years, while the proportion of the world's population living in poverty has fallen, the absolute number of people living in chronic poverty has increased. Between 320 and 443 million people are now trapped in poverty, often for their entire lifetime. Their children frequently inherit chronic poverty, if they survive infancy.
- Chronic malnutrition affects one in three children globally and has serious lifelong physical and cognitive implications if not addressed in children under two years of age.
- Current forecasts suggest that the food and financial crisis may result in some 5 million additional children suffering severe malnutrition. The number of people living in chronic hunger has risen to over 1 billion, reversing earlier gains (World Bank / IMF, 2009). It is estimated that there are at least 64 million more people in poverty than would have been the case without the crisis.
- By 2015, the number of poor people affected by climate-related disasters is predicted to increase by 50%, with impact on around 500 million people.

Source: CPRC 2009; Yablonski and O'Donnell 2009

An increase in 'compound vulnerabilities' – as seen in the food, fuel and financial crises of recent years – has focused attention on the need to protect income security, both for the chronic poor (those who remain in poverty for an extended period of time) and the transient poor (those who dip in and out of poverty over their lifetime as a result of shocks and life cycle events). Figure 2 provides a stylised summary of the different household trajectories that are observed in developing countries¹². Cash transfers can help both in reducing vulnerability (reducing the numbers of the vulnerable who fall into poverty and the already-poor from falling deeper into poverty) and in tackling chronic poverty (raising incomes for the already-poor, bringing them close to the poverty line and improving their options for working their way out of poverty).

¹² The expanding number of panel datasets in the developing world has improved our understanding of household dynamics. Although still relatively rare (around 20), these datasets, derived from surveys which revisit the same household over repeated rounds, are providing valuable insights into the relationships between vulnerability, transient poverty and chronic poverty. As cash transfer and other social protection schemes expand in size and number, these panel datasets will be increasingly valuable in analysing the targeting and effectiveness of these interventions in tackling chronic poverty and vulnerability.

Figure 2: Household poverty dynamics

Depending on data availability poverty could be assessed in terms of household expenditure, income, consumption, a nutritional measure, a poverty index, a poverty scale or an assessment of assets/capitals.

Source: Jalan and Ravallion (2000)

An increasing number of leaders at both national and international levels have recognised that deepening interdependence changes the forms and perhaps the level of risk faced by households in developing countries, and have identified a key role for cash transfers and other social protection arrangements in addressing the problem. As part of their response to the crisis, middle-income countries have expanded or introduced cash transfer arrangements. The World Bank has tripled support for safety net programmes¹³.

Box 4: Lessons from previous crises

Evidence from previous crises suggests that the impact on different groups can last well beyond the time frame for macro-economic recovery. Large numbers of the “new poor” can join the ranks of the poor, with many left trapped even years after the crisis has passed. World Bank research on the East Asia 1997–8 crisis shows that about half of Indonesia’s poverty count in 2002 could be attributed to the earlier crisis, even though macroeconomic recovery occurred well before 2002. Experience from Indonesia underscores the importance of early responses to shocks.

Source: Mendoza 2009

Similarly, there is a growing acknowledgement that climate change is increasing both the underlying stresses on poor households (e.g. through declining average yields from traditional crop and livestock practices) and their vulnerability to episodic weather-related shocks (floods and droughts). Interest in the possible role of cash transfers and other social protection instruments as part of an integrated response to climate change in the developing world is at

¹³ In a speech to the African Union Summit in Addis Ababa in February 2010 Robert Zoellick, President of the World Bank, compared the post-2008 global crisis to previous regional or global crises, arguing that “This time we must ensure that governments can protect targeted social expenditures and finance effective safety nets.”

an early stage, but increasing. This is reflected in the design of cash transfer programmes in countries such as Ethiopia and Bangladesh¹⁴.

Social protection systems

The emergence of cash transfers and other social protection measures on the international agenda in developing countries since the late 1990s reflects a move away from a previously more narrowly-defined safety net approach (associated with structural adjustment programmes) towards a broader and more systematic approach to the management of risk and vulnerability¹⁵. The idea of social protection strategies and systems takes on a broader perspective and spectrum of programmes, services and policies to also include (or link to) promotive and transformative measures. This approach positions cash transfers within a broader range of measures which aim to also contribute to economic development and socio-political transformation¹⁶.

Scaling up implementation of cash transfers

Cash transfer programmes are now estimated to cover between 750 million and one billion people in the developing world. Globally, programmes show considerable diversity in their objectives, targeting, design and level of institutionalisation (Box 5)¹⁷.

¹⁴ See, for example Davies, M. and Leavy, J., 2007 [Connecting social protection and climate change adaptation](#), IDS In Focus Policy Briefing 2. Richard Odingo, vice Chairman of the Intergovernmental Panel on Climate Change has noted that “Climate change will make it impossible for the world to meet the Millennium Development Goals. Poverty is bound to increase. Food security is bound to get worse.”

¹⁵ Kabeer, N. 2009, op. cit.

¹⁶ Devereux and Sabates-Wheeler, 2004, op cit.

¹⁷ Barrientos, A. and Niño-Zarazúa, M., 2010, [Effects of non-contributory social transfers in developing countries: a compendium](#). ILO, May 2010.

Box 5: Regional diversity in objectives

- In Latin America, cash transfer programmes have particularly sought to link efforts to tackle current income poverty to efforts to tackle the underlying causes of future poverty (by improving human development objectives related to health, education and child labour).
- Programmes in sub-Saharan Africa have typically had a stronger focus on addressing life-cycle risks (e.g. age-related, orphanhood), chronic poverty and food insecurity.
- In South Africa, the provision of cash transfers has been adapted over time to address the changing nature of vulnerability, including the rise in the incidence of HIV/AIDS.
- New and expanding programmes in South Asia, such as in Pakistan (Benazir Income Support Programme), are increasingly aiming to support social transformation, including women's empowerment.

Sources: Yablonski and O'Donnell 2009; Barrientos and Hulme 2008

This 'revolution' in the provision of cash transfers has been driven primarily by developing country governments, particularly MICs. Governments have been increasingly willing to make direct payments to poor people and to trust and empower them to use the money effectively. As part of their poverty reduction and crisis response agendas, MICs such as Mexico, Brazil, China, South Africa and Indonesia have dramatically expanded the coverage and value of cash transfer provision for poor and vulnerable segments of their population (Table 2).

Table 2 Examples of large-scale cash transfer programmes in operation

China	Minimum Living Standards Scheme	22 million (2006)
Mexico	Oportunidades (began in 1997)	5 million households
Brazil	Bolsa Família	12 million households
	Old Age Pension	2.4 million households (2008)
South Africa	Child Support Grant	Expected to reach 10 million children by end 2009
	Old Age Pension	2.4 million households (2009)
Indonesia	Safety Net Scheme	Expected to reach 15 million households
India	National Rural Employment Guarantee Scheme	48 million households (2008)
Ethiopia	Productive Safety Nets Programme (PSNP)	1.5 million households (est. 8 million people)

The expansion of cash transfers in LICs in response to both humanitarian situations and ongoing chronic poverty is a more recent phenomenon. Particularly in former emergency contexts in Africa, governments, donors and civil society are increasingly adopting standing cash transfer programmes rather than repeated appeals for food aid. The multi-donor supported Ethiopian

Productive Safety Nets programme (PSNP), which reaches eight million people each year, demonstrates strong commitment on the part of both the Ethiopian government and donors to move away from the inefficiencies of annual appeals for emergency food aid to longer-term arrangements for public works and cash transfers. The PSNP is the largest social protection programme in sub-Saharan Africa, outside of South Africa.

The evolution of the evidence base

The global expansion of cash transfer programmes has been supported and driven by a steady accumulation and South-South sharing of robust evidence on their effectiveness and good practice. Improved monitoring, evaluation and analysis have made it possible to demonstrate the impact of well-designed and implemented schemes, particularly in many MICs where cash transfers have been taken up at scale. Generating evidence from strengthened monitoring and evaluation systems has been a particular priority for many governments, such as in Mexico, Indonesia, South Africa and India. This paper examines the robustness of that evidence, which shows a number of impressive results among programmes, and also some lessons from failures.

In terms of robustness of the evidence, the analytical methodologies supporting the evidence base vary substantially across regions of the world. Latin America provides the most rigorous and best-resourced impact assessments, usually employing randomised experimental (randomised control trials or RCTs) and quasi-experimental approaches that rely on propensity score matching and other credible methodologies. A wave of rigorous African evaluations appears to be on the horizon, but sub-Saharan Africa still has a significant way to go in providing robust evidence at scale, outside of South Africa. A number of important quantitative impact assessments for programmes in Asia are currently in progress¹⁸.

In 2009, the OECD DAC PovNet Task Team on Social Protection published a synthesis of the evidence base on social protection, with contributions from international research think tanks (ODI, IDS, EPRI), bilateral (GTZ, DFID and IrishAid) and multilateral agencies (ILO, Unicef), and civil society. Within the international NGO community, Save the Children Fund and Help Age International have proactively documented and disseminated findings from their programmes on cash transfers. Strong thematic networks have emerged for exchange of evidence, for example on the contribution of cash transfers to

¹⁸ EPRI 2011 (forthcoming) “Rooting social transfers within an evidence-based approach” Chapter 3 in *Designing and implementing social transfer programmes*, 2nd edition, Economic and Policy Research Institute, Cape Town, supported by DFID.

tackling child poverty, hunger and HIV/AIDS, and for responding to humanitarian crises¹⁹.

Annex 2 provides a timeline with an overview of DFID's contribution to building the evidence base for a range of contexts and themes. This includes a comprehensive and detailed database of social assistance programmes developed by the Chronic Poverty Research Centre (CPRC), which provides some evaluation results. Annex 3 provides a summary of key findings arising from DFID-supported Research Programme Consortia (RPCs). The Evaluation Department review of DFID's supported social transfer programmes finds that evidence gathering on the impacts of cash transfers has been given increased attention in DFID's bilateral programmes since 2005. However, levels of robustness in monitoring and evaluating DFID-supported programmes are still a long way short of, for example, programmes in Latin America.

These multiple strands of research and evidence generated by a range of actors have contributed to a growing international evidence base. The next section summarises key findings and the extent to which these can be generalised to other cash transfer programmes.

¹⁹ In thematic order these are: [Grow Up Free From Poverty](#) (GUFFP), Hunger Alliance (HA), Interagency Task Team on Social Protection and Children Affected by AIDS ([IATT-CABA](#)) and [Cash and Learning Partnership](#) (CALP).

Chapter 2

Evidence of the impact of cash transfers by objective

Cash transfers are currently one of the most researched and evaluated forms of development intervention. However there are still gaps in producing robust monitoring and evaluation with regard to certain types of instruments (e.g. public works) and geographical areas (e.g. sub-Saharan Africa)²⁰. Latin American countries that first introduced large-scale cash transfer schemes in the second half of the 1990s built in from the start a commitment to high quality monitoring and evaluation, including experimental and quasi-experimental impact evaluation. Evaluation results demonstrating measureable impact from Mexico's *Progresa* (see Box 6) helped to sustain the programme domestically and ensured that it has had significant influence internationally. This association between cash transfers and rigorous impact evaluations in Latin America has set a precedent that has been followed in South Africa, and now in a gradually increasing number of MICs and LICs.

Box 6: Assessing the long-term effects of transfers

Much of what is known about the **long-term effects** of social transfer programmes derives from studies of the most rigorously evaluated programme, Mexico's *Progresa* (later renamed *Oportunidades*). These research studies show that participation in the programme translates into improvements in long-term productive capacity of poor households. This cash transfer programme reduced the poverty gap by 30% among beneficiaries after two years of operation; raised the height-for-age of beneficiary children by 1 cm after two years compared with a control group; and is expected to raise the years of schooling among beneficiary children completing the education cycle by close to one additional year. Brazil's *Bolsa-Família* has also yielded insights on long-term effects, including on the potential for transfers to stimulate entrepreneurship amongst recipients. Finally, there is a growing body of research which attempts to systematise accumulating evidence of the effects of large-scale programmes on various levels of healthcare and health outcomes.

Sources: Barrientos and Niño-Zarazúa 2010; Fiszbein and Schady 2009; Lichand 2010; *The Lancet*, 2009

Cash transfer programmes can be designed to promote a wide range of benefits. These include immediate poverty alleviation; improved health, nutrition and education outcomes; economic productivity and growth; empowerment (particularly for women) and social cohesion. However, the primary function of most cash transfer programmes is the direct and *immediate* alleviation of poverty and reduction of vulnerability (in both development and humanitarian relief situations). In the *medium-term*, transfers are expected to show positive impacts for poor people's productive livelihood strategies. In the *longer-term*, growing evidence (most importantly from Mexico) indicates that they can catalyse important effects that can help to break the intergenerational transmission of poverty. Not all programmes that have been robustly evaluated deliver impacts in all of these areas. Many new and existing programmes await rigorous evaluation, so the full range of impacts is still emerging.

²⁰ They represent the largest and most long-standing body of programmes evaluated by Randomised Control Trials (RCTs) outside of medicinal trials and health sector policies.

A particular challenge in presenting the available evidence is that cash transfers feature a wide diversity of design options, multiple objectives and range of potential impacts. There can also be unexpected spin-off benefits, and impacts can extend beyond the direct recipient to the wider family and community. Much of the evidence of impact comes from evaluations of specific interventions where the focus is largely on the primary objectives of the intervention in question. As with any development intervention, the evidence becomes progressively less robust as the time scale increases, and the scope of impacts expand to encompass indirect impacts and community-wide externalities²¹.

It is possible to see a 'hierarchy of evidence' on cash transfers, with an evidence base that is very strong for outcomes at one end of the scale, but becomes weaker (in terms of fewer, less rigorous and/or less conclusive studies) towards the other end. The existing knowledge base is *strongest in relation to immediate and direct impacts*, but a growing volume of research now relates to other development outcomes too.

Box 7: Gradation of evidence for outcomes of cash transfers

Raising living standards of the poor

- *directly* reduces poverty, hunger and inequality
- helps households sustain and improve livelihoods in the face of vulnerability and shocks

Human development / human capital

- improves quantity and quality of food consumption (child nutrition and development)
- helps households make use of health and education services (meeting access costs, reducing need for child labour and school dropout)

Economic development and inclusive growth

- facilitates structural reforms supporting long-term growth
- helps households to escape low risk, low productivity poverty traps
- frees up household savings for investment
- raises household spending with local multiplier effects and (in MICs) potential for fiscal stimulus role

Empowerment and gender equality

- empowers women within households and communities
- empowers poor individuals and households to make their own decisions for improving their lives.

Climate change and natural disasters

- help reduce and mitigate risk of environmental shocks (e.g. through public works and diversification) and cope with shocks that do occur

Facilitating social cohesion and state-building

- reduce inequalities that contribute to social fragmentation, crime and political instability

very
consistent
evidence

growing
body of
positive
evidence

strong
logic,
to date
limited
evidence

²¹ Kabeer, 2009, op. cit.

Section 2 provides an expanded version of this hierarchy, with a summary of the strength of evidence currently available for each of these outcomes. There are important caveats. Different cash transfer instruments and systems have different strengths and weaknesses, resulting in different outcomes in various contexts. Within a single category of instruments (e.g. public works or social pensions), quality of design and implementation, local context and the strength of complementary services are all important influences on outcomes.

Each of the potential developmental benefits of cash transfer provision is discussed in greater detail below. Material is organised based on an assessment of decreasing strength of available evidence, with pointers towards gaps in the current evidence base and emerging priority areas for development of new conceptual frameworks and knowledge.

Reducing poverty and vulnerability

There is *extensive and potentially generalisable evidence* that cash transfers have reduced the *depth or severity of poverty* (i.e. the poverty gap) in carefully evaluated MIC programmes. Cross-country studies consistently demonstrate the positive impacts of cash transfers for increasing per capita consumption and reducing the poverty gap (see Figure 3).

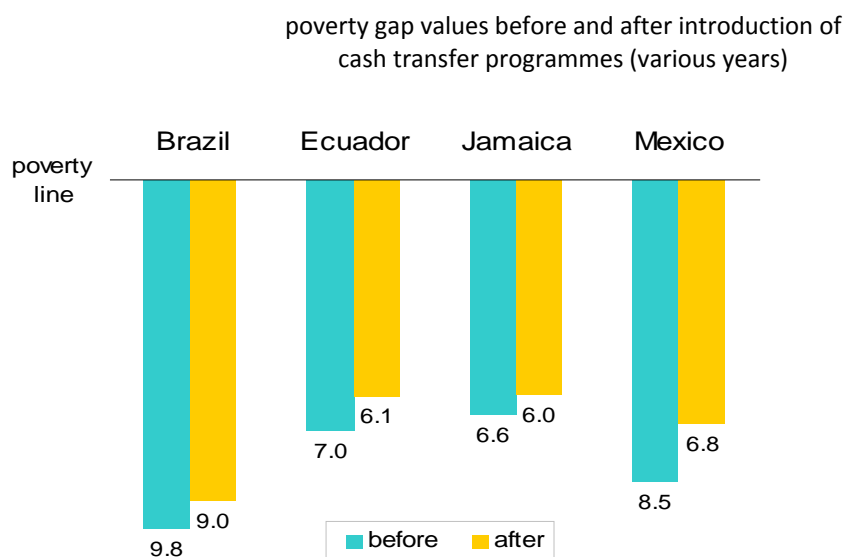
- Analysis of household data finds that the marginal effect of non-contributory pension receipt within the household is to reduce the probability of poverty by 18 percent in Brazil and 12.5 percent in South Africa²².
- Micro simulation modelling using recent household survey data estimates that the *Progresas/Oportunidades* programme in Mexico has reduced the poverty gap by approximately 20 percent (from 8.5 to 6.8)²³. The Child Support Grant in South Africa has reduced the poverty gap by 47 percent²⁴.

Evidence suggests that cash transfers constitute the most direct possible approach to addressing extreme poverty. By directly providing income or consumption goods and services to the poor, cash transfers can raise living standards, reduce the severity of poverty and shift the distribution of income, so closing the gap between rich and poor.

²² These studies are based on probit analysis. Barrientos, A., 2005, [Non-contributory pensions and poverty reduction in Brazil and South Africa](#), IDPM / University of Manchester, January 2005, p. 17; HelpAge International 2006 [Why social pensions are needed now](#). These are immediate and static effects which take no account of second-round effects, for example through behavioural changes (e.g. households changing the amount of labour they supply). Whether these changes last beyond the period of the transfer will depend on the extent to which the transfers do lead to sustainable and poverty reducing changes in household capacities and behaviour.

²³ Fiszbein, A. and Schady, N., 2009, [Conditional cash transfers: reducing present and future poverty](#). World Bank, Washington DC.

Figure 3: Cash transfers have helped to reduce the depth of poverty at the national level



Source: World Bank 2008 p. 110.

The poverty gap is the the average distance by which living standards fall below the poverty line (counting the non poor as having zero shortfall), expressed as a percentage of the poverty line.

Some studies also document the extent to which cash transfer programmes operating at scale can help reduce income inequality.

- In South Africa, the comprehensive system of cash grants is estimated to reduce the country's Gini coefficient by three percentage points²⁵. It approximately doubles the share of national income that the poorest quintile receives²⁶.
- In Brazil, both the BPC (means-tested old age pension and disability grant programme) and *Bolsa Família* cash transfer programme were jointly responsible for 28 percent of the 2.7 percentage point fall in the Gini

²⁴ Samson et al., 2004 [The social and economic impact of South Africa's Social Security System](#). Commissioned by the Department of Social Development, 2004. Cape Town: EPRI. In 2003 the Economic Policy Research Institute (EPRI) was commissioned by the Government to study the impact of South Africa's social security system, using a microsimulation model.

²⁵ Samson et al., 2004, cited in EPRI 2011 (forthcoming), Rooting social transfers within an evidence-based approach, Chapter 3 in *Designing and implementing social transfer programmes*, 2nd edition, Economic and Policy Research Institute, supported by DFID.

²⁶ EPRI, 2011, *ibid*.

coefficient, between 1995 and 2004 (7 percent from BPC and 21 percent from *Bolsa Família*)²⁷.

The degree to which cash transfers are able to move beyond poverty mitigation to achieve poverty reduction (i.e. moving large numbers of households from below to above the poverty line) is influenced by key contextual, design and implementation features. These include the:

- initial incidence and depth of poverty;
- degree to which the programme succeeds in ensuring that transfers reach those who need them;
- scale and value of cash transfer provision, relative to the poverty gap;
- duration of the programme;
- targeting methodology e.g. extreme poor or those just below the poverty line;
- simultaneous implementation of complementary initiatives (e.g. microfinance, agricultural extension) and functioning of other public services²⁸;
- ability of households receiving transfers to use this support to leverage step-wise changes in their circumstances.

The role of cash transfers on pathways towards ‘graduation’ from poverty is an area of increasing research interest. The graduation concept applies primarily to cash transfers for those who are able to work. It is less relevant for groups such as older people or those with disabilities (although there may be some effect if the transfer enables a labour-constrained individual to employ labour and make use of their productive assets, such as agricultural land). In most countries, graduation means movement out of poverty, such that recipients no longer need or qualify for support from a cash transfer.

The available evidence suggests that where cash transfer programmes are implemented in isolation from other complementary interventions to promote livelihoods, graduation is unlikely²⁹. In Bangladesh, the Challenging the Frontiers of Poverty Reduction: Specially-Targeted Ultra Poor Programme of the Bangladesh Rural Advancement Committee (BRAC) offered skills training in combination with access to productive assets. By the end of the programme, 90 percent of benefiting households were found to have ‘improved earnings from a

²⁷ This was estimated by deconstructing the change in the Gini between 1995 and 2004. It is not based on a simple counterfactual i.e. what the Gini would be without the transfers: if the transfer were deducted, the order of individuals in the income distribution might change, which would in turn affect the Gini coefficient. In addition, in the absence of the transfer, households might be expected to adopt different behaviours, which could further affect incomes and the counterfactual Gini coefficient (in either direction). Soares, S. et al., 2007. [Conditional cash transfers in Brazil, Chile and Mexico: impacts upon inequality](#). International Poverty Centre, Working Paper No. 35, April 2007.

²⁸ Davies, 2009; Farrington, J., Harvey, P. and Slater, R., 2007 [Cash transfers in development and relief contexts: A review of recent literature](#), ODI for SDC, July 2007.

²⁹ Slater, R. 2009, [Cash Transfers: Graduation and Growth](#), ODI Project Briefing 29.

skill-based, productive source'. Incomes for benefiting households grew by between 40 percent and 56 percent from 2002 and 2005³⁰.

Human development

There is consistent evidence that a number of cash transfer programmes have leveraged significant improvements in nutrition and increased utilisation of health and education services. Whether this has translated into improved health or education status currently remains less clear. In some cases, this has resulted in major improvements in final outcomes (e.g. in child growth). Transfers have also played a role in supporting care and treatment for people living with HIV and AIDS, and orphans and vulnerable children. Well-designed cash transfers can be seen as complementary to investments in the supply of essential public services, by linking households and individuals who are hardest to reach and enabling them to overcome financial barriers to access services (such as transport).

Nutrition and food security

One of the strongest and most consistent findings regarding the impact of cash transfer programmes is their contribution to reducing hunger and food insecurity. Regardless of the form of transfer, households receiving transfers average significantly higher spending on and consumption of food.

The impact of cash transfers on hunger has been most pronounced in LICs where poverty is generally more severe. In these settings, households receiving additional income are particularly likely to prioritise spending on improving the quantity and/or quality of food consumed. For example:

- In Ethiopia, the Productive Safety Nets Programme has improved food security for 7.8 million people who had previously depended on emergency relief. The programme, operating in 300 rural districts facing chronic food shortage, provides food or cash for work as well as unconditional cash transfers or food aid to those unable to participate in public works. Three-quarters of participants consumed higher quantity and quality of food

³⁰ DFID Bangladesh, 2006, *Challenging the Frontiers of Poverty Reduction: Specially Targeted Ultra Poor Programme*, Project Completion Report, September 2006, DFID, Dhaka. The growth in income is a simple comparison of pre-programme and end-of-programme incomes. Without a non-treatment comparator group it is not possible to say how much can be attributed directly to the programme rather than other influences (although the size of income growth over three years does suggest programme impact).

compared to the previous year, and 60 percent had avoided selling off their productive assets to buy food³¹.

- An evaluation of Malawi's Cash Transfer programme showed that around 75 percent of the transfer was spent on groceries³².

Whilst there are variations across programmes, on average roughly half the value of transfers is expected to be spent on food, one third on household expenses, and the remainder on health, education and savings and investment. A synthesis of findings from surveys in sub-Saharan Africa found that the primary use of cash transfers was to purchase food in six out of the seven programmes reviewed³³.

This increased expenditure and food availability can translate into improvements in nutritional indicators, particularly for vulnerable groups:

- In South Africa, econometric analysis of anthropometric survey data estimates that a boy receiving the Child Support Grant in early childhood (specifically, for two thirds or more of the first three years of life) obtains an increase in height-for-age at age three which can be expected to result in an average 3.5 cm gain in height as an adult³⁴.
- In Nicaragua, after two years children in households receiving transfers from the RPS (a conditional cash transfer (CCT) programme) experienced a reduction in malnutrition 1.7 times greater than the national trend³⁵.

³¹ Devereux, S. and S. Coll-Black, 2007 *Review of evidence and evidence gaps on the effectiveness and impacts of DFID-supported pilot social transfer schemes*. DFID Evaluation Working Paper (Unpublished).

³² Vincent, K. And Cull, T., 2009. [Impacts of social cash transfers: case study evidence from across Southern Africa](#). Instituto de Estudos Sociais e Económicos.

³³ Adato, M. and Bassett, L. 2008 [What is the potential of cash transfers to strengthen families affected by HIV and AIDS? A review of the evidence on impacts and key policy debates](#). p. 136, IFPRI; Washington DC; 31 August 2008. The programmes reviewed were the South African and Namibian old age pensions; Kenya's OVC cash transfer; FACT and DECT in Malawi; SCTS in Zambia; and INAS in (urban) Mozambique. 'Other' goods and services (including clothing and shoes, blankets, transportation, and utilities) accounted for the second-largest share; education and health followed (generally but not always in that order).

³⁴ Aguëro, M. et al., 2007. [The impact of unconditional cash transfers on nutrition: The South African Child Support Grant](#). UNDP International Poverty Centre Working Paper 39 p. 19. Such a male child was found to obtain a gain in weight-for-age z-score of 0.40. Assuming that height at age three is a very strong predictor of adult height (which is consistent with medical evidence), this 0.4 z-score gain would translate into a 3.5 cm gain for an adult male aged 25–35 (based on adult height from the 1998 round of the Kwa Zulu Natal survey from which these results are obtained).

³⁵ Data was taken from a longitudinal survey of over a thousand households in KwaZulu-Natal. Effects are modelled for children who receive the Grant for at least two of the first three years of life, and assume that gains in height for age scores for young children is sustained and results in the same gain in height as the children grow into adults. Maluccio, J. and Flores, R., 2004, [Impact evaluation of a conditional cash transfer program: the Nicaraguan Red de Protección Social](#). FCND Discussion Paper 184, Washington DC, International Food Policy Research Institute, 2004.

- In Lesotho, 48 percent of old age pensioners reported that they never went hungry after the introduction of the old age pension, compared to 19 percent before³⁶.
- In Bangladesh's Chars Livelihood Programme (CLP), nutritional surveys in 2009 found that children of earlier recruits into the cash and asset transfer programme were, on average, less stunted and underweight than later recruits³⁷. A cash for work programme with no complementary nutrition programme showed a significant impact on growth after an average of just 10 weeks, among women (mid upper arm circumference 2.3 mm larger and body weight 0.88 kg higher than in the control group) and children (0.12 mm and 0.17 kg weight for age).³⁸

Most studies that quantify the impact of cash transfers on nutrition, hunger or food security identify a positive impact, although a wide range of methodologies are used, making it difficult to generalise about the size of impact. A detailed review of the links between transfers and improved child nutrition by Save the Children (SCF) has identified how cash transfers can address the causes of malnutrition (in particular the economic determinants of chronic malnutrition) at immediate, intermediate and structural levels³⁹. The 2009 SCF report found that the size of gains in child nutrition arising from transfer programmes depend on three key design features: namely; the *duration* over which the transfer is received, the *age* of recipient (given the importance of the window between 0–24 months of age), and the *size of transfer*. Conditionalities may also be a factor, as are whether complementary services are offered alongside (e.g. nutritional supplements). For example, an unconditional cash transfer (UCT) programme in Mozambique showed little or no impact on nutrition, probably because of the low value of the transfer (£1.2 to £2.4 per month, less than a third of household expenditure). A CCT in Honduras showed little impact, which is similarly considered to be due to low transfer value and lack of complementary services.

In some cases, cash transfers also generate a positive impact on the supply of food. Cash transfers can affect local markets, by generating increased demand that can, in turn, trigger a supply response by local producers⁴⁰. In remote rural areas of South Africa, cash transfers have stabilised the demand for food, reduced market risk for producers and traders, and supported local agricultural production⁴¹. Households receiving South Africa's Child Support Grant, for example, have demonstrated greater resiliency in maintaining agricultural

³⁶ Vincent and Cull, 2009, op. cit.

³⁷ DFID, 2009. A further impact assessment of CLP is planned.

³⁸ Mascie-Taylor, CGN. et al., 2010, [Impact of cash-for-work programme on food consumption and nutrition among women and children facing food insecurity in rural Bangladesh](#), World Health Organisation September 2010.

³⁹ Yablonski, J. and O'Donnell, M., 2009, [Lasting benefits: the role of cash transfers in tackling child mortality](#). Save the Children Fund, London.

⁴⁰ Slater, 2009.

⁴¹ Samson, M. et al., 2007, *The social and economic impact of cash transfers*. Economic Policy Research Institute, Commissioned for DFID.

production⁴². Recipients of Bolivia's BONOSOL programme in poor rural areas experienced an average increase in food consumption of almost 165 percent of the value of the transfer. This was achieved through the investment of part of the transfers in much needed agricultural inputs. Conversely, where markets are not able to respond by increasing supply in this way, cash transfers can have a negative impact by pushing up local prices. In Ethiopia, evidence from the Meket Livelihoods Programme demonstrates that shifting from food to cash-based transfer programmes had negative implications for the availability and price of food in local markets, especially in remote, food-deficit areas, undermining prospects for both graduation and growth⁴³.

Education

There is a significant diversity of evidence sources that indicate that both conditional and unconditional transfers tend to improve school enrolments and attendance. Cash transfers can be an important complement to direct education investments. Increased income security enables households to pay fees or other costs associated with attending school. It also reduces the burden on children, particularly girls, to contribute to family income, enabling them to participate in school. At the same time, where cash transfers have improved nutrition, this can probably help children to learn better. The evidence is more limited and less conclusive on whether cash transfers result in improvements in final educational outcomes, which will fundamentally depend on the quality of education services.

Education outputs – School enrolment

Existing evidence focuses mostly on measures of education system outputs i.e. enrolment and attendance data. There is evidence on the impact of cash transfer programmes on primary and secondary school enrolment⁴⁴. Receipt of a cash transfer (whether conditional or unconditional) can improve enrolment by helping poor households to overcome the cost barriers to schooling (fees, uniforms, books etc). This effect can be seen both for transfers specifically related to children and those which are not (e.g. when pension recipients distribute a portion of income in the household)⁴⁵.

⁴² EPRI 2011

⁴³ Kebede, E., 2006, 'Moving from emergency food aid to predictable cash transfers: recent experience in Ethiopia', *Development Policy Review* 24 (5): 579-599. Cited in Slater, 2009.

⁴⁴ Ribas, R. P. et al., 2008, 'The impact of CCTs: what we know and what we are not sure about', pp. 12-13 in [Cash transfers: Lessons from Africa and Latin America](#). *Poverty in Focus* Number 15, IPC-IG.

⁴⁵ The next chapter examines the case for conditional as opposed to unconditional transfers in discussion of design choices. In summary, there is very limited evidence to separate out whether or not the conditionality, as opposed to a well-designed and implemented transfer in its own right, contributes to the positive educational results observed in CCT programmes.

Significant positive impact on education indicators have been found to occur with both CCTs and UCTs⁴⁶. Examples from CCTs include:

- In Pakistan, a 2008 World Bank assessment showed that the Punjab Education Sector Reform Program increased enrolment rates for girls aged between 10-14 years by 11 percentage points from a baseline of 29 percent⁴⁷.
- In Bangladesh, the Female Secondary School Assistance Program increased the secondary school certificate pass rate for girls receiving the stipend from 39 percent in 2001 to nearly 63 percent in 2008, (World Bank assessment).
- Malawi's social cash transfer programme shows that targeting households with children led to an increase in school enrolment of 5 percentage points among children aged 6–17. Targeting households with orphans yielded an increase of 4.2 points⁴⁸.
- In Brazil, participants in the *Bolsa Família* programme are 20 percent less likely than comparable children in non-participant households to have a one-day absence from school in any given month. They are 63 percent less likely to drop out of school, and 24 percent more likely to advance an additional year⁴⁹.

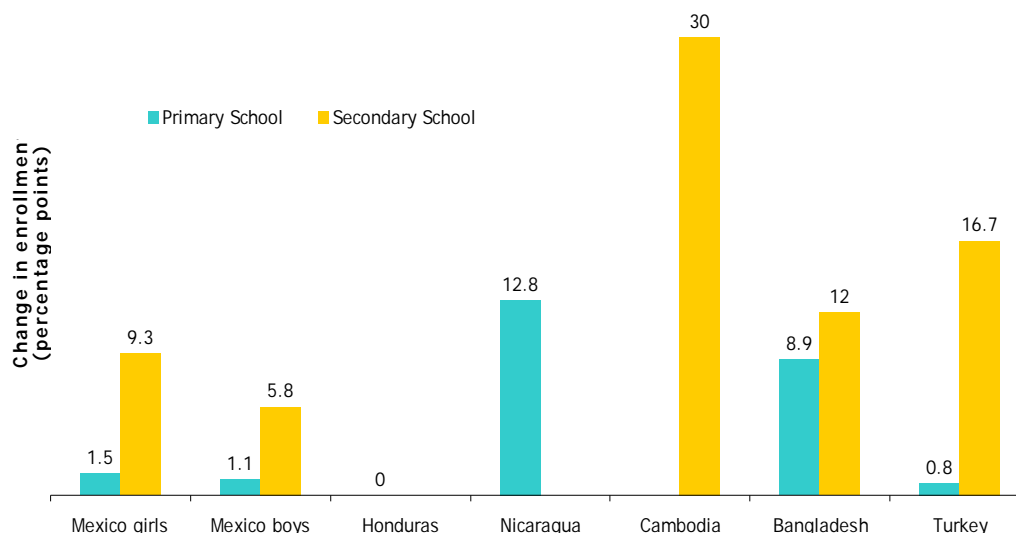
More examples are provided in Figure 4.

⁴⁶ For example, by Fiszbein and Schady, 2009, World Bank.

⁴⁷ The World Bank Independent Evaluation Group assessed impact in 15 districts: Chaudhury, N., 2008. *Income transfers and female schooling: the impact of the female school stipend programme on public school enrolments in Punjab*, Washington: World Bank.

⁴⁸ Handa, S. and Stewart, S., 2008 'The Orphan Targeting Dilemma in Eastern and Southern Africa' pp. 18-19 in Hailu, D. and Soares, F. V., 2008, [Cash transfers: Lessons from Africa and Latin America](#). *Poverty in Focus* Number 15, IPC-IG.

⁴⁹ Veras, F., et al., 2007, [Evaluating the Impact of Brazil's Bolsa Familia: Cash Transfer Programmes in Comparative Perspective](#). IPC-IG, Brasilia.

Figure 4: Impact of CCTs on primary and secondary enrolment

Sources: Schultz (2001); Skoufias (2005); IFPRI (2003); Maluccio and Flores (2005); Filmer and Schady (2006); Ahmed (2006); Khandker, Pitt, and Fuwa (2003); Ahmed et al. (2007)

Amongst cash transfer schemes which have been evaluated, the Honduras CCT programme is a notable exception to the rule, in that it appears to have had no measurable effects on enrolment or attendance. However, the size of the transfer was extremely small, and the CCT scheme was introduced without complementary initiatives to support the delivery of education services to meet any increase in demand⁵⁰.

Although educational effects have been subject to most consistently and explicitly researched in CCTs, UCTs have also resulted in significant positive impacts on school attendance and household investment in education:

- In South Africa, school attendance rates are significantly higher in households receiving UCTs, including pensions.
- In Ethiopia's PSNP, 15 percent of participants spent some of their unconditional transfer on education⁵¹.
- Studies in Lesotho have shown that those receiving a social pension are buying uniforms, books and stationery for their grandchildren⁵².

For both CCTs and UCTs, the evidence therefore indicates positive effects on educational outputs. This can be regarded as generalisable, because of the consistency of positive findings across different contexts and programme design. However, there is a paucity of direct comparisons that would make it possible to judge whether a conditional transfer would achieve more, less or the

⁵⁰ Olinto 2004, Lindert 2005 – cited in EPRI 2011, op. cit.

⁵¹ Devereux, S. et al., 2006. [Ethiopia's Productive Safety Net Programme \(PSNP\): trends in PSNP transfers within targeted households](#). IDS/INDAK.

⁵² National University of Lesotho 2006, cited in Samson et al., 2007.

same as an unconditional transfer in the same context. Critics of CCTs argue that the same effect could be achieved by the transfer alone (an income effect) without the use of conditions (a price effect)⁵³. There is little evidence for or against a positive impact of conditions as distinct from or additional to the impact of the transfer itself. Perhaps the clearest evidence for an effect (in a middle-income context) is derived from a natural experiment created by an administrative error in Mexico's *Oportunidades*, which did identify an effect, albeit very narrowly confined to one particular year of the schooling system⁵⁴.

One impact evaluation from Malawi has directly addressed this question through design by comparing a control group with (i) a group that received the transfer with conditions and (ii) a group that received the transfer without conditions). This landmark study found that conditioned and unconditioned transfers resulted in the same gains (i.e. lower dropouts, higher enrolment), with no additional incremental gain due to conditionality⁵⁵. Given the limited evidence with which to judge whether conditions add value, decisions on whether or not to use them need to reflect the influence of other contextual factors such as; politics, costs, and the feasibility and desirability of setting conditions in low income countries with lower institutional capacity. This is discussed further in section 3.

Variation among study results can also be partly explained by:

- initial enrolment rates (cash transfer programmes generally yield lower marginal impacts when baseline enrolment rates are already relatively high);
- the supply of education services (availability of schools and teachers);
- household perceptions of the returns to education; and
- social factors (e.g. gender preferences for educating boys in relation to girls).

⁵³ For critiques of conditionality applied to cash transfers, see for example Samson et al., 2006, [Designing and implementing social transfer programmes](#). Cape Town: EPRI, pp. 12, 82–101; Freeland, N., 2007 “Superfluous, pernicious, atrocious and abominable? The case against conditional cash transfers”, pp. 75–78 in *IDS Bulletin* Vol.38 No. 3. May 2007; Wahenga, 2010a, [The World Bank's new social protection model: Conspirational Cash Transfers](#). (see also the response, Wahenga, 2010b, [The World Bank responds to Sissy Teese's 'Conspirational' claims](#)).

⁵⁴ de Brauw, A. and Hoddinott, J., 2008, [Must conditional cash transfers be conditioned to be effective? The impact of conditioning transfers on school enrolment in Mexico](#). IFPRI Discussion Paper 00757; March 2008. For a review of the various pieces of evidence (including those based on simulations) on the possible effects of conditionality, see Fiszbein and Schady 2009, pp. 155–160.

⁵⁵ Baird, S. et al., 2010 [Cash or condition? Evidence from a randomized cash transfer program](#). World Bank Policy Research Paper No. 5259; March 2010.

Education outcomes – learning and pass rates

The evidence is more limited and less conclusive in terms of whether cash transfers result in improvements in final educational outcomes (i.e. educational performance and skills acquired). Evidence from Ecuador and Nicaragua shows transfer programmes had significant positive effects on early childhood cognitive development⁵⁶. This suggests that cash transfers can have an effect on learning and skills: but, critically, these effects have worked primarily through benefits that children gain *before* entering school. There is a good case for designing and monitoring transfer schemes with greater attention to their effects as part of a package promoting early childhood development, which can have significant positive effects later in life.

Variability in findings on the effects of transfers on educational outcomes can be explained by the fact that recipients of cash transfers, by virtue of being poor, face barriers that make it harder for them to reap the full benefits from educational enrolment. Cash transfers are often targeted geographically in poor, remote areas, where the quality and availability of schools may be limited, and raising the performance levels of poor and disadvantaged students is particularly difficult. Additional investment in service provision is required if improvements are to be achieved, but these may require empowering poor communities to make service providers more accountable.

Health and population

Health outputs - use of health care provision

Cash transfers can accelerate reductions in morbidity and mortality⁵⁷, by working on the 'demand side' to help poorer families to overcome the economic barriers to access to and use of health services. The evidence from many studies in both LICs and MICs (and independent of programme scale) suggests a positive impact of cash transfers on the use of health care services. Most obviously, transfers make possible increased spending on health services and medicines. In Lesotho, for example, 50 percent of pension recipients have increased their spending on health services since the implementation of the pension in 2005⁵⁸. A good quality systematic review of six studies of CCT programmes carried out in LICs and MICs (Mexico, Nicaragua, Honduras, Brazil

⁵⁶ Paxson and Schady 2008; Macours, Schady and Vakis 2008, summarised in World Bank, IMF, 2009, [Global Monitoring Report: a development emergency](#). World Bank, Washington DC.

⁵⁷ Yablonski and O'Donnell, 2009. op. cit.

⁵⁸ Samson et al, 2007. op. cit.

and Colombia and Malawi) found an increase in the use of health services and mixed effects on immunisation coverage and health status⁵⁹.

In addition to the direct costs of consultation and treatment, poor households also face significant barriers to healthcare in the form of indirect costs (such as travel expenses incurred to reach a health facility and income foregone when taking time off work). In many cases, receipt of transfers has helped households to overcome these barriers and resulted in an increase in the use of key public health services, particularly health monitoring and preventative health services.

The evidence for the effects of transfers on the use of preventative health services is generally stronger for children, and more limited for adults, though there is increasing evidence for the contribution of transfers to maternal health. The effect of transfers on reducing financial barriers to health care is particularly demonstrated for increasing access to maternal health services in Asia⁶⁰. Effects are most commonly measured with regard to check-ups for child growth and development; immunization; and antenatal and postnatal checkups.

- In areas served by Mexico's *Progresa/Oportunidades* program, health visits increased by 18 percent compared to other areas⁶¹.
- In Peru's *Juntos* programme, immunisations of children under one year of age increased by 30 percent within one year of implementation. There was also an increase of approximately 65 percent in pre-and postnatal visits to health clinics and a reduction in home births. This is a significant achievement, given the very high levels of maternal mortality in areas targeted by the programme⁶².

From its review of DFID-supported programmes, IDS reports that some of the "strongest evidence of health benefits" comes from the 'Ultra-Poor' programme in Bangladesh. This programme directly linked transfers to health services and was associated with the following results:

- An 18.6 percent increase in the use of modern contraceptive methods;
- An increase of 45 percentage points in immunisation coverage (from baseline coverage of 53 percent in 2002 to over 98 percent by 2006);
- 95 percent of under-fives now receive Vitamin A capsules;

⁵⁹ Pantoja, T., 2008 [Do conditional cash transfers improve the uptake of health interventions in low and middle income countries? A SUPPORT summary of a systematic review](#). August 2008.

⁶⁰ Borghi et al. 2006, cited in Temin, M, 2010. op. cit.

⁶¹ Barrientos, A., and Scott, J., 2008. [Social transfers and growth: a review](#). BWPI Working Paper 52, Brooks World Poverty Institute / University of Manchester, Manchester

⁶² However, these are simple results from baseline. Although the size of the increase strongly suggests programme impact, there is no comparison group to confirm this. Jones, N., with Vargas, R. and Villar, E. 2008 '[Cash transfers to tackle childhood poverty and vulnerability: an analysis of Peru's Juntos programme](#)', *Environment and Urbanization*, 20(1), 2008, pp 255–273 p. 264.

- 96 percent of pregnant women now receive antenatal care and 93 percent postnatal care⁶³.

Health outcomes - improved health care

The evidence for the impact of cash transfers on final health outcomes is less extensive. Where it does exist, it is more mixed than the evidence that transfers increase access to and use of services. In its global analysis of more than 20 CCT programmes, the World Bank (Fiszbein and Schady, 2009) found mixed evidence regarding the impact of CCTs on indicators such as reduced incidence of illness (morbidity); reduced rates of childhood anaemia; and lower infant mortality. This is to be expected, given that other factors causing illness may not be addressed by cash transfers, and that the presence of complementary interventions, quality of services⁶⁴ and design of the transfer programme can make an important difference⁶⁴. Studies on health outcomes require longer horizons than many of those that have been available to date⁶⁵.

Despite this pattern of more limited and mixed findings with regard to health outcomes, there are some notable positive examples in which cash transfers have helped to improve health status, particularly with regard to children:⁶⁶

- In Malawi, between 2007–8, illness was reduced by 23 percent among children participating in the Mchinji unconditional social transfer programme, as against 12.5 percent of children from non-participants (Independent Impact Evaluation Report, 2008, cited in Save the Children, 2009)⁶⁷.
- In Colombia, the incidence of diarrhoea in children under 24 months was 10.5 percentage points lower amongst children from rural households participating in the *Familias en Acción* programme than amongst children from non-beneficiary households (32.6 percent compared to 22.0 percent)⁶⁸.
- In Mexico, the *Progresa/Oportunidades* CCT programme has been associated with an 11 percent reduction in maternal mortality⁶⁹. Amongst adults, there was a 22 percent reduction in days in bed due to illness after two years of the programme. *Oportunidades* beneficiary status is also

⁶³ Davies, 2009, summarising DFID Bangladesh, 2006. op. cit. Note that these outcomes and changes from baseline for recipients cannot be compared to those amongst comparable non-recipients, making it hard to attribute change definitively to the impact of the programme.

⁶⁴ Yablonski and O'Donnell, 2009, op. cit.

⁶⁵ EPRI, 2011, op. cit.

⁶⁶ Yablonski and O'Donnell, 2009, op. cit.

⁶⁷ Miller, C. Tsoka, M. and Reichert, K. [Impact evaluation report: external evaluation of the Mchinji Social Cash Transfer Pilot](#). Boston, Boston University School of Public Health and the Centre for Social Research, University of Malawi, 2008.

⁶⁸ Attanasio, O. et al, 2005, [How effective are conditional cash transfers? Evidence from Colombia](#), IFS Briefing Note 54, London, The Institute for Fiscal Studies pp. 7-8.

⁶⁹ Barham, 2005; Hernández, et al., 2004, in Adato and Bassett, 2008. op.cit.

associated with 127.3 g higher birthweight among participating women and a 4.6 percentage point reduction in low birthweight⁷⁰.

As applies to education, further research is required to compare whether the addition of conditions relating to health-seeking behaviour results in better, worse or unchanged health outcomes in a given context. However, the accessibility and quality of health services in many LICs is likely to limit potential for the successful adoption of health-related conditionalities in cash transfer programmes.

HIV and AIDS

Broader social protection strategies have the potential to protect children and their families in high prevalence settings⁷¹. In theory, cash transfers can have benefits across the spectrum of HIV prevention, treatment, and care and support (see Table 3 below). At present, there is documentation of the impact of programmes on AIDS-related care and support, and less evidence available relating to prevention and treatment⁷².

Table 3: Linking social assistance with HIV policy, by population categories

	HIV Prevention for those most vulnerable to HIV infection	Treatment for people living with HIV	Care and Support for people living with and affected by HIV
Financial protection/ Cash Transfers	Transfer payments for the very poor to support HIV prevention	Transfers to poor PLHA for better HIV treatment access and adherence	Transfers to mitigate the impact of AIDS on individuals and households

Source: Adapted from table with the full range of social protection instruments in Temin 2010.

Transfers may play a role in HIV prevention by reducing the factors that place people at risk of infection by reducing school drop-out, migration, and girls' and women's social and economic inequality⁷³. Some of the most robust results have come from a recent impact evaluation in a high-prevalence district of

⁷⁰ Barber, S. and Gertler, J., 2008, [The impact of Mexico's conditional cash transfer programme, Oportunidades, on birthweight](#), University of California, Berkeley, CA, USA. The primary analyses used retrospective reports from 840 women in poor rural communities and randomly assigned to incorporation into the programme in 1998 or 1999 across seven Mexican states. Pregnant women in participating households received nutrition supplements and healthcare, and accepted cash transfers. The study recognises the problems with retrospective reports. The authors conclude that these findings may be applicable to other large-scale incentive-based welfare programmes, which employ conditional cash transfers and health utilisation requirements.

⁷¹ For full review of evidence, see Adato, M. and Hoddinott, J., 2008. *Lessons from cash transfers in Africa and elsewhere: impacts on vulnerability, human capital development and food insecurity*. Cairo, May 13–14.

⁷² Temin, M, 2010. op. cit.

⁷³ Temin, M, 2010, Ibid.

Malawi, which finds that the introduction of a cash transfer has had measurable impact on the behaviour and HIV infection rates of teenage girls (see Box 8).

Box 8: Cash transfers, behaviour change and HIV prevalence in Malawi

A pilot for adolescent girls in Zomba district in south-eastern Malawi has demonstrated that both CCTs and UCTs to girls improved school attendance and decreased early marriage, pregnancy, and importantly, HIV infection rates, among beneficiaries. Zomba district, where the survey took place, has high rates of poverty and HIV - up to 22 percent, compared to a national prevalence of about 12 percent. The two-year World Bank randomised control study covered nearly 4,000 adolescent girls in 176 enumeration areas. It found that 18 months of cash transfers, with or without conditions attached, decreased the participants' risk of HIV infection by 60 percent, compared to the control group. The UCT programme had a much greater positive impact on delaying early marriage, whilst CCTs performed much worse. Researchers found that sexually active beneficiaries reduced their risky behaviour¹.

Source: Baird S et al. 2009

In relation to *HIV treatment*, the current evidence on the link between cash transfers and access to and use of anti-retroviral treatment (ART) is limited and requires further research. However, an important randomized control trial in rural Uganda found better HIV treatment adherence scores amongst programme participants than the control group. This led the researchers to conclude that that “modest cash transfers of \$5-8 per month to defray the costs of transportation may be an important strategy to reduce costs and improve treatment outcomes in rural, resource-limited treatment settings”⁷⁴.

UNICEF has developed a comprehensive framework for assistance to orphans and vulnerable children (OVCs), in which they identify social transfers as an important element of an overall care and support package. While targeting transfers explicitly to orphans or AIDS-affected children risks stigmatising vulnerable children, there is emerging evidence that targeting programmes to the extreme poor using indicators that capture AIDS-affected households (e.g. high dependency ratios or presence of a household member with a chronic illness) helps to reach children affected by AIDS⁷⁵.

For households dealing with HIV-related illness or death, cash transfers can support livelihoods, enable access to education and improve nutrition, all of which improve the effectiveness of ARV treatment. This is not to say that cash transfers are the best intervention to reach each of these objectives, in terms of rates of return, in all circumstances. However these potential wider impacts need to be borne in mind when considering investment options and in programme design, appraisal and evaluation. To be effective, cash transfers will

⁷⁴ Emenyonu et al. 2010, cited in Temin, M, 2010.

⁷⁵ Webb, D. 2007 [The impact of social cash transfers on children affected by HIV/AIDS. Evidence from Zambia, Malawi and South Africa](#). UNICEF, July 2007.

need to be part of a wider strategy, complemented by other interventions (see Box 9).

Box 9 Cash transfers and assistance for children affected by AIDS

As well as providing transfers (of cash, vouchers or food), UNICEF's *Framework recommendations for Enhanced Protection for Children Affected by AIDS* (UNICEF 2007) notes the need for other, complementary programme and policy measures. These include legal protection, birth registration, access to basic services, home visits from social workers and support from community child protection visits. These are critical to ensure vulnerable children and households are linked up to social assistance schemes and, basic services and protected from neglect, exploitation or abuse.

Pensions in particular have been shown to be an important instrument to help poor households mitigate the impact of AIDS in countries with a large number of orphans. In countries such as Lesotho, South Africa and Botswana, a heavy burden of care for orphans falls on grandparents in households in which one or both parents have died of AIDS. (In Lesotho, 60 percent of households receiving the social pension include young children, many orphaned by HIV/AIDS⁷⁶.) This burden has been one of many factors that have led these governments to adopt national domestically-financed social pension programmes.

More research is needed to assess the impact of cash transfers on households caring for adults living with HIV and key populations⁷⁷.

Population

There is very little evidence to support concerns about the effects of transfers on household fertility decisions. In fact, recent analytical work using econometric tools has identified a significant link between pensions and *reduction* in fertility. Studies have been undertaken across sub-Saharan African countries that have introduced national non-contributory pension schemes for the elderly, creating 'high-coverage' systems (namely: South Africa, Mauritius, Seychelles, Namibia, Botswana, Lesotho and Swaziland)⁷⁸. The findings indicate that having had a high-coverage pension system for ten years is associated with a reduction in the fertility rate (i.e. the average number of children born to a woman over her lifetime), in the range of 0.5 to 1.5 children per woman.

⁷⁶ National University of Lesotho, 2006, cited in Samson et al., 2007.

⁷⁷ Temin, M, 2010, op. cit.

⁷⁸ Holmqvist, G., 2010, [Fertility impact of social transfers in Sub-Saharan Africa – What about pensions?](#) April 2010.

Cash transfers and growth

Well-designed programmes can help poor households cross critical thresholds for participation in markets and economic growth, at the same time as immediately addressing poverty and vulnerability.

Poverty reduction rather than economic growth is the primary objective of cash transfer programmes, so the case does not rest in the first instance on whether they contribute to output. However, it is clearly desirable that they do not *negatively* affect growth. If transfers do contribute positively to the rate or quality of growth, then that is an additional benefit, with important implications for the sustainability of poverty reduction.

Cash transfers can in theory strengthen micro-level growth processes, and this is supported by some empirical material⁷⁹. There is growing evidence that cash transfers can help to create livelihood opportunities and enable households to escape poverty traps; increase labour productivity and earnings; stimulate local markets; and cushion families from the worst effects of crises⁸⁰. However, this is more limited and less generalisable than for human capital development. Efforts are being made in DFID and elsewhere to improve the monitoring and evaluation of these effects.

The limited evidence base regarding possible relationships between cash transfers and economic growth is in part a function of scale. While there is some evidence of positive impact at household (micro) and local (meso) levels, it is harder to attribute to cash transfers an effect on aggregate (macro) growth⁸¹. This is not surprising given the marginal role of the poorest in the economy. Nor, however, is there any consistent evidence of any negative effects at the macro level.

A literature review by the University of Manchester on growth and social transfers finds that there is “very little evidence to justify concerns over detrimental effects of social transfers on growth, while some evidence can be found to support the view that cash transfers, providing they are designed and implemented effectively, are capable of strengthening some micro-level outcomes that are intermediate to growth”⁸¹. *Barrientos and Scott, 2008.*

The potential for a cash transfer programme to have a positive effect on growth is determined by context (the depth of poverty and the nature of opportunities and constraints facing households and firms) and programme design. To have significant potential for increasing productivity, transfers need to be adequate,

⁷⁹ DAC Povnet, 2009.

⁸⁰ Yablonski and O'Donnell, 2009, op. cit.

⁸¹ ODI and UNICEF, 2009 [Fiscal space for strengthened social protection in west and central Africa](#). Briefing Paper, February 2009.

regular and reliable, appropriately channelled, and complemented by asset-accumulation and asset-protection interventions⁸².

A 2008 literature review⁸³ and 2009 OECD policy note both assessed the evidence to identify the links or transmission mechanisms between social protection (particularly cash transfers) and the growth in incomes of the poor, beyond the immediate benefit of the transfer. Most of these operate by increasing overall economic efficiency⁸⁴. The main mechanisms through which cash transfers can increase the economic activity and incomes of the poor include enabling greater household investment in human capital; helping households to accumulate productive assets (and avoid losing such assets in the face of short-term shocks); enabling the poor to obtain access to finance on better terms; and encouraging the operation of labour markets by helping low-income households meet the costs of connecting to job opportunities.

Increasing investment in human capital

As discussed above, there is an established evidence base that cash transfers can support gain in nutrition, education and health. Investments in the human capital of the next generation should raise labour productivity (levels of human development are strongly correlated with economic development in cross-country analysis, though the direction of causality is open to debate). While it is possible to estimate these effects through models, the long time lags and complex causal chains involved make it hard to measure empirically (especially as most schemes have been operating for less than 15 years)⁸⁵.

Protecting productive assets, encouraging livelihood diversification and stimulating local markets

There are clear reasons in microeconomic theory why chronic poverty and vulnerability, separately and in combination, prevent households from engaging fully in markets (see Box 10).

⁸² Bach, K, 2010, [Social transfers: stimulating household-level growth](#). CPRC Policy Brief 14, Summary of DFID supported review of evidence on social transfers and growth.

⁸³ Barrientos, A, and Scott, J., 2008.

⁸⁴ OECD, 2009. Povnet Task Team on Social Protection and Empowerment. Policy Guidance Note in [DAC Povnet, 2009](#).

⁸⁵ Analysts have used Mincerian regression to estimate the aggregate increase in income to be derived from raising the level of education in a population, based on observed association between education and wages derived from a household survey. Using this approach, Behrman, Parker, and Todd, 2005 (cited in Fiszbein and Schady, 2009, p. 145) estimate that a child in Mexico participating in *Oportunidades* for two extra years will earn wages as an adult that are two percent higher than they would otherwise have earned.

Box 10: Chronic poverty, vulnerability and economic growth

Chronically low living standards can give rise to poverty traps. Households without productive assets, earning low and highly variable income, unable to save or access credit, and living in remote areas poorly integrated with factor or output markets face particular difficulties in improving the productivity of existing activities or diversifying into higher-return occupations. Vulnerability can also prevent households from engaging fully in markets and benefiting from (and contributing to) economic growth. In the context of numerous sources of risk (e.g. serious illness or harvest failure) and the lack of effective and affordable insurance markets, even households with levels of current income and consumption above the poverty line will frequently rationally choose low return, low risk livelihood strategies. The most well-known example of sub-optimal risk-minimising livelihood is seen when farmers plant drought-resistant but low-yielding traditional varieties in preference to improved varieties. In most years these will provide much higher income but, in a bad year, may yield nothing. Such strategies reduce exposure to risk that could push a household below the poverty line (or already-poor households into destitution), but also make it harder for poor or near-poor households to increase incomes or accumulate assets to improve their living standards over time.

There is some evidence that small but reliable flows of income help poor households to diversify livelihoods and improve their long-term income generating potential by funding the costs of job seeking, allowing them to accumulate productive assets and avoid losing them through distress sales or inability to repay emergency loans⁸⁶. Transfers allow households to make small investments; and in some cases take greater risks for higher returns. In India, farmers protected by the Employment Guarantee Scheme in Maharashtra invested more in higher yielding varieties and fertiliser than farmers in neighbouring states. Similar effects have been observed in Ethiopia⁸⁷. In theory however, other instruments (e.g. insurance or greater access to finance) may offer better rates of return or benefit-to-cost ratios than cash transfers in addressing these issues. In practice, it is possible that a lack of available alternatives within a reasonable time scale mean that cash transfers have an important role to play.

Whilst local economic development is not the primary objective of cash transfers, they can provide a stimulus to the local economy by increasing demand for consumption goods, inputs or assets. Poor people tend to spend locally, and they also tend to spend on locally produced rather than imported goods. Evidence in this area is currently limited and more research is required to assess the size of impact on local economic activity relative to the size of resources transferred. There may be alternative forms of intervention that provide more cost-effective ways of achieving these ends. Nonetheless, these second-order effects of cash transfer programmes need to be considered in design, appraisal and evaluation.

⁸⁶ See, for example, Devereux, 2007 and Slater, R. et al, 2006, [PSNP policy, programme and institutional linkages](#). Final Report, ODI, theIDLgroup and Indak International, London, September 2006, on how the PSNP in Ethiopia has reduced distress asset sales.

⁸⁷ Sabates-Wheeler et al., 2008; Gilligan et al., 2008, both cited in Hanlon et al., 2010, *Just give money to the poor – the development revolution from the global South*. p. 70, Kumarian Press.

Evidence in support of these household- and local market-level effects includes the following:

- In Ethiopia, 15 percent of participants in the Productive Safety Net Programme (PSNP) used their transfers to invest in farming, and 8 percent purchased livestock⁸⁸.
- In Zambia, the Kalomo Social Cash Transfer Scheme led to an increase in the ownership of goats from 8.5 percent of households to 41.7 percent. It also led to four times more households engaging in investment activity, and a doubling of the amounts invested⁸⁹.
- In Malawi, a study of the Dowa Emergency Cash Transfer (DECT) programme found economic multiplier impacts exceeding two Kwacha for every Kwacha disbursed⁹⁰.
- In Paraguay, CCT beneficiary households invested between 45–50 percent more in agricultural production. The programme also increased the probability that households would acquire livestock by 6 percent⁹¹.
- In Mexico, on average 12 percent of transfers from the *Progresas/Oportunidades* programme were invested in productive activities such as microenterprises and agriculture. Average rates of return were 18 percent⁹². The transfers allowed households to overcome credit constraints. The secure income may have made them more willing to take on riskier (but potentially more rewarding) investments⁹³.

Promoting financial inclusion and access to credit

The poor are frequently highly credit constrained because they lack the assets to use as collateral to access loans. Transfers can allow households to obtain access to credit on better terms⁹⁴. Cash transfers can also contribute to the deepening of financial systems and widening of access to credit, through technologically advanced payment systems in banks and post offices (e.g. using smart cards and mobile phones). In Brazil, the 'Previdencia Rural' social pension programme allows beneficiaries to access loans from banks by

⁸⁸ Devereux et al, 2006. op. cit.

⁸⁹ Scheuring, E., 2008. 'Social cash transfers in Zambia: a work in progress', pp. 20-21 in [Cash transfers on Africa and Latin America: Poverty in Focus](#), No. 15, IPC-IG.

⁹⁰ See Davies, M. and Davey, J., 2007, [A regional multiplier approach to estimating the impact of cash transfers: The case of cash aid in rural Malawi](#). Unpublished, University of Bath and Concern Worldwide (Malawi) June 2007. This estimates multipliers ranging from 2.02 to 2.45.

⁹¹ Soares, F. V., et al., 2010, "The impact evaluation of a rural CCT programme on outcomes beyond health and education" *Journal of Development Effectiveness*. Vol. 2, No. 1, March 2010, 138–157.

⁹² Gertler, P., Martinez, S. and Rubio-Codina, M., 2006, [Investing cash transfers to raise long-term living standards](#), Report WPS 3994-IE, Washington DC, World Bank.

⁹³ World Bank, 2009. op. cit.

⁹⁴ See Barrientos, A. and Scott, J. 2008, on access to credit in Bangladesh.

showing their pension enrolment cards. A World Bank study has analysed Brazilian national household survey data and found that receipt of the transfer has increased urban entrepreneurship (owning a business as an employer or self-employed worker) and increased the diversity of household income sources. The study concludes that *Bolsa Família* has helped stimulate entrepreneurship by relaxing the constraints of lack of start-up capital and insurance (and thus risk aversion) for very poor households⁹⁵. In Malawi, Opportunity International Bank of Malawi (OIBM) reports that 45 percent of recipients enrolled in the Dowa Emergency Cash Transfer (DECT) scheme, which ended in 2007, are still using their bank account more than two years later.

The links between cash transfers and long-term financial inclusion is a new and evolving area for policy and research. Early evidence suggests that mechanisms used to deliver cash transfers have the potential to help the poor obtain access to basic financial services for the first time in their lives. Whether these economic benefits are seen in cash transfer programmes will depend on local circumstances and the efficiency of programme design.

DFID in Kenya has entered a partnership with Equity Bank on innovative payment systems for the Hunger Safety Net Programme. It is providing access by the poor to financial services and is subject to rigorous independent evaluation by Oxford Policy Management.

Cash transfers and GDP growth

At an aggregate level there is a lack of clear and robust evidence on the impact of cash transfers for aggregate growth, either positive or negative. Cash transfers are usually aimed at the poorest, who by definition contribute very little to the overall formal economy. Well-designed programmes can help poor households cross critical thresholds for participation in markets they have previously been excluded from. However, as noted in a report on *Progresa* in Mexico, they 'will not have a first order effect on the country's growth rate. This is because the first two deciles of the income distribution receive less than 2.5 percent of aggregate income in Mexico. If all poor households income (net of Progresa-Oportunidades transfers) increased by 5 percent a year, aggregate income would increase, at most, by an additional 0.12 percent a year.'⁹⁶

Cash transfers may support long-term growth and social stability by helping to reduce poverty and inequality and mitigating the worst effects of economic adjustment and economic crisis (e.g. as in the case of Indonesia, Mexico and Argentina). Social stability is a key pre-condition of investment for growth. However, there is a lack of formalised, quantified evidence in this area.

⁹⁵ Lichand, 2010. op. cit.

⁹⁶ Levy, S., 2006, *Progress against poverty: sustaining Mexico's Progresa-Oportunidades program*, Brookings Institution Press, pp. 19-20.

Cash transfers and labour markets

The available evidence does not support concerns over possible negative effects of social transfers on growth determinants⁹⁷. There is no evidence that cash transfers reduce labour market participation overall. Indeed, in some contexts cash transfers can increase the labour market participation of poor households, promote employment, help to lessen the burden of childcare responsibilities, cover the costs of job-seeking, and also reduce days of work lost due to ill health.

- In South Africa, households receiving the Old Age Pension have labour force participation rates 11–12 percent higher than households that do not receive the grant, and employment rates 8–15 percent higher⁹⁸. Receipt of the pension was also found to have a significant positive impact on job-search among unemployed household members⁹⁹.
- In Mexico, *Oportunidades* has been found to neither increase nor decrease labour market participation¹⁰⁰.
- In Brazil, adults in beneficiary households in the *Bolsa Família* programme had a labour market participation rate 2.6 percentage points higher than adults in households not in the programme¹⁰¹. This effect differed by gender. Women in benefiting households had participation rates 4.3 percentage points higher than women in non-participating households.

There is also some evidence from India and Ethiopia that cash transfer programmes have given labourers stronger bargaining positions with employers, and improved their ability to negotiate better wages¹⁰². For example, in India, the Maharashtra Employment Guarantee Scheme pushed up the reserve wage for agricultural labour, reducing landowner profits and contributing to a reduction in local income inequality¹⁰³. However, such wage inflation is only likely to occur where a public works programme employs a significant number of workers in a particular geographical area. Where labour is tied by social

⁹⁷ DAC Povnet, 2009. op cit.

⁹⁸ Samson et al., 2004, cited in Vincent and Cull, 2009. op. cit.

⁹⁹ Posel, D., et al., 2006, [Labour migration and households: a reconsideration of the effects of the social pension on labour supply](#). South Africa.

¹⁰⁰ Yablonski, J. and O'Donnell, M., 2009, p. 16 and Parker, S. W. and Skoufias, E., [The impact of Progresa on work, leisure and time allocation](#), IFPRI, 2000.

¹⁰¹ Oliveira, A. M. H. et al., 2007. 'Primeiros Resultados da Análise da Linha de Base da Pesquisa de Avaliação de Impacto do Programa Bolsa Família'. In Vaitsman, J. and Paes-Souza, R. (eds.), *Avaliação de Políticas de Programas do MDS – Resultados*, v. 2, SAGI / MDS, Brasília, pp. 19-66.

¹⁰² Sjoblorn and Farrington, 2008; Adams and Kebede, 2005; Berton 2009, cited in Yablonski and O'Donnell, 2009.

¹⁰³ Gaiha, R. and Imai, K., 2005. [A review of the Employment Guarantee Scheme in India](#). Policy Case Study: labour markets and employment, Delhi and Manchester.

regulation, as in the rural India caste system, a labour guarantee scheme can have transformational impact.

Child labour

Evidence from several countries suggests that cash transfers can reduce the incidence of child labour, though in some cases cash transfers have had the opposite effect¹⁰⁴: Many cash transfers implicitly target child labour, through a direct focus on school attendance. Child labour is usually associated with early exit from school, and therefore with long-term consequences in terms of productivity and lifetime earnings. In many countries, child labour can also be associated with hazardous employment.

- In Cambodia, the Cambodia Education Sector Support Project (CESSP) which gives transfers to children in transition from primary to lower-secondary school reduced paid work by 11 percent¹⁰⁵.
- In Brazil, the Programme for Eradication of Child Labour (PETI) reduced the probability of children working by nearly 26 percent in Bahia. It also reduced the probability of children working in higher risk activities¹⁰⁶.
- In Colombia, *Familias en Acción* is reported to have led to a significant reduction in child labour in rural areas, particularly amongst children aged between ten and thirteen¹⁰⁷.
- In Ecuador, child labour was reduced by 17 percent in households participating in *Bono de Desarrollo Humano*¹⁰⁸.
- In contrast, in Ethiopia, there is evidence from some high dependency households engaging in public works of some perverse impacts on child domestic labour. As a result of this evidence, this adverse effect is now being addressed by improved targeting of direct support grant beneficiaries and better communication of rights and responsibilities¹⁰⁹.

There is some evidence that cash transfers reduce labour market participation among older people and children, as intended programme effects (e.g. in the Food for Education Programme in Bangladesh), and that this is compensated by increases in adult working age labour.

¹⁰⁴ Barrientos, A. and Niño-Zarazúa, M. Policy briefing, 2009. *Social transfers and chronic poverty: a policy analysis research project*. Chronic Poverty Research Centre, Brooks World Poverty Institute / University of Manchester, Manchester.

¹⁰⁵ Filmer, D. and Schady, N., 2009. *Who benefits? Scholarships, school enrolment and work of recipients and their siblings* Unpublished manuscript, World bank, Washington DC.

¹⁰⁶ Rawlings, L. and Rubio, G., 2003. [Evaluating the impact of conditional cash transfer programs: lessons from Latin America](#). World Bank, Washington DC.

¹⁰⁷ World Bank, 2006. Colombia: *Familias en Acción*. World Bank.

¹⁰⁸ Schady, N. and Araujo, M. C., 2006, [Cash transfers, conditions, school enrolment, and child work: Evidence from a randomized experiment in Ecuador](#). World Bank, Washington DC,

¹⁰⁹ Young Lives, 2010 report.

Empowerment and gender equality

Cash can empower poor individuals and households to make their own decisions for improving their lives. As discussed earlier, cash transfers can support girls' education and promote better access and utilisation of healthcare and other basic social services. However only a few programmes have explicitly targeted the potential for transforming gender relations at the household and community in both economic (e.g. opportunities for work) and social (e.g. voice and agency) spheres¹¹⁰.

Gender has been a major factor in cash transfer design for the past 10–15 years, as exemplified by the payment of CCTs in Latin America to women with young children¹¹¹. By addressing gender imbalances in access to education and putting cash directly in the hands of women, cash transfers can increase their bargaining power within the home and improve intrahousehold allocation of resources for human development. Cash transfers provided to women can also lessen the risk of households resorting to negative coping mechanisms.

- In Mexico, the Progres/Oportunidades programme, in giving cash only to women, increased their decision-making role in household expenditure, financial security, self-esteem and social status¹¹².
- A gender audit of Brazil's *Bolsa Família* found that women's domestic status increased because the income they received was regular, while the wages of other household members was uncertain¹¹³. The impact of *Bolsa Família* on women's labour market participation is also very strong – with the participation rate of beneficiary women 16 percent greater than for women in similar non-participating households¹¹⁴.
- In Malawi, the Social Cash Transfer Scheme has reduced the likelihood of female and child-headed households resorting to 'risky behaviour' such as transactional sex, in order to survive¹¹⁵.

The effects of cash transfers on power relations at the micro level are not entirely without problems. There is an argument that CCTs (requiring that children are taken to school and health check ups) reinforce gender stereotypes

¹¹⁰ Holmes, R and Jones, N., 2010, [Rethinking social protection from a gender lens](#). ODI Working Paper No. 320.

¹¹¹ Ellis et al., 2008. [We are all poor here: economic difference, social divisiveness, and targeting cash transfers in sub-Saharan Africa](#). Social Protection for the Poorest in Africa: Learning from Experience, Entebbe, Uganda.

¹¹² World Bank, 2008. [For protection and promotion: the design and implementation of effective safety nets](#). Washington DC.

¹¹³ Suarez et al., 2006, cited in DAC Povnet, 2009.

¹¹⁴ Veras et al., 2007, cited in DAC Povnet 2009.

¹¹⁵ Schubert, B. and Huijbregts, M., 2006. [The Malawi Social Cash Transfer Pilot Scheme: preliminary lessons learnt](#). Paper presented at the conference *Social protection initiatives for children, women and families: an analysis of recent experiences*. UNICEF, New York, October 30-31 2006.

of women as responsible for social reproduction at the household level, while men maintain a role as income earners. Whilst there have been fears of more conflicts over household resources, to date policies of directing transfers to women do not appear to have resulted in more domestic violence in either Latin America or southern Africa¹¹⁶.

Cash transfers can also promote self-esteem, status and empowerment amongst vulnerable people more generally, enabling them to be active members of their households and communities, rather than perceived as 'burdens'. In particular, there is evidence that cash transfers can address age-based social exclusion. Based on qualitative research by NGOs, social pensions in Namibia and Lesotho have improved the status of older people without relatives, who might otherwise have been isolated and excluded from community life.

A Lesotho pensioner describes the introduction of the social pension as follows: "Before, we were treated as if we were dead. Now, people respect me."

(quoted in SCF / Help Age International / IDS 2005)

Humanitarian assistance

International agencies and governments are also using cash as a way of providing humanitarian relief to people after disasters¹¹⁷. Cash is increasingly being used as a complement, or an alternative to, in-kind assistance, particularly food aid, shelter and support to livelihood recovery. In Somalia, small cash transfers to drought-affected pastoralists allowed families to purchase, food, water, health items and pay off existing debts. Debt repayment helped revive the credit market and kick-start the local economy. During the 2007–8 drought in Swaziland, households receiving a combination of food and cash (through a Save the Children Fund programme) consistently had higher dietary diversity scores among children than households only receiving food aid¹¹⁸. In some contexts, complementary micronutrient supplements may still be needed, even if cash is an appropriate way of providing more general access to food¹¹⁹.

¹¹⁶ Thakur, S.G, Arnold, C. and Johnson, T., 2009, '[Gender and social protection](#)' pp. 167-182 in DAC Povnet 2009; Molyneux, M., 2007. [Change and continuity in social protection in Latin America: mothers at the service of the state?](#) Programme on Gender and Development, UNRISD.

¹¹⁷ The Cash Learning Partnership (CaLP) has been sharing learning between NGOs around cash programming related issues in emergency contexts since 2005. For example, Harvey, P. et al., 2010 [Delivering money: cash transfer mechanisms in emergencies](#). SCF for the Cash Learning Partnership.

¹¹⁸ Devereux, S. and Jere, P., 2008, [Choice, dignity and empowerment? Cash and food transfers in Swaziland: an evaluation of Save the Children's emergency drought response, 2007/08](#), IDS and PJ Development Consulting Company, Brighton and Lilongwe,

¹¹⁹ Jaspars, S. and Harvey, P. with Hudspeth, C. and Rumble, L., 2007, [A review of UNICEF's role in cash transfers to emergency-affected populations](#), UNICEF EMOPS Working Paper, October 2007 .

Given the challenging context, few impact assessments are undertaken in a humanitarian context which can be used to clearly identify the impact of cash transfers. It is extremely difficult in the disruption of a post disaster and/or conflict-affected context to establish programme impact. Humanitarian organisations therefore tend to focus on monitoring and reporting outputs and only occasionally outcomes¹²⁰. However, there is some evidence that cash transfers help increase resilience in humanitarian work, which needs to be assessed on a case by case basis. The provision of cash can be an appropriate mechanism to enable people to meet their basic needs and may also support the transition from relief to recovery. Within the European Commission's humanitarian aid department (DG ECHO) there has been a steady increase in the number of cash and voucher projects. Most agencies in Haiti are now implementing cash transfer programming following the earthquake in Haiti in January 2010.

State building and social cohesion

There is a need to strengthen the evidence base for the contribution of cash transfers to strengthening the 'contract' between citizens and the state. Results are currently limited to anecdotal evidence¹²¹. Several countries have introduced or expanded cash transfer programmes to promote peace building, conflict prevention and inclusion of particular social groups (e.g. Kenya, Nepal, Rwanda and Sierra Leone).

Cash transfer programmes can, in theory, contribute to building social cohesion and strengthening the legitimacy and effectiveness of states in a number of ways. The OECD (2009) and the Chronic Poverty Research Programme (CPRC) both highlight that social protection can contribute to social cohesion in a manner that: strengthens the 'contract' between citizens and the state; promotes social inclusion, integration and greater accountability. The UN Independent expert on Extreme Poverty recognizes that cash transfers are a policy option that can assist States in fulfilling their human rights obligations. Transfers have the potential to impact positively on the exercise of a number of economic, social, cultural, civil and political rights¹²². However, none of these assertions are based on strong evidence.

¹²⁰ This was identified as an issue in *The state of the humanitarian system* (ALNAP, 2010). Of the respondents to an ALNAP survey, the majority had conducted between one and five impact assessments in the past four years (Proudlock, K., Ramalingham, B. and Sanison, P., 2009. [Improving humanitarian impact assessment: bridging theory and practice.](#))

¹²¹ This issue will be explored further in a new DFID funded Research Programme Consortia on Effective States.

¹²² Carmona, 2009. op. cit.

In terms of evidence, a recent study on the *Familias en Acción* programme in Columbia found qualitative and quantitative evidence of positive impact on social capital. It found that the programme requirements that women recipients engage in social activities, such as attending meetings and visiting health centres, have improved cooperation and trust in beneficiary communities¹²³.

Recent studies, focused on Latin America, have also sought to determine the effect of large-scale cash transfer programmes on voting behaviour. They demonstrate that CCT schemes in Mexico, Brazil, Uruguay and elsewhere have resulted in electoral support for politicians and parties that propose and retain the programme that is stronger than it would have been otherwise. This suggests that households' political views are very responsive to the receipt of government transfers¹²⁴. A study on the *Bolsa Família* programme found that electoral support of non-beneficiaries in poor municipalities also increased; the programme served as an economic stimulus in these areas and therefore also benefited non-recipients¹²⁵.

There are some concerns in the literature that cash transfer programmes can be manipulated for political ends. Many analysts stress the need to distinguish between engaging in clientelism or opportunism on the one hand, and promoting prior successes and crediting a president or party for an improvement in well-being on the other hand¹²⁶. CCT programmes in Mexico, for example, have been protected from politicisation; electoral advantages gained from the programmes have been due to satisfaction with them and related investments in human welfare, rather than clientelism (De La O Torres, 2010; Sewall, 2009). CCTs have thus been effective not only in poverty reduction, but in influencing electoral politics in a non-clientelistic manner¹²⁷.

Public actions for direct support to the poor have been an important element in the consolidation of functioning nation-states in OECD countries. They have the potential to play a similar role in redressing long-standing tensions and inequalities that contribute to state fragility in developing countries, though the extent to which they will do this will depend on the interaction of programme design and the local context. In Indonesia and India, social protection has been a key element in building and strengthening the social compact¹²⁸. *Progres*a was introduced in Mexico in part to address the disaffection with the state that had fuelled the Chiapas uprising. Similarly, the rapid expansion of China's

¹²³ Attanasio, O., Pellerano, L., Reyes, S. P., 2009, 'Building trust? Conditional cash transfer programmes and social capital', *Fiscal Studies* Vol. 30, No. 2, pp. 139.

¹²⁴ De La O Torres, A.L., 2010, [The politics of conditional cash transfers](#), Yale University, February 2010; Manacorda, M., Miguel, E. and Vigorito, A., 2009, [Government transfers and political support](#), NBER Working Paper No. 14702, National Bureau for Economic Research, February 2009; Zucco, C., 2010. *Cash transfers and voting behaviour: electoral impacts of Brazil's Bolsa Família program*. Princeton University, New Jersey.

¹²⁵ Zucco, 2010, op. cit.

¹²⁶ Sewall, R. G., 2009, '[Conditional cash transfer programmes in Latin America](#)', *SAIS Review of International Affairs*, vol. 28, no. 2, pp. 175-187.

¹²⁷ Zucco, 2010, op. cit.

¹²⁸ CPRC, 2008, [The chronic poverty report 2008-9: escaping poverty traps](#). Chronic Poverty Research Centre

Minimum Living Standards Scheme and Argentina's *Jefes y Jefas*, were prompted by rapidly rising unemployment and the threat of unrest¹²⁹. In Kenya, the state is extending cash transfer provision, and making significant fiscal allocations, even in the context of the financial crisis, in an attempt to promote stability following the civil disturbances of 2008¹³⁰. Similarly, public works programmes in Sierra Leone have targeted young ex-combatants, and in Nepal cash transfers and public works programmes have been directed to excluded ethnic groups¹³¹, though there is a risk that this could increase divisions, when compared to universal targeting.

Peace building

Introducing cash transfer schemes in the aftermath of conflict and state collapse is particularly challenging, but increasingly recognised as an important element of state- and peace-building strategies. In fragile states, cash transfer programmes have the potential to play an important role in supporting the conflict prevention and peace process necessary for creating a stable environment for renewed growth and investment¹³².

Cash transfers can address the immediate needs of poor households but as yet, there is little evidence about their long-term impact on poverty in post-conflict countries¹³³. Until recently, cash transfers have not been a common choice in post-conflict programming, and in-kind transfers, such as food-aid, agricultural inputs and basic necessities have dominated. This has been, in part, due to concerns about the feasibility of delivering cash, including concerns over creating inflation in weak markets, choice of targeting methodologies (e.g. universal targeting can be less divisive than poverty targeting), and the appropriateness of cash as a social protection instrument. Positive experiences in Somalia suggest these constraints can be overcome through design choices and good supervision (see Box 11). In Nepal, cash transfers have been provided to the elderly, disabled and widowed since the mid-1990s, and delivered even during the conflict¹³⁴.

¹²⁹ Barrientos and Hulme, 2008, op. cit.

¹³⁰ McCord, A., 2009b, [Cash transfers and political economy in sub-Saharan Africa](#). Project Briefing 31. ODI and SDC.

¹³¹ Holmes, R., 2009. [Cash transfers in post-conflict contexts](#), Overseas Development Institute, London.

¹³² This issue will be explored further in a new DFID funded Research Programme Consortia on Fragile States starting in 2010.

¹³³ ODI, 2009, op. cit.

¹³⁴ Holmes, 2009, op. cit.

Box 11: Cash transfers in Somalia

Somalia, Oxfam, Horn Relief and ACF have had success with implementing both cash grant and cash for work projects in northern and southern areas. Cash transfers were delivered to beneficiaries using remittance or money transfer companies to minimise security risks. Beneficiaries were found to spend the money on basic consumption needs (food and water), debt repayments and, if cash transfers were generous enough or timed after harvests, on livestock. No inflation was reported as a result of these programmes partly because markets were competitive and traders stocked additional goods in anticipation of cash injections.

Source: Ali et al, 2005

Climate change adaptation and disaster risk reduction

There is growing evidence that climate change is altering and deepening the risks faced by poor and vulnerable people in rural areas, particularly those involved in agriculture and other ecosystem-dependent livelihoods¹³⁵. There is increasing interest in the role of cash transfers and other social protection measures (e.g. insurance) as part of an integrated response to climate change and disasters. This is a relatively new area of conceptual thinking, although there has been some research on how social protection has assisted households in the wake of major natural disasters in south Asia¹³⁶.

A number of programmes have attempted to integrate social protection, climate change adaptation and disaster risk reduction (DRR), particularly in South Asia¹³⁷. A relatively high proportion of Pakistan's projects combine cash transfers and DRR approaches compared to other countries, possibly as a result of the devastating 2005 earthquake. In India, the Maharashtra Employment Guarantee Scheme was borne as a response to a major drought¹³⁸. India's current NREGA has a climate change adaptation dimension through its focus on public works for water and soil conservation.

In Ethiopia, climate change, DRR and social protection have been combined through the Productive Safety Net Programme (PSNP). Cash and food transfers

¹³⁵ Davies, M. et al., 2008, [Climate change adaptation, disaster risk reduction and social protection](#), Briefing Note for the OECD DAC Task Team on SP.

¹³⁶ Heltberg, R. 2007, 'Helping South Asia cope better with natural disasters: the role of social protection', *Development Policy Review* Vol. 25 No. 6, 681-698.

¹³⁷ Arnall, A. et al., 2009, *Integrating social protection, disaster risk reduction and climate adaptation: mapping the evidence and policy context in the agriculture sector in south Asia*. Institute of Development Studies.

¹³⁸ Kabeer, N. 2010, *Review of findings from Social Protection research funded by DFID Research and Evidence Division*.

aim to alleviate household vulnerability to seasonal food insecurity. The PSNP remained robust during the 2008-09 humanitarian crisis, with the majority of beneficiaries avoiding the need to sell off household assets. It is envisaged that the PSNP will continue to address climate variability in the future.

Summary

In sum, cash transfer programmes have the potential to deliver a range of benefits (see Table 4), not only reducing extreme poverty, but also providing effective support for broader human development objectives, including better nutrition, health and education outputs and outcomes. The extent to which programmes deliver these different impacts will depend critically on the availability of complementary services, the local context, and the specifics of programme design, including the transfer value. There is some, more limited, evidence that well-designed cash transfer programmes can contribute to women's empowerment, local economic activity, to strengthening the 'contract' between citizens and the state, and supporting climate change adaptation. This is principally a result of needing to focus more in these areas in programme monitoring and evaluation, rather than a failure to find results in these areas in existing evaluations.

Table 4 summarises the strength of available evidence on the development benefits arising from cash transfers, of which the most rigorous data currently available is from MICs. The next chapter reviews the evidence regarding the role of key design and implementation features for achieving different impacts.

Table 4: Development effects of cash transfers: summary of theory & evidence

Development outcome	Strength of evidence
Reducing poverty, hunger & inequality	
Incomes and consumption of poor households increased, resulting in: - Less severe poverty (reduced poverty gap) - Households lifted above poverty line (reduced poverty headcount) - Reduced gap between rich & poor (reduced Gini coefficient, ratio of average income / consumption in top and bottom quintiles)	Strong evidence where studied. Well-designed and implemented cash transfers to poor households improve living standards at the bottom of the welfare distribution, reducing poverty and inequality. Whether this shows up in national poverty gap or (more rarely) poverty headcount and Gini measures depends on the scale (coverage and generosity) of transfers.
Human development	
Outputs: increased use of health & education services by poor households (e.g. enrolment; vaccination; antenatal checkups) Outcomes: improved nutrition, health & education status (literacy and numeracy; early childhood development; reduced morbidity and mortality)	Strong evidence in a large number of cases (for both conditional & unconditional cash transfers). Size of effect influenced by supply response (funding and capacity of public services) More mixed evidence. Some cases show significant positive impact on outcomes (e.g. child growth and cognitive development): but in many cases greater service use has <i>not</i> resulted in better outcomes
Addressing social inequalities and empowering women	
Directing transfers to women empowers them within households and communities.	Robust evidence from Latin America that CTs increase women's participation in household decision-making; and that gains in education and nutrition for girls can outstrip those for boys, helping them to catch up. Evidence from a single study that transfers that keep girls in school can reduce early marriages.
Coping with environmental stress and shocks (including household adaptation to / coping with climate change)	
Help households mitigate (ex ante) and cope with (ex post) environmental shocks	Mixed experience with cash transfers as a response to natural disasters in south Asia. Impressive gains in groundwater availability due to public works created under the PSNP in Ethiopia.
Economic development and inclusive growth	
Facilitates structural reforms (e.g. equitisation of state-owned enterprises, trade liberalisation, removal of costly and regressive subsidies) that foster economic growth and more effective public spending Facilitates productivity-enhancing household investment (increased inputs and protection / accumulation of productive assets)	Some evidence, with mixed results: some striking successes due to cash transfers (elimination of fuel subsidies in Indonesia) but some where poor, often rushed design or implementation (poor targeting, transfers too small or duration too short) limited impact Some limited evidence. What is not spent on basic consumption (food, healthcare, schooling) is invested in livestock and other assets, with high rates of return. Reduced distress sales of assets. Need to collect more evidence in this area in evaluations in Africa.
Increases financial inclusion of poor people	Some limited evidence that payment mechanisms for delivery of transfers provide access to other financial services (savings, insurance), which are still used after the individuals stops receiving transfers
Increase employment and wages	Some limited evidence that higher rates of job search (covering migration and other costs) and labour market participation for some programmes. Another area where more data needs to be collected in evaluations in Africa. In India, public works employment guarantee help raise very low wages offered by rural employers.
Increased demand provides a stimulus to local enterprise and production	Some estimates of good multipliers; depends on volume of cash transferred (size, coverage) and ability of markets to respond to increased demand.
Raises productivity and market integration through creation of local infrastructure under public works programmes	Some very good results (e.g. improved watershed management under PSNP in Ethiopia); many very poor schemes (infrastructure which degrades) and overall a lack of adequate evaluation.
Reduces child labour	Robust evidence of reducing child labour for many programmes through targeting child labour in focus on school attendance. Public works programmes (e.g. PSNP in Ethiopia can increase child labour in the short term).
Facilitating social cohesion and state-building	
Create political legitimacy and build the social contract between state and citizen; reduce inequalities that contribute to social fragmentation, crime and political instability.	Good theoretical arguments for a relationship, but limited evidence beyond the fact that several governments have chosen to make use of cash transfers in post-conflict social policy (Mexico, Sierra Leone) or mitigating tensions due to inequality (China).

Chapter 3

Evidence on design and implementation choices

During the period of expansion in cash transfers in developing countries over the past fifteen years, there has been a large degree of innovation in programme design and delivery¹³⁹. There is now an increasing evidence base from existing programmes about the types of design and implementation choices that can maximise the impact of cash transfers for an increasingly diverse range of contexts and development objectives. This section summarises available evidence for different types of cash transfer programmes, with different levels of simplicity and complexity on key design and implementation choices. Key choices discussed are around targeting methodologies, addition of conditionalities, and payment mechanisms. It then addresses wider issues of design, implementation and political sustainability.

Key contextual factors determining optimal design choices include a country's poverty profile, structures of gender and social exclusion, policy priorities, and institutional factors. Sub-optimal choices are often made, legitimately, as a result of political economy realities.

Unconditional and conditional cash transfers

Programmes differ in whether they are conditional cash transfers (CCTs), which require certain actions from recipients (e.g. ensuring children's school attendance or antenatal care) or unconditional (UCTs) without requirements attached (as in South Africa). Conditionalities are more commonly applied in Latin America where services are generally more accessible and of better quality than in Africa and South Asia. Substantial management capacity is needed to run CCTs¹⁴⁰

The theory underpinning the use of conditions in CCTs is that poor households lack full information on the long-term benefits of preventative healthcare and education. The interests of parents may diverge from those of their children¹⁴¹. The alternative theory, underpinning UCTs, is that the poor are rational actors and that easing cash constraints will result in increased use of public services, without the need for conditions.

¹³⁹ Barrientos, 2010, op. cit.

¹⁴⁰ Mylene, L. and Palmer, N., 2006, [*Evidence from systematic reviews to inform decision making regarding financing mechanisms that improve access to health services for poor people: A policy brief prepared for the International Dialogue on Evidence-Informed Action to Achieve Health Goals in Developing Countries \(IDEAHealth\)*](#), Khon Kaen, Thailand; 13-16 December 2006.

¹⁴¹ Potentially with regard to girls: Fiszbein and Schady, 2009, op. cit.

There is, to date, limited evidence regarding the effects that can be attributed to attaching conditionalities to cash transfers. A World Bank study in Malawi that compared conditional and unconditional variations of a cash transfer with each other and with a control group is a rare example of research specifically designed to measure the separate contributions of the transfer and the conditions attached to its receipt.

The evidence around whether the addition of conditionality results in better programme performance than would have been achieved with an unconditional transfer is inconclusive¹⁴². There is very strong evidence that CCTs such as Mexico's *Oportunidades* have had significant impact, but the impact of conditions is not clear. Evaluations have proved that CCT recipients fare better than non-recipients, but have not compared recipients to a group which received the transfer without conditions. This raises the possibility that cash alone might be sufficient, with no need for conditions. This is significant, as conditionalities create additional costs, both for governments in monitoring, and for recipients in demonstrating compliance.

Evidence of significant impact from UCTs in South Africa supports this view. Similarly a World Bank-led randomised control trial in Malawi found that conditions added no value to cash in achieving improved outcomes¹⁴³. Some support for conditionality comes from a natural experiment arising from an administrative error in Mexico, which suggests that knowledge of conditions further increased school enrolment. However, this effect was confined to one particular stage (transition to secondary school), with no discernible impact at other levels¹⁴⁴. It is possible that conditions work primarily by communicating information to recipients (e.g. on the benefits of health checkups and increasing micronutrient intake for infants). However, this function might equally well be served by complementing a UCT with outreach services (e.g. health education), without the need for a complex structure of institutional coordination required for the application of sanctions in the case of non-compliance with conditions.

Consideration of context is critically important in drawing policy conclusions from the limited evidence on conditionality. CCTs require effective, well-funded public services which can increase supply in response to a CCT-induced rise in demand, as well as institutional capacity for government agencies to coordinate information on scheme enrolment, compliance and payment. Increasing demand for services in circumstances where these conditions do not hold could be at best ineffective and at worst counterproductive (e.g. if increased enrolment increases teacher-pupil ratios, resulting in declining quality of learning for all).

¹⁴² See Fiszbein and Schady, 2009, op. cit. pp. 155-160 for a review of the available evidence.

¹⁴³ In South Africa, UCTs (social pensions and child grants) have achieved measurable impacts on both service utilisation (e.g. school enrolments) and outcomes (e.g. child growth). On Malawi, see Baird, S. et al. 2010, op. cit.

¹⁴⁴ De Brauw, A and Hoddinott, J., 2008, op. cit.

This suggests that despite the success of CCTs in middle-income Latin American countries with well-developed public services and state capacities, there are a priori grounds to question whether they can be replicated in LICs with under-funded services and severely constrained capacity for government co-ordination¹⁴⁵. UCTs will also generate some of these problems to the extent that they increase demand for services. Unlike CCTs, however, UCTs do not require governments to monitor and enforce conditions, with the additional strain that this would place on severely constrained government capacity.

Decisions on conditionality should therefore be considered carefully and based on what is feasible and appropriate for a particular context. In practice, attaching conditions to transfers may have less to do with gains in effectiveness and more to do with the political economy of introducing and sustaining tax-financed programmes that transfer income to the poor.

Public works and employment guarantee schemes

Public works programmes (PWP) can be considered a particular form of cash transfer, although they diverge in significant ways from the generic definition of a cash transfer¹⁴⁶. In principle, these programmes can improve food security and reduce poverty through two channels: firstly, by providing poor households with transfer income in return for work, and secondly through the construction of infrastructure that supports economic activity (e.g. irrigation or flood control structures that improve agricultural production or feeder roads that link isolated communities to markets). That recipients work for the income they receive may help secure the political support needed to introduce and sustain such schemes. PWPs are also considered attractive because they can be made self-targeting (if the wage rate is set low, schemes will only attract the poor), which should result in lower administration costs.

In practice however, many PWPs (particularly in low-income sub-Saharan African contexts) have not performed well on one or both primary objectives. Transfer income from short-term schemes has often been too low and too unreliable to affect chronic poverty; and poor systems for design, supervision and maintenance have resulted in inappropriate structures which have soon

¹⁴⁵ Devereux and Coll-Black, 2007, op. cit.

¹⁴⁶ Notably, they are a somewhat marginal example of cash transfers in that they include multiple objectives (infrastructure construction in addition to transfers to households); and in that they are often *ad hoc* rather than institutionalised, and so do not provide regular, predictable income. The category of public works – sometimes alternatively called workfare – also includes a large number of programmes which provide transfers in kind (food-for-work) rather than cash (cash-for-work).

degraded¹⁴⁷. The Evaluation Department independent review of 23 DFID programmes included 12 with public works components (cash, food or inputs for work)¹⁴⁸. Evidence for the impact of these programmes on food security was generally limited, in part because of methodological difficulties in quantifying and attributing the economic benefits of infrastructure. However, an evaluation of the rural Community Infrastructure Works Programme in Nepal, which attributed increases in crop yields and market access to the construction of irrigation facilities and roads, shows that measuring the impacts of infrastructure is possible.

Schemes have achieved significant impact when choices are made explicit (e.g. between addressing short-term shock-induced unemployment or structural underemployment) and reflected in design; and when arrangements are institutionalised rather than episodic¹⁴⁹. Public works created under Ethiopia's PSNP have significantly improved soil and water management and so reduced vulnerability to drought, while providing direct support to food insecure households in ways that are more helpful, and delivered at lower cost, than earlier annual emergency food appeals. An innovative feature of PSNP is its flexibility. Households can choose whether to receive transfers in the form of cash or food. Although this calls for more sophisticated institutional capacity, such flexibility has proved extremely helpful in responding to rapidly rising food prices, when more households opted to receive transfers in the form of food.

India has adopted a distinctive approach to public works by providing a guarantee of up to 100 days of public work labour per rural household per year. Such a scheme has been operating for decades in the state of Maharashtra. More recently, this has been taken up as a national programme (see Box 12). Although the effectiveness of NREGP varies with state-level differences in capacity and implementation, the guarantee function serves in effect as a form of unemployment insurance, and helps exert upwards pressure on extremely low rural wages offered by private employers.

¹⁴⁷ McCord, A. and Slater, R., 2009, [Overview of public works programmes in sub-Saharan Africa](#). ODI; London.

¹⁴⁸ Devereux and Coll-Black, 2007, op. cit.

¹⁴⁹ Del Ninno, C. et al (2009) [How to make public works work: a review of the experiences](#). World Bank SP Discussion Paper No. 0905.

Box 12: The rural employment guarantee in India

India's National Rural Employment Guarantee Programme (NREGP) provides a legal guarantee of up to 100 days paid work per annum for landless labourers and marginal farmers, within a rights based approach. The State is legally bound to provide unskilled manual work for households; if it fails to provide the full 100 days on demand, the recipient is entitled to pay without the work requirement. The NREGP, besides providing employment, provides a stimulus to the rural economy by improving infrastructure for (roads and water conservation, irrigation and flood control structures) that enhances agricultural productivity and trade. The NREGP has created a significant number of jobs in over 500 districts of India between 2006 and 2008, benefiting about 46 million households

Source: Mehrotra 2008.

The *Jefes y Jefas* public works programme in Argentina also promoted female participation rates significantly, as did the Zibambele programme in South Africa¹⁵⁰.

Targeting options

Targeting determines how eligible individuals and households are identified and reached in practice. It ranges from universal options to mechanisms for categorical selection (e.g. by age, disability, HIV and AIDS status), self-targeting, geographical targeting (e.g. populations in natural disaster affected areas), unverified means-testing, proxy means testing (based on easily observable characteristics associated with poverty) and community-based selection.

Effective targeting can reduce the cost of transfers compared to universal provision: targeted CCT programmes in Latin America and the Caribbean typically absorb less than one percent of GDP. However, they also entail higher administrative costs, particularly when some of the basic infrastructure of administrative or survey-based information systems are not already in place and have to be introduced specifically to service the targeting needs of a cash transfer programme.

All targeting methods are imperfect and result in exclusion errors (those who should but do not receive a transfer) and inclusion errors (those who should not receive the benefit but do). The scale of these errors and the balance between exclusion and inclusion is determined by the fit between the intended coverage level, the targeting method used, and the national poverty profile. So, for example, a proxy means test that attempts to identify the poorest 10 percent of a population will perform poorly when the bottom 60 percent of the population have very similar, low living standards (and is also likely to fuel resentment from those who fail to receive the benefit)¹⁵¹. Geographical targeting performs

¹⁵⁰ McCord, 2004

¹⁵¹ Ellis 2008, op. cit.

relatively well when the poor are highly concentrated in particular areas, and less well when poor and rich live in the same places. Targeting defined demographic categories (such as children under five years or the elderly over 70 years) will reach many but not all poor households (e.g. migrants and young childless couples may not benefit). In practice, cash transfer programmes usually adopt multiple targeting mechanisms. Good targeting requires an assessment of the distribution of poverty, targeting costs and political acceptability, and relates to programme objectives¹⁵². In practice, the best results are often achieved by combining two or more forms of targeting.

Targeting performance is determined not only by context, but also by the quality of analysis, design and implementation. Although comparisons of targeting performance are difficult given the lack of consistent format for measurement, existing meta analysis suggests both some broad advantages of some targeting methods over others, but also more significant variations in targeting performance *within* each family of targeting methods. In other words, a given approach to targeting can perform well in one country or programme and poorly in another¹⁵³.

The decision on whether to target, and if so how, will need to be guided both by good technical and fiscal analysis and by considerations of administrative capacity and political acceptability. Targeting poorest groups rather than providing universal categorical transfers is challenging even in MIC contexts: there are generally significant inclusion and exclusion targeting errors and relatively high administrative costs. On the other hand, universalism is relatively expensive, so there are trade-offs. There is no consensus on whether targeted or universal programmes are most appropriate in LIC contexts in Africa and South Asia. Once again, evidence suggests that the most appropriate targeting method from a political perspective is highly context specific¹⁵⁴. Political economy factors may favour a targeted approach in one country and a universal approach in another. This constraint is often, rightly, the starting point for considering design options. The current prevalence of universal social pensions in southern Africa and South Asia indicate where political preferences have been in recent years.

¹⁵² Slater, R. and Farrington, J. 2009. [Cash transfers: targeting](#). ODI Project Briefing 27.

¹⁵³ Coady, D., Grosh, M. and Hoddinott, J., 2004. *Targeting of transfers in developing countries*. Washington, DC: World Bank.

¹⁵⁴ See, for example, Hickey, S., 2007, [Conceptualising the politics of social protection in Africa](#). BWPI Working Paper 4, University of Manchester, October 2007.

System design: integrated components

Other choices that can determine the impact of cash transfers include: level of benefits, linkages with other types of transfers (e.g. productive assets, food, vouchers); complementary service provision (e.g. nutrition programmes), payment mechanisms, programme administration, monitoring; investment in capacity building and participation of recipients (often through monitoring and grievance systems). South-South cooperation on different aspects of design and system strengthening for scaling up has been very active, particularly between Brazil, Ghana and Kenya¹⁵⁵.

Payment mechanisms

An increasing number of governments are switching to innovative mechanisms for electronic delivery of cash transfer payments to reduce costs and leakage, as well as promote financial inclusion of the poor (e.g. mobile phone technology in Kenya, debit cards in Mexico).

Of 40 transfer programmes launched in the past decade (for which detailed data is available), almost half (45 percent) feature electronic delivery of cash payments¹⁵⁶. Upgrading payment mechanisms can substantially reduce the cost to government by leveraging the involvement of private sector players in areas where they have a significant comparative advantage over government. In Brazil, switching to electronic benefit cards issued by a state-owned financial institution helped cut the administrative cost of delivering *Bolsa Família* grants nearly seven-fold, from 14.7 percent to 2.6 percent of grant value disbursed¹⁵⁷. The South African Social Security Administration (SASSA) saw its costs of delivering social transfers drop 62 percent (to less than US\$2 per payment) after moving to bank accounts offered by the private banking sector¹⁵⁸.

Switching to electronic delivery can also reduce “leakage” (fraud and corruption) by establishing a unique identifier for recipients and putting the payment instrument directly into the hands of recipients. While moving to electronic delivery typically cuts costs and leakage for the government, it also lays a

¹⁵⁵ Niño-Zarazúa, M., Barrientos, A., Hulme, D. and Hickey, S., 2010, [Social protection in Sub-Saharan Africa: Will the green shoots blossom?](#) BWPI Working Paper 116.

¹⁵⁶ Pickens, M. Porteous, D. and Rotman, S., 2009, [Banking the poor via G2P payments](#). CGAP and DFID, December 2009.

¹⁵⁷ Lindert, K., Linder, A., Hobbs, J. and de la Brière, B., 2007, [The nuts and bolts of Brazil's Bolsa Família program: implementing conditional cash transfers in a decentralized context](#). Social Protection Discussion Paper 0709, World Bank, Washington DC, May 2007.

¹⁵⁸ Bankable Frontier Associates, 2006, [Scoping report on the payment of social transfers through the financial system](#). Report commissioned by DFID, Boston, July 2006.

foundation for offering recipients a financially inclusive account. In South Africa, one-quarter of the country's more than 9 million social transfer recipients have their government payments electronically transferred into a financially inclusive bank account¹⁵⁹. The Northern Kenya Hunger Safety Net Programme (HSNP) for pastoralists has increased the holders of bank accounts, following use of smart card and finger-print recognition technology for payments of cash transfers by Equity Bank agents who are local traders in the community.

Institutional arrangements

International experience demonstrates the importance of capacity in terms of planning, coordination and delivery and selection of appropriate institutions. A range of options exist. In the majority of developing countries, a government agency or ministry is responsible for cash transfer programme administration (including core management information and registration systems), as well as arrangements for organising and supervising delivery systems. However, countries have adopted innovative institutional solutions (e.g. by incorporating civil society organisations into delivery channels), and introducing new technologies (e.g. electronic payment systems) which can fit much better to specific conditions.

There is growing evidence that electronic delivery of cash transfer payments can help reduce costs and leakage, as well as promote financial inclusion of the poor.

Complementary interventions

There is increasing recognition of the vital role of complementary interventions (e.g. vocational skills training, micro-credit services, nutrition programmes, social development, skills training and market enterprise programmes) in determining sustainable impacts. Appropriate complementary programmes can strengthen livelihoods opportunities and promote access to financial and information services¹⁶⁰. Complementary programmes and services are centrally important for education, health and nutrition outcomes, and for improving livelihoods to increase the chance of graduation from poverty.

¹⁵⁹ SASSA, 2008, [South African Social Security Agency \(SASSA\) Annual Report 2008/09](#)

¹⁶⁰ EPRI, 2010.

Box 13: Sequenced steps towards self-sufficiency in Bangladesh

The Chars Livelihood Project in Bangladesh uses a combination of 'core' social protection approaches, such as cash for work stipends, with promotion activities, such as asset transfers and complementary interventions. Getting the balance right between protection, prevention and promotion is absolutely essential. This is because livelihoods promotion activities are not sufficient in the early phase of the programme for extremely poor beneficiaries to avoid indebtedness and to meet unexpected health needs. The cash-for-work stipends therefore provide a safety net for the chronic poor upon which is possible to introduce approaches that provide a longer-term, more sustainable solution to poverty and vulnerability reduction.

Source: Arnall et al 2009.

Where programmes are combined with complementary, well-sequenced interventions they have greater potential. However, the size and coverage of programmes that are intended to complement cash transfer programmes is rarely adequate, a situation often exacerbated by institutional coordination problems and limited implementation capacity. For example, in the Ethiopian PSNP, coverage of complementary programmes, such as agricultural finance and training packages, was more limited than PSNP coverage¹⁶¹.

Box 14: Transfer levels, complementary measures and impact in Ethiopia's PSNP

Using Propensity Score Matching techniques, an IFPRI evaluation of PSNP finds that the program has little impact on participants on average, due in part to unrealistically low transfer levels that fell far below program targets. Beneficiary households that received at least half of the intended transfers experienced a significant improvement in food security by some measures. However, households with access to both the PSNP and packages of agricultural support were more likely to be food secure, to borrow for productive purposes, use improved agricultural technologies, and operate their own nonfarm business activities. This highlights the importance of appropriate transfer levels and complementary measures.

Source: Gilligan et al 2008.

Fragile environments

Until recently, cash transfers have not been a common choice in post-conflict programmes. In-kind transfers, such as food-aid, agricultural inputs and basic necessities have dominated. Emerging experience highlights the importance of careful targeting choices, use of innovative cash delivery mechanisms and

¹⁶¹ Slater, 2009 p. 3.

identification of appropriate stakeholders. In Zimbabwe for example, delivery of the Protracted Relief Programme, which reaches two million people, is through major NGOs and UN agencies, in co-ordination with local government agencies. Positive experiences with cash transfer delivery exist even during conflict (e.g. Somalia and Nepal).

Promoting gender equality and women's empowerment

DFID and AusAID have supported a multi-country research project by the Overseas Development Institute (ODI) which assesses the extent to which gender has been incorporated into the design and implementation of a wide range of social protection instruments¹⁶². This highlights that while there is a robust body of evidence on the gendered patterning of poverty and vulnerability (e.g. Chant, 2010), this knowledge base is seldom reflected in a systematic way in social protection strategy, policy and programme design. Promoting gender equality and women's empowerment has often been relegated to secondary or indirect programme objectives. To date many programme approaches have assumed that targeting women addresses gender inequality sufficiently, and while this is an important first step, the issue is more complex.

Programmes aimed at supporting economic participation (e.g. public works) seek to tackle gender inequalities by promoting women's participation and equal wages in economic activities through explicit targeting criteria and quotas. However they largely remain focused on low or unskilled manual wage labour in traditional jobs, rather than seeking to offer skills to enable women can take up better remunerated employment opportunities. Ethiopia's PSNP is an unusual case, in that it provides flexible working hours for women and recognises life-cycle vulnerabilities by offering women in labour-constrained households direct support (through cash or food transfers) instead of waged manual labour during pregnancy and nursing.

Few programmes have prioritised transforming intra-household relations in their programme design to ensure that increased household income (or in-kind benefits) is effectively allocated and does not have adverse effects on existing relations or the division of labour in the household. Where Ministries of Social welfare, Women and Children lead, there is generally more scope for attention to gender inequalities, although the ability to operationalise this can be limited by the capacity constraints that these agencies typically face in coordinating with other more powerful government agencies (as has been the case to date with the Livelihood Empowerment Against Poverty (LEAP) programme in

¹⁶² Holmes and Jones, 2010, op. cit.

Ghana for example). ODI researchers highlight the need to increase emphasis for gender-sensitive policy and programme design and on securing political buy-in for gender-sensitive social protection. Good sectoral linkages are needed to have an impact on both women's practical needs and also on transforming gender relations – for example across health and reproductive health services, social development and rights awareness training, credit access and employment training.

Climate change adaptation

Greater understanding is needed on how best to design and implement cash transfers and other interventions in order to help poor people adapt to climate change. There is also a need to ensure that existing cash transfer programmes take climate change into account by responding to new patterns of vulnerability due to climate change, as well as 'climate and disaster proofing' the interventions themselves.

Domestic political sustainability

There is increasing attention in the literature on social protection and cash transfers on issues of politics and political economy¹⁶³. Recent research stresses the importance of politics and regional trajectories (context, capacity and institutional setting) in understanding social protection policies and programmes, with a focus on the political conditions necessary for the adoption and sustainability of social protection programmes¹⁶⁴. For example, while electoral politics plays an important role in cash transfers in Latin America and parts of South Asia; this has not been the case in Africa¹⁶⁵.

Experience shows that effective cash transfer programmes require a supportive domestic political environment for their initiation, expansion and financing. In many countries, cash transfer programmes have been introduced by dominant political parties, with a key role played by 'executive champions'. Studies have found that although fiscal constraints are a key challenge to affordability in LICs, political factors and competing domestic policy preferences tend to play a greater role in the degree of governmental support for transfers¹⁶⁶. Crises often create the political space for developing cash transfer programmes. Mexico did this after the 1994 "Tequila crisis" when it started the *Progreso/Oportunidades* Programme in 1997. Programmes have often been seen as a component of

¹⁶³ Governance and Social Development Resource Centre, GSDRC.

¹⁶⁴ Barrientos and Hulme, 2008.

¹⁶⁵ Hanlon, Barrientos and Hulme, 2010, op. cit.

¹⁶⁶ Samson, M. 2009 '[Social cash transfers and pro-poor growth](#)' pp. 43-49 in DAC Povnet, 2009; McCord and Hagen-Zanker, 2010.

nation-building. Often, it is claimed that economic elites and the middle class will oppose cash transfers because they fear they will lead to dependency and tax increases. However, the interventions examined by CPRC often prompted the evolution of political constituencies broadly supportive of direct cash transfers.

Political economy analysis from the 1997–1998 Asian economic crisis suggests that civil society actors played a significant role in pushing for greater investments in social protection responses¹⁶⁷. To date this appears to be an area that has been under-researched. Good monitoring and evaluation and the publication of results helps to inform public debates and support civil society engagement. In countries such as Mexico, independent and credible evaluations have helped to ensure sustained social and political support, which have enabled programmes to evolve and scale up over time¹⁶⁸. Evidence of success is critical for long-term political sustainability. The political conditions required for sustainability of social protection programmes are less daunting than for initial adoption, as coalitions of support for adopted programmes and political pressure can build quickly¹⁶⁹.

Cash transfers in policy frameworks

The replication and expansion of cash transfer programmes has promoted the simultaneous development of a wide range of institutional and legal frameworks for these programmes. In some cases, programmes are institutionalised and incorporated into a national social protection strategy and domestic law, including constitutional legislation¹⁷⁰ (e.g. Mozambique, Angola, South Africa, and India).

“Cash Transfer Programmes should be seen as only one component of social assistance policies. As such, they must be integrated within social protection systems and grounded by solid legal and institutional frameworks.”

UN Independent Expert on Extreme Poverty

In sub-Saharan Africa, there is growing evidence of national and regional political commitment to expanding cash transfers and other social protection measures¹⁷¹. South-South learning by senior policy-makers (e.g. learning from Brazil, South Africa and Lesotho) has been a factor in generating demand and

¹⁶⁷ See Jones, N. and Marsden, H. 2009, [Assessing the impacts of and policy responses to the 1997-1998 Asian Financial Crisis through a child rights lens](#). UNICEF Social and Exconomic Policy Working , New York

¹⁶⁸ Skoufias, E., 2005, [Progesa and its impacts on the welfare of rural households in Mexico](#), Research Report 139, Washington, IFPRI.

¹⁶⁹ GSDRC. *ibid*.

¹⁷⁰ Carmona, 2009, *op. cit*.

¹⁷¹ Niño-Zarazúa, et al., 2010.

“A minimum [social protection] package can have a significant impact on poverty alleviation, improvement of living standards, reduction of inequalities and promotion of economic growth and has been shown to be affordable, even in low-income countries, within existing resources, if properly managed.”

*AU Social Policy Framework
2009*

interest in adapting ‘home grown’ approaches. In early 2009, African Heads of State endorsed a commitment to social protection in the African Union’s new Social Policy Framework for Africa.

Having reviewed the evidence on key design and implementation features for achieving different impacts, the next chapter examines the available data on cost and the feasibility of funding.

Chapter 4

Evidence of affordability, cost effectiveness and financing

Where a decision is made to invest in cash transfers as part of a wider poverty reduction strategy, spending on cash transfers will need to be situated within an overall budget which must also provide for expenditure on a wide range of sectors (e.g. transport, health, education) and programmes. Decisions on whether to introduce or expand cash transfer programmes will reflect judgements regarding the comparative value for money of transfers and other forms of spending for achieving economic and social goals set out by the government (as well as political and social attitudes to cash transfers).

Costs and benefits: data and methodological issues

The cost of cash transfers is a function of the nature of package developed in terms of (i) coverage, reflecting choices regarding the target group; (ii) generosity, or the value of the transfer; (iii) management costs when taken to scale; and (iv) set-up costs, including training, systems development and installation.

At present, there is considerable information on the costs and benefits of established, domestically-financed cash transfer schemes in MICs. This is largely due to the fact they have been associated with unusually good monitoring and evaluation, including experimental or quasi-experimental impact assessment. Spending in these countries varies significantly (see Box 6), between 0.36 and 1.4 percent of GDP for any given programme. These programmes have generated many well evaluated benefits (though not in all areas in all programmes), which helps to explain how such schemes have been sustained and expanded over 10–15 years.

By contrast, there are at present relatively few examples of established, nationwide schemes in LICs, making it hard to establish benchmark unit costs and (first-round) benefits for schemes in these contexts, or to assess the feasibility of long-term domestic financing of such programmes. As a preliminary step, some data on unit costs was collated during a late 2007 evaluation of DFID-supported social transfer schemes (Table 5). The evaluation noted, however, that this was only possible for around a quarter of the programmes under review¹⁷².

¹⁷² Devereux and Coll-Black 2007, op. cit. Note that the authors included cost-per-beneficiary data for two other schemes – the BRAC Targeting the Ultra-Poor (TUP) scheme in Bangladesh and the Zimbabwe ex-farm workers' programme – which are not included here because they are a cash-plus-asset programme and a food transfer programme, respectively.

Additional data may be available from pilot schemes, but these are less than ideal for assessing the long-term feasibility of domestically-financed national equivalents: unit costs are likely to be much higher in pilots with high initial set-up and learning costs than in institutionalised schemes that can benefit from scale economies¹⁷³. (There is also a case that benefits, too, will be higher in intensively-managed pilots than when taken to scale.)

Table 5: Cost-per-beneficiary for selected transfer programmes

Programme	Cost per beneficiary
Ethiopia PSNP	\$35 per annum
Kenya School Feeding	\$7.44 per annum in Arid and Semi-Arid districts; \$8.33 in urban informal settlements
Malawi 2003/4 Targeted Inputs Programme (TIP)	\$7 per household (total cost)

Source: Devereux and Coll-Black 2007 p. 34.

Forward estimates on value of the per-beneficiary cost of transfers are also available from programme proposals submitted by nine countries during the DFID Bilateral Aid Review (BAR) exercise in late 2010. Most of these range from £8 to £17 per month¹⁷⁴. While these projections are obviously a second-best alternative to costs recorded during implementation, they reflect a sense of what is realistic, based on information and experience available at the country level, and are broadly in line with the findings from the 2007 evaluation. They are also in line with SCF recommendations – based upon their review of the factors that enable transfers to result in significant impact on child malnutrition – that per-beneficiary levels of transfers should be no lower than 25–30 percent of household expenditure, if they are to deliver the scale of impacts seen in the successful programmes in Latin America¹⁷⁵.

Overall, however, the data available on costs and benefits that is required to construct cost-benefit analysis (CBA) or value-for-money (VFM) ratios in LICs is surprisingly sparse. This problem has also been noted more specifically with regard to public works programmes in Africa (for which there is very little data on the value of physical assets constructed). Addressing this gap should be a priority for future programming by DFID and others.

¹⁷³ For example, staffing costs in the BRAC TUP declined considerably during the course of implementation as the beneficiary to staff ratio changed from around 50:1 in the first year to 250:1 by the end of the programme.

¹⁷⁴ DFID, 2010, *Cash transfers in BAR Offers: expected results*. Poverty Response Team, Policy Division, December 2010, 13 pages. Outliers are Rwanda (at the low end at £3 per month) and the Occupied Palestinian Territories and Pakistan (at the high end, with costs of £51 and £54 respectively).

¹⁷⁵ Yablonski and O'Donnell, 2009. In seven of the nine BAR cases, the transfer met this threshold (in Pakistan, by a long margin): Rwanda and Zambia fall below it.

Apart from inadequate data on the level and structure of costs and numbers of beneficiaries, there are some methodological challenges involved in calculating cost effectiveness. Even when there is a significant body of data on a range of schemes, robust direct comparisons based on quantified VFM/CBA calculations are likely to involve a significant degree of approximation and interpolation that makes them less than fully robust. Calculating CBA or VFM ratios in a manner that allows cash transfers to be compared to alternative uses of public finance is complex¹⁷⁶.

Firstly, public spending in social sectors such as health, education or social protection is less immediately amenable to appraisal in efficiency terms (in the form of an economic rate of return, benefit to cost ratio or net present value), than are investments in productive physical capital such as roads. Effects on economic efficiency (through contributions to labour productivity from gains in future education and health) are not all easy to measure because of the time lag before they materialise and because of their wide sectoral range (road investments also face these challenges, but usually on a more localised scale). In practice, quantifying the full span of benefits to compare to costs is rarely possible. Establishing a CBA framework and quantifying all that can be quantified is a necessary starting point. Given that the most significant economic effects of transfers may come through building human capital for the next generation, estimating these benefits may also help¹⁷⁷. In MICs with a good breadth and depth of administrative and population-based data, it is possible to produce a credible and convincing cost-benefit analysis (see Box 15). However, such exercises are harder in a LIC policy environment that generates a smaller volume and lower quality of data from which to estimate costs and benefits.

These are concerns over the valuation of benefits, which is by common agreement very difficult. What is more striking and surprising is the paucity of basic cost data in LIC contexts. This should be readily derived from programme coverage and average transfer value, with at least an estimate of administrative costs. Programmes in all contexts should be delivering basic cost information as a precondition for even rudimentary monitoring of performance.

Secondly, there is a practical challenge in collecting data on the results associated with cash transfers with which to compare their costs. Given that the injection of cash into cash-constrained poor households does have the potential to result in a wide range of effects, a reasonably comprehensive appraisal will require data on a range of outcome indicators. In practice, quantifying the full span of benefits to compare to costs is rarely feasible.

¹⁷⁶ World Bank 2008, op. cit. p. 45.

¹⁷⁷ Typically this is achieved through Mincerian regression analysis. This uses data (typically from a household survey) to estimate the returns to individuals (in terms of wages) deriving from variables such as levels of education. These findings can then be used to estimate anticipated future adult earnings with and without the extra years of schooling achieved through the introduction of cash transfers. On the application of this approach to cash transfers, see Fiszbein and Schady, 2009, op. cit. pp. 145 and 188.

Box 15: Cost-benefit analysis of Familias en Acción (Colombia)

In 2006 the Institute of Fiscal Studies, Econometría, and Sistemas Especializados de Información conducted a thorough CBA of the *Familias en Acción*, a CCT in Colombia. The team valued programme benefits in terms of increased future earnings that would result from (i) lowered incidence of underweight infants; (ii) lowered malnutrition and child morbidity rates among children aged 0–6 years; and (iii) increased years of secondary schooling completed. The effects of *Familias en Acción* on these outcomes are identified from an impact evaluation, and then monetized using evidence from various sources (e.g. a net additional year of secondary schooling is assumed to increase future income by 8 percent, based on estimates of Mincerian rates of return; an increase of 0.4 kilograms in birth weight is assumed to increase future income by 5 percent, based on international evidence). These monetized benefits are then discounted to obtain a calculation of the net present value of benefits of \$259.4 million.

Costs are more easily estimated, combining both public and programme costs and those costs incurred by households in complying with conditions and collecting their benefits. These are estimated to total \$163 million.

The result is a respectably high cost-benefit ratio of 1.59. This ratio is sufficiently high that the policy conclusion – that programme benefits justify the costs – is likely to be robust to alternative assumptions. (Costs would need to increase 59 percent relative to benefits to reach a point where the benefits do not justify the costs.) It should also be noted that this CBA considers only those effects on child nutrition and birth weight, and not other benefits accruing from increased household consumption due to receipt of transfers.

Source: summary of IFS, Econometría, and Sistemas Especializados de Información 2006 in Fiszbein and Schady 2009 p. 188.

Finally, alternative normative principles may shape the calculation of costs and benefits. Even if they have proven potential for positive secondary effects on outcomes in human development, economic participation and market functioning, and social coherence, cash transfers are designed *primarily* for their effects on equity (mitigation of extreme poverty) rather than efficiency. Decisions such as whether to weight the welfare gains of the poorest more highly than those of the rich will have a significant impact on VFM calculations and judgements as to the comparative merits of alternative spending decisions¹⁷⁸.

¹⁷⁸ This is part of a more general problem. The World Bank notes that “most economists recognise that, in practice, rigorously quantifying the marginal benefits from different forms of spending with each other and with marginal costs is generally not feasible”: World Bank 2008 p. 49.

Current levels of spending and fiscal space

Analysis suggests that most developing countries spend 1–2 percent of GDP on social transfers¹⁷⁹. However, this level of fiscal commitment relative to the size of the economy conceals a great deal of variation in the actual level and effectiveness of public spending. In MICs, one percent of GDP may be sufficient to reach a high proportion of the population with relatively high value transfers. In LICs, however, the same one percent of GDP will translate into a low level of absolute spending that will be sufficient to provide only modest benefits to a restricted proportion of those in need. Hence, while cash transfers have proved affordable in MICs (see Box 16), the financing of an adequate level and coverage of cash transfers remains a major challenge in LICs¹⁸⁰.

Box 16: Middle-income countries finance large-scale transfers

Programmes in Brazil, Indonesia and Mexico reach between a quarter and a third of their national population with relatively modest transfers, at a cost of between a third and two thirds of a percent of GDP. South Africa and Namibia have followed a different model, with generous social pensions that directly benefit only a relatively small percentage of the population (although there are a large number of secondary beneficiaries, as both pensioners and their adult children increase spending on schooling and other costs for young children in the household), for a cost of over 0.8 and 1.4 percent of GDP respectively.

Country	Data year	Coverage		
		Cost % of GDP	individuals (millions)	% of population
Brazil <i>Bolsa Família</i> (CCT)	2006	0.36	46	24
Indonesia (UCT)	2006	0.66	84	34
Mexico <i>Oportunidades</i> (CCT)	2007	0.4	25	23
Namibia <i>Old Age Pension</i>	1998	0.8	83 thousand	5
South Africa <i>Old Age Pension</i>	1999 / 2000	1.4	2	4

Source: World Bank 2008 pp. 466-500

The difficulty in financing service provision in low-income, low-capacity contexts is of course not unique to cash transfers. Low levels of revenue generation (tax

¹⁷⁹ Weigand, C. and Grosh, M., 2008. [Levels and patterns of safety net spending in developing and transition countries](#). World Bank SP Discussion Paper No. 0817; June 2008.

¹⁸⁰ Spending on cash transfers in MICs has major significance. These countries are estimated to contain three quarters of the 1.3 billion people worldwide who live below the international poverty line (\$1.25 per capita per day, PPP): see Sumner, A. 2010. [The new bottom billion and the MDGs: a plan of action](#). IDS in Focus Policy Briefing; October 2010.

as percentage of GDP) within a small economy (low per capita GDP) makes it very hard to afford minimum adequate levels of per capita spending on health or education. As a result, a large percentage of total recurrent spending in these sectors in LICs is typically financed from ODA¹⁸¹.

However, in addition to this generic problem, there is also a particular additional problem that spending on cash transfers is most effective when it is counter-cyclical (to a greater degree than is the case with health or education). Once again, counter-cyclical spending is possible and has been practiced by MICs (Indonesia, Brazil and Mexico all increased transfer spending during the global financial crisis, in some cases using IFI concessional finance). Yet it is much harder for LICs, particularly given the lag times, lack of predictability and coordination problems inherent in ODA flows within aid-dependent economies.

Given the relatively small evidence base currently existing on national cash transfer schemes within low-income countries, discussion of the feasibility of financing these programmes relies heavily upon simulations. These simulation models combine demographic data and living standards data (derived from household surveys) with assumptions about administrative overheads in order to estimate spending levels (typically expressed as a percentage of national GDP) for given levels of transfer size and beneficiary coverage. This model-based estimation obviously constitutes a somewhat different standard of “evidence” from empirical data derived from programmes under implementation, and can result in very different results and conclusions based upon the assumptions adopted. In the absence of empirical data, however, such *ex ante* evaluation using simulations of costs and benefits may be a valuable tool.

In an effort to estimate the possibilities for scaled-up spending on direct transfers, the ILO has costed a relatively comprehensive basic package of social protection measures for seven countries in Africa and five in Asia¹⁸². The summary features of this package are defined in Box 13. Within this, three of the four components (social pensions, child benefits and public works) are cash transfers. The benefit specification is modest in many respects (with the exception of the child grant up to age 14: many existing schemes cover only up until age five). The fourth component of the package – basic health care free at the point of delivery – is not a cash transfer, and would not be included in many definitions of social protection. For this reason, the cost estimates calculated by the ILO are presented in Figure 5 with and without the inclusion of health costs.

¹⁸¹ As laid out in, for example, WHO guidelines on per capita financing required to deliver a basic package of health services.

¹⁸² ILO, 2008. [Can low-income countries afford basic social security? Social security policy briefings](#). Paper 3, Geneva: ILO, Social Security Department.

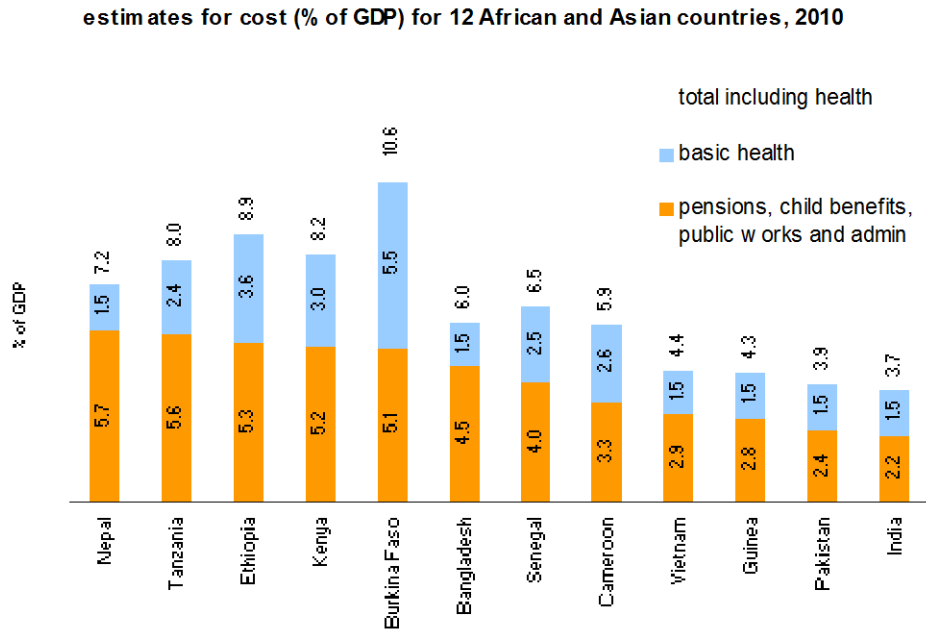
Box 11: Defining ‘basic social protection’: the ILO costing model

1. **Universal old age pension and disability pensions**, set at 30% of pc GDP (and capped at \$1 PPP per day for those aged 65 and older (determined from census and survey data) and working age adults with a serious disability (assumed to be one per cent of the population)
2. **Basic child benefits**: 15% of GDP pc for each child under the age of 14 (capped at \$1 PPP per day), up to a maximum of two per household.
3. **Essential health care**: cost based on the following assumptions
 - staffing costs (assuming 300 staff per 10,000 population – a benchmark derived from Namibia and Thailand – at national wages average for the sector or, when this data is missing, equivalent to teachers’ wages)
 - non-staff costs (assumed at 67% of wage costs – derived from Ghana)
4. **Public works**: set at 30% of pc GDP (capped at \$1 PPP per day) for an assumed 10% of the working age population, excluding those resident in a household receiving another transfer (e.g. child benefit or pension), up to a maximum of 100 days pa.

Source: ILO 2008

This exercise suggests that the cost of the package without health care (which is assumed for the purposes of this evidence paper to be covered by the health sector budget) would range from 2.2 percent of GDP in India to 5.7 percent in Nepal. The ILO compares these estimates of desirable spending levels, based on an approximation of needs, with two spending scenarios, the first based on no change in the budget share currently allocated to the package, and the second assuming that this share rises to as far as one-fifth of total government spending. Under the second, highly optimistic scenario, Guinea, India, Pakistan and Vietnam could meet the costs of the ‘basic social protection package’ (including health); Bangladesh, Burkina Faso and Cameroon would still be meeting less than 50 percent of the package costs, with the remaining five countries spending at between 60– 70 percent of the target.

Figure 5: Estimates of the costs of a ‘basic social protection package’



Source: ILO 2008

Analysis by ODI and UNICEF of fiscal space in five west and central African countries adopted slightly different parameters from the ILO model and examined only two of the ILO’s four instruments (an old age pension and a child grant, which was further divided into a universal option and an option targeted only to households with pre-transfer per capita consumption falling below the poverty line)¹. The cost implications of each are summarised in Table 6 below. As with the countries in the ILO sample, there can be considerable divergence between cost as a percentage of GDP and cost as a percentage of existing expenditure, reflecting differences between countries in the size of the public sector relative to GDP.

¹ ODI and UNICEF, 2009, op. cit.

Table 6: Estimating the costs of cash transfers in west and central Africa

Scheme and definition	Measure of cost	Republic of Congo	Equatorial Guinea	Ghana	Mali	Senegal
Universal child benefit (30% of food poverty line for all children aged 0–14)	% GDP	2.0	0.9	8.7	5.9	6.4
	% recurrent expenditure	16.7	20.8	46.3	42.8	30.0
Targeted child benefit (as above, for children in households below the poverty line)	% GDP	1.2	na	na	3.2	3.7
	% recurrent expenditure	9.9	na	na	23.5	17.6
Social pension (70% of the food poverty line for everyone over 60)	% GDP	1.0	0.2	2.6	na	na
	% recurrent expenditure	8.3	5	13.9	na	na

Source: ODI and UNICEF 2009.

The ILO concludes from their 12-country analysis that the ‘basic’ package of transfers and health provision is ‘demonstrably affordable’ – even within the constraints of resource poor governments – given political commitment, phased increases in revenue collection, reallocation and rationalisation of existing budgets, and external financing in the medium term¹⁸⁴. The critical issue here is the question of domestic social and political priorities, and the distinction between cost (an economic calculation) and affordability (a political calculation based not only on available resources but also all of the inevitable competing priorities for government spending on unmet needs – for example, on roads, power or basic social services – in a LIC context). In practice, achieving cash transfer spending on this scale is likely to be very challenging, given both the low level of current overall public spending (typically in the range of only 15–20 percent of GDP in most LICs) and the difficulties in achieving reallocation within budgets (the annual margin for manoeuvre in budgets is generally very small). Increasing spending on transfers to the level where (with basic health costs) they account for a fifth or more of total public sector spending is likely to be extremely difficult, even in the long term and even with strong political backing.

The ODI-UNICEF review of fiscal space and the potential for transfers in west and central Africa concludes on a more cautious position than the ILO. It finds the five states under review can be separated into (i) low population, oil-rich countries (Equatorial Guinea and the Republic of Congo), which can afford large-scale transfers but lack institutional capacities and currently allocate only a low share of total expenditure to social sectors; and (ii) Ghana, Mali and Senegal, characterised by higher base levels of social sector share within public financial management systems that already collect and spend close to the limits recommended by the International Monetary Fund (IMF) for fiscal and macroeconomic sustainability. In this latter group, generating the fiscal space for even these more modest transfer programmes will be a long-term task,

¹⁸⁴ ILO, 2008; OECD, 2009.

requiring growth-driven increase in tax take and reallocation¹⁸⁵. Even then there will be strong claims from other sectors on any additional resources. For example, inadequate investment in infrastructure is commonly recognised as a key constraint to higher growth (which over the long term can lead to higher tax revenue and higher social spending).

More recent ODI analysis of social sector spending relative to international targets in five sub-Saharan African countries confirms the risks of arguing for the affordability of greater spending on transfers and other forms of social protection in isolation from other developmental spending needs. Achieving target levels of spending in any one sector or field is generally theoretically possible within existing levels of public expenditure, but only at the expense of holding steady or cutting expenditure in other developmental sectors. Looking at six areas of spending for which either hard or implicit spending targets have been agreed internationally, this analysis concluded that it would be impossible to achieve all six targets simultaneously, even if all government spending was allocated to the sectors in question (with the exception of one country, Kenya)¹⁸⁶.

If there are serious challenges to introducing and sustaining large-scale programmes in LICs, it is clearly not impossible. There are a number of LICs that have succeeded in implementing such schemes, notably social pensions in Lesotho and Nepal (see Table 7). Nepal, too, has a number of other national cash transfer programmes, some of which have been in place for decades, albeit with geographical variations in generosity¹⁸⁷. Ethiopia's PSNP is (like much of its health sector and education sector spending) largely ODA-financed, but design and implementation reflects clear Government priorities and commitment¹⁸⁸. National political economy analysis strongly suggests that political (affordability) as well as fiscal (cost) considerations determine the scope of possibilities for cash transfer policies and budgets. In Asia, the lack of clear cross-country correlation between levels of per capita GDP and levels of social protection provision (as measured by the AsDB Social Protection Index) reinforces the impression that fiscal analysis needs to be complemented by a good understanding of context and political economy¹⁸⁹.

¹⁸⁵ ODI and UNICEF op cit.

¹⁸⁶ McCord, A. and Hagen-Zanker, 2010. [Social protection affordability in the light of international spending targets: a public sector spending review](#). ODI, London.

¹⁸⁷ Cash transfer schemes in Nepal include a social pension (which was delivered to the vast majority of intended recipients even during the civil war); a child grant; a disability grant; a single widows' allowance; and grants for 'endangered tribes'.

¹⁸⁸ On the political economy of government-donor relations and the intensive negotiations that preceded the introduction of the PSNP, in which the government insisted on retaining control of design and process, see Brown, T., Gibson, S. and Ashley, S., 2009, [Building consensus for social protection: insights from Ethiopia's Productive Safety Net Programme \(PSNP\)](#). The IDL Group for DFID.

¹⁸⁹ Kabeer 2010 p. 37; Hickey 2007.

Table 7: Nationally-financed universal social pensions in low-income countries

Country	Data year	Cost % GDP	Coverage	
			Individuals	% population
Lesotho	2005	1.37	69,000	3.8
Nepal	2010	0.3*	643,000	2.8

Sources: World Bank 2008; Acharya et al 2010 p. 5; Nepal DHS

* DFID estimate

Principles for guiding cash transfer financing

The World Bank notes that, in the absence of credible full quantification, budget planners tend to be guided by a series of qualitative judgements to arrive at decisions on which budget lines are likely to constitute value for money¹⁹⁰. The Bank proposes a set of such questions that will serve as a test in deciding whether or not to introduce or expand spending on transfers. Such spending is likely to be justified on technical grounds when:

- **the proposed programme is “good”**: that is, it effectively achieves intended goals of reducing poverty, helping families to improve their livelihoods, or facilitating essential economic reforms. Transfers that benefit children and the elderly are generally seen as worthwhile by the general population, as are public works programmes that generate infrastructure which is of value to the non-poor as well as the poor (and which can contribute to growth that offers a sustainable exit from poverty and reduced need for transfers).
- **the balance of transfer expenditure and the taxation required to support it is progressive** (and thus likely to be perceived as fair). Redistribution to meet needs is an explicit aim of transfers. A scheme that shifts resources from poor to rich (or taxes the middle rather than the rich to support the poor) is hard to justify. Small transfers are likely to have a significant effect on the productivity of the poor, but not that of the rich.
- **the current base level of spending on transfers is low**. There is a strong case that many developing countries, and most low-income countries, have under-invested in demand-side cash transfers to households, instead weighting public spending heavily towards supply side public provision. Correcting this imbalance makes good sense given the good evidence of potential positive effects arising from transfers. As spending levels rise, however, the case for continuing to direct marginal increases in public

¹⁹⁰ World Bank, 2008, pp. 49-50, op. cit.

spending to cash transfers rather than alternative forms of public spending become less obvious, and VFM / CBA comparisons become more important.

- **spending on cash transfers is clearly better than the alternatives.** Expenditure on cash transfers will be justified when savings can be made from controlling corruption, profligacy and inefficiency (e.g. spending on prestige projects or government offices), from axing costly and regressive policies that create perverse incentives (such as petrol subsidies), or from reducing excessive military spending. It will be harder to justify if it requires cutting spending on school building or training midwives. Many countries operate policies and programmes that serve to transfer resources from the poor to the rich¹⁹¹: replacing these with schemes that reverse the direction of redistribution provides an economically and politically logical starting point. At another level of comparison between alternatives, a number of cash transfer schemes in low-income sub-Saharan Africa have been introduced explicitly as a better alternative to long-standing practices of annual emergency appeals for food aid (see Box 18 below).

Financing options for increasing spending on cash transfers

The evidence therefore suggests that while there is, in many cases, a good case for increasing currently very low levels of public spending on cash transfers in LICs, competition with other important developmental sectors (infrastructure, health, education and so on) will be intense. The transition to significantly higher levels of transfer spending is likely to occur over a long rather than a short period. It is likely that policy-makers will need to introduce different forms of transfer (e.g. child grants, social pensions) sequentially rather than simultaneously, and start with limited coverage and small benefit levels which can then be expanded over time¹⁹². Above all, cash transfer programmes need to be designed as part of a wider strategy for reducing poverty.

As with any category of public spending, there are four basic ways in which increased expenditure on cash transfers could be achieved.

¹⁹¹ *ibid* p. 32–4.

¹⁹² There are various options for phasing the introduction and expansion of benefits within available fiscal and political constraints. These include: introducing transfers within the poorest areas and rolling out nationally over time; introducing a pension initially available to those over 75 and gradually reducing the eligibility age (as in Nepal); introducing a targeted transfer for the poorest 10 percent and scaling up as fiscal space becomes available; starting with a low benefit level or a limited duration of benefit (e.g. child grants only for the first three years of a child's life) and raising the value and lengthening the duration of the benefit as funds become available. Each has advantages and disadvantages.

Firstly, governments may **reallocate funds within existing national budgets** from lower value spending. Rationalisation, consolidation and reallocation can occur both within and between sectors. Funds may be redirected into effective transfer schemes either by cutting back on budget allocations to inefficient or regressive forms of social protection (e.g. public sector pensions) or from inefficient and/or regressive forms of public expenditure in other sectors. Some of the most successful national cash transfer schemes (e.g. *Progresas/Oportunidades* in Mexico or Indonesia's targeted cash transfers) have arisen to replace inefficient and regressive programmes nominally designed for social protection (e.g. general subsidies).

While reallocation may be the best technical option for increasing spending on cash transfers in the short- to medium-term, achieving such reprioritisation within the budget process can be hard to achieve in practice. This may be because existing allocations are broadly speaking efficient and effective, leaving no obvious candidates for reduction or elimination; or because of political difficulties in cutting funding from existing allocations.

If public spending is considered to include ODA as well as domestically-financed expenditure, the argument for reallocation complements an aid effectiveness case for cash transfers¹⁹³. In recent years, a number of cash transfer schemes have been introduced in sub-Saharan Africa explicitly as a better alternative to established reliance on annual emergency appeals for humanitarian food aid (Box 18).

Secondly, governments may seek to finance cash transfers by **raising more revenue**, either through raising the efficiency of revenue generation (collecting more revenue as a percentage of GDP) and/or by accelerating economic growth. Although levels vary considerably, average levels of taxation and total public spending in LICs are relatively low, giving some room to increase tax collection without serious risk of negative macroeconomic consequences. Revenue from natural resources is an opportunity open to some countries. In countries without such revenue streams, governments will have to choose between a variety of different forms of tax, each with particular advantages and disadvantages¹⁹⁴. In all cases, all of challenges from and trade-offs with other spending priorities will remain.

¹⁹³ Hanlon et al., 2010, op. cit.

¹⁹⁴ World Bank, 2008, p. 53, op. cit.

Box 18: Cash transfers as an alternative to emergency food aid

In situations of chronic food insecurity in which a base annual level of food insecure households is largely predictable, emergency food aid will generally constitute a costly and inefficient response to hunger. By contrast, institutionalised cash transfers confer the advantages of greater timeliness and predictability (valuable to both planners and recipient households), flexibility and (generally) net positive effects on local agricultural production and market development. These policy calculations have underpinned a shift from food aid to cash transfers in a number of countries. Ethiopia's PSNP grew out of a desire, by both Government and donors, to replace inefficient food aid based on annual emergency appeals aid with institutionalised public works and other transfers. Similar calculations suggest economic gains from switching from food aid to cash transfers in a number of countries, including Nepal and Kenya. In the latter, it is estimated that cash transfers would cost considerably less (US\$ 55 pc pa) than food aid (US\$ 79 pc pa).

Source: Holmqvist 2010

Thirdly, governments may seek to **secure greater external assistance** for cash transfers. Trade-offs with other spending priorities will remain, but given the limitations of domestic financing in most LICs, donor support is critical, in at least the short term, for extending cash transfer programmes linked to national strategies. As noted above, there may be potential for increasing the cost-effectiveness of existing donor expenditure by reallocating a share of the significant resources which are used for the provision of humanitarian assistance for the chronically food insecure each year (estimated at US\$2.8 billion for Africa in 2003) to the provision of regular and predictable cash transfers.

The drawbacks with using ODA to finance transfers are that these flows are often inflexible and unreliable. It is vital that the long-term sustainability of funding cash transfers from government's own resources is analysed before they commit to setting up national cash transfer programmes. The form of ODA delivery may entail high transaction costs and does not always support the development of national institutional capacity. Cash transfers may however be a suitable candidate for the introduction of innovative cash-on-delivery assistance¹⁹⁵.

Finally, governments may choose to **borrow** to finance investments in cash transfers. Conventionally, governments prefer to use debt financing only for forms of public expenditure with a clear economic return that guarantees the country's ability to repay the debt. While evidence is accumulating to suggest that well-designed and implemented cash transfer spending is not "merely" redistributive but can contribute to increased productivity (see chapter 3 above), governments are still, understandably, likely to be reluctant to borrow for these purposes. There are some exceptions, particularly amongst MICs. During

¹⁹⁵ Holmqvist, G., 2010. [External financing of social protection – opportunities and risks](#). Nordic Africa Institute; Uppsala; Draft 16th June 2010.

crises, both Colombia and Turkey borrowed from the World Bank (IBRD) to finance CCT programmes, on the calculation that this was a cost-efficient way to ensure that poor and vulnerable households did not withdraw children from school, reducing national levels of human capital and labour productivity.

Chapter 5

Delivering results and building the evidence base

The available evidence suggests that well designed cash transfers have the potential to contribute to social and economic development through multiple channels, depending on context and the availability of complementary services. It demonstrates that cash transfers are an area of public policy in which strong and continued engagement can add value across a range of government and donor investments (particularly in health, education, nutrition, food security and livelihoods). DFID now has a reasonable breadth of experience in supporting cash transfer programmes and policies in a range of low-income countries. Improvements in the collection and collation of data generated by this operational experience (starting with the consistent recording and reporting of basic cost and coverage data) would improve DFID's ability to learn and share lessons with regard to strategy, design and implementation.

There are a number of priorities for expanding the evidence base, alongside priorities for continued investment in implementation and demonstrating results.

Demonstrating results – strengthening monitoring and evaluation

Building on the existing knowledge base through systematic monitoring and evaluation is a crucial task¹⁹⁶. Programmes developed and strengthened over the past five years, especially those in Kenya, Pakistan and Ethiopia, have given more emphasis to monitoring and evaluation. More programmes need to quantify the impacts of cash transfers, especially in terms of poverty reduction, human capital, empowerment, impact on women and girls, citizen engagement, and economic growth.

The Evaluation Department 2007–9 review finds that many existing DFID-supported social transfer schemes have a tendency to monitor 'process' indicators (inputs and activities) rather than 'impact' indicators (outputs and attributable changes in beneficiary well-being). Resources are needed to support the most appropriate evaluation methodologies that can attribute costs and impacts to specific programmes, and can better quantify the full range of impacts (positive and negative, anticipated and unanticipated), on primary and secondary beneficiaries. Stronger impact evaluation exercises using mixed methods could help identify factors linking programmes to human development outcomes, and prevailing constraints and limitations. Monitoring and evaluation systems, therefore, need to use a broader range of indicators. Inclusion of indicators to assess long-term impact is crucial. Programme evaluations also need to be explicitly age and gender-disaggregated, as many cash transfer

¹⁹⁶ CPRC, 2008.
www.dfid.gov.uk

interventions impact differentially on men and women¹⁹⁷. DFID is supporting work with the World Bank and 3iE on capacity building with national bodies and research institutes for better data collection and impact evaluation of cash transfers and related measures.

It is also vital that national Living Standards Measurement Surveys (LSMS) and other poverty monitoring instruments are adapted to evaluate the effectiveness and impact of cash transfer schemes¹⁹⁸. This will ensure that, as the endpoint of the 2015 Millennium Development Goals (MDGs) approach, there is sufficient data available regarding impact in different contexts. Importantly, this will also help move forwards understanding regarding the link between social protection, growth and poverty reduction.

Building the wider evidence base

This section covers the key areas where further evidence building is necessary:

Diversity of contexts and social groups

Greater attention to a greater diversity of contexts and vulnerable groups is essential for a more comprehensive understanding of different contextual constraints for cash transfer provision and the dynamics of exclusion.

A recent DFID Scoping Study¹⁹⁹ identifies some key knowledge gaps about design and implementation in different geographical and socio-cultural contexts. Geographically, certain countries are far better represented in the cash transfer research than others. It is, for instance, largely the wealthier countries of Latin America that feature in the CCT literature rather than the smaller, poorer ones whose experiences might resonate better with poorer countries in Africa and Asia. Within Asia and Africa, certain countries predominate: India and Bangladesh in the South Asia region; South Africa in the sub-Saharan African context.

There is some evidence on the impact of cash transfer programming in fragile and conflict-affected countries, but these experiences have, to a large extent, been marginalised from the broader cash transfer discussions at national and international levels. Specific issues relating to experience of what works in cash transfer programming in conflict-affected countries needs to be further

¹⁹⁷ Devereux and Coll-Black, 2007, op. cit.

¹⁹⁸ CPRC 2008 p. 40.

¹⁹⁹ Kabeer, 2009, op. cit.

documented and shared between countries in order to improve design and implementation²⁰⁰.

Certain vulnerable groups tend to be systematically overlooked within the current evidence base and programme strategies: the homeless; migrants, both internal and cross border; persons with disabilities; those in stigmatised occupations; and those located in further reaches of the informal economy. Increasing our understanding of the gender impacts of cash transfer programmes also requires further in-depth research, a wider focus to evaluations, and improvement in the availability of time series data.

There is also a need for greater understanding on the impact of cash transfers for improving access to a broader range of public services. For example, cash transfers may have an impact on water and sanitation, by helping households to afford clean water and better sanitation, although this has rarely been measured²⁰¹.

Cost and sustainability

As discussed in the previous section, more comprehensive cost-benefit analysis would enable decision-makers to make more informed comparison across alternative social protection mechanisms. Project documentation needs to include detailed data on the full range of cash transfer programme costs. Similarly, more research is needed into the benefits and costs of targeting *versus* the fiscal costs and social benefits of untargeted (universal) cash transfers. There is a need for more evidence on cost and affordability that takes into account different programme types and options for intervention. For example, the cost-effectiveness of CCT programmes, compared with supply-side strategies and other policy options, has not yet been evaluated²⁰².

²⁰⁰ Holmes, 2009, op. cit.

²⁰¹ Yablonski and O'Donnell, 2009, op. cit.

²⁰² Lagarde, M., Haines, A., and Palmer, N., 2007. '[Conditional cash transfers for improving uptake of health interventions in low- and middle-income countries: a systematic review.](#)' *JAMA*, 2007 ; 298(16):1900–10.

Political economy

Currently there is a limited evidence base on the political economy of cash transfers²⁰³. Of the empirical evidence that does exist, most focuses on Latin America and the impact of cash transfer programmes on electoral behaviour. It is important to determine the incentives of policy-makers and the preferences of key constituencies in order to successfully develop and sustain cash transfer programmes, particularly those of a larger scale²⁰⁴.

Targeting

Each targeting method has distinctive strengths and weaknesses. There is a paradox in circumstances in which targeting finite resources to the poor is attractive in principle (that is, in LICs with limited budgets which make effective universal transfers more difficult) are also the circumstances in which accurate poverty targeting is least likely to work (where the poor are the majority rather than a relatively distinct minority; and targeting data and institutional capacity are more limited). There is need for more evidence and debate on targeting performance in LICs; framed by recognition that targeting possibilities and trade-offs cannot be discussed in isolation, but need to be considered in connection with fiscal space, institutional capacity, social values and preferences, as well as the political economy of introducing and sustaining transfer programmes.

Delivery systems: linking cash transfers to financial inclusion

Rigorous evaluation mechanisms are needed to strengthen the evidence base for the effectiveness of financially inclusive payment arrangement for cash transfer programmes. More research is needed to track how transfer recipients use financial services when offered to them, and to document the cash transfer value from a financial inclusion perspective²⁰⁵. The private sector is a potentially important partner (particularly in Africa), and evidence and understanding regarding their most effective role needs to be strengthened.

Integrated systems and multiple instruments

In the context of increasingly complex and interrelated development challenges – recent economic crises, demographic change and climate risks – there is growing interest and rationale for integrated social protection systems that achieve impacts through a wider range of instruments. In addition to cash transfers, these include non-cash social assistance, social insurance, minimum

²⁰³ GSDRC *Helpdesk Research Report: political economy of cash transfers*, August 2010.

²⁰⁴ GSDRC, *op. cit.*

²⁰⁵ CGAP/DFID, 2009, *op. cit.*

labour standards and social services, often linked with complementary measures. Particularly in relation to HIV/AIDS and orphans and vulnerable children, the evidence points to the need for comprehensive social protection systems that link different instruments as well as linking to complementary services and sectors²⁰⁶.

Climate change adaptation

Cash transfers and other related interventions can help strengthen poor people's resilience to risks and shocks, including enabling them to adapt to climate change²⁰⁷. The evidence base is limited, but growing. Greater understanding is needed of how different instruments (e.g. insurance) can be used to enhance the resilience of vulnerable communities to normal and future climate variability²⁰⁸.

²⁰⁶ Temin, M., op. cit.

²⁰⁷ Davies, et al., 2009, op. cit.

²⁰⁸ The IDS Adaptive Social Protection research supported by DFID will contribute to building the wider evidence base.

Chapter 6

What role for DFID?

There are still over 1.3 billion people living on less than \$1.25 a day, many in countries where growth rates have been strong. The evidence presented in the paper shows that implementing well-designed cash transfer programmes could be an effective way to reach this group and result in a range of development outcomes contributing directly to the achievement of a range of MDG targets. In combination with complementary measures (e.g. agricultural support), cash transfer programmes can address some of the major risk and vulnerability factors that keep people in chronic poverty, and so help break the intergenerational cycle of poverty in the longer term. Cash transfers might also be a way of promoting poor people's power to choose and hold their governments to account.

Cash transfers therefore have a potentially important role to play in national and global strategies to reduce poverty and maintain and accelerate progress across a range of MDGs. During the 2010–11 Bilateral Aid Review, DFID has expanded its commitments to cash transfer and other social protection programmes: 16 country programmes developed proposals for support to the expansion of cash transfer programmes, with notably large contributions to coverage provisionally planned in four countries (Kenya, Pakistan, Ethiopia and Bangladesh).

Bilateral programme

a) In scaling up cash transfer work, DFID should:

- Aim at **building sustainable systems** to ensure that cash transfer and related social protection programmes become embedded in broader nationally owned development strategies, where there is local support. This will require deeper **political engagement** and political economy analysis, so that better account is taken of factors influencing demand, political support, for developing realistic programme design choices.
- Adopt a **multi-sectoral approach** to cash transfers and other social protection measures, building on the evidence that such programmes can help DFID to reach not only its poverty reduction aims, but also contribute to human development outcomes, climate change adaptation, local economic development, social cohesion and citizen empowerment objectives.
- Provide horizontal facilitation for DFID country programmes through its Policy Division and Social Protection Network in order to: foster lesson learning and experience sharing across the organisation; provide guiding principles; share existing external resources and toolkits; and collate information from country offices in order to be able to provide a strategic overview of aggregate results.

- Explore options for incorporating new **technology innovations** into programme design and delivery.
 - Pilot and test the potential for cash transfers to accelerate improvements in the lives of **adolescent girls and young women** in particular. Policies and programmes will need to be informed by a clear analysis of gender-related vulnerabilities and recognition that addressing gender dimensions is critical to programme effectiveness²⁰⁹.
 - Strengthen outcome-oriented **monitoring and evaluation systems** and make greater use of rigorous evaluation approaches wherever practical. This is essential to strengthen programme performance, demonstrate results and continue to build the existing evidence base. Going forward, more of the evidence should be generated from DFID's own country programmes, particularly those under expansion. As part of this, the poorest need to be given a greater voice in programme design and monitoring. Building national level capacity for M&E is essential.
 - Insist on proper collection and reporting of **basic cost accounting data**.
 - Strengthen **cost-benefit analysis** to enable effective comparison across different instruments and design options and test (and if proven, demonstrate) value for money.
- b) What works is to a significant degree **context specific**, so programme design should be strongly influenced by what is politically, economically, culturally and administratively feasible, particularly in low-income contexts. DFID should:
- Avoid prescriptive or blueprint approaches to key programming choice questions such as **conditionality** and **targeting**.
 - Explore the use of cash transfers in **fragile** contexts, encouraging flexibility in programme design and the role of different stakeholders, whilst supporting the building of government systems, as far as the context allows.
 - Where appropriate, consider cash transfer delivery in **humanitarian** contexts, ensuring that as far as possible systems are in place that can be scaled up, if and when crises strike. The role of cash transfers in helping resilience in humanitarian work needs to be assessed on a case by case basis and considered in the Humanitarian Emergency Response Review.

²⁰⁹ Holmes, R. and Jones, N., 2010, op. cit.

International engagement

- c) DFID should build **international momentum** through sharing experience and leading by example, so that cash transfers gain greater attention in global and regional efforts (such as those promoted by G20) to reach the poorest, reduce vulnerability to shocks, build resilience and promote empowerment. DFID should:
- Work with selected multilaterals (particularly the World Bank, UNICEF and EC) for increasing support to LICs that want to expand cash transfer programmes and strengthen systems.
 - Increase lesson sharing on the role of cash transfers in fragile and conflict affected states.
 - Continue to engage with emerging regional networks of partner countries.

Research and evidence

Despite strong evidence of impact in many areas, evaluations of cash transfer need to be better at providing **evidence to support implementation choices**. DFID programmes should:

- Make greater use of prospective evaluation approaches where possible.
- Strengthen mechanisms for collecting, analysing and publicising data about the reach and impact of different cash transfer programming types (conditional/unconditional; poverty targeted/categorical etc.). This will help generate data for cost effectiveness, transparency and accountability.

DFID's forward research agenda should continue to build the evidence base and aim to **fill key gaps** identified in the evidence paper. These include:

- how integrated approaches (linking cash transfers with complementary measures) can more effectively tackle multidimensional and intergenerational poverty, and support productive linkages and graduation for the working poor;
- the impacts of cash transfers on health and education outcomes (rather than outputs);
- the views and experiences of recipients;
- the political economy of scaling up cash transfers in LICs.
- designing cash transfers and other social protection instruments for supporting climate change adaptation

- how to design and implement for empowering women and girls, and for financial inclusion (links with microfinance).
- how to target the poorest effectively in low-income contexts;
- working in fragile and humanitarian contexts, and cash transfers as part of building an effective state and more cohesive societies.
- how cash transfer programmes influence economic growth at the local/micro level;
- the cost of implementing programmes at scale;
- how to ensure that programme funding is sustainable, including through downturns when cash transfers are most needed

Evidence must be maximised for its policy relevance, timeliness, and accessibility to potential users²¹⁰. Internally, this means coordinating and disseminating messages on evidence and impact across DFID country offices. Building on this paper, DFID will need to consider how we can create a more systematic review of the evidence, with more detailed sifting and grading of quality of material available.

Box 19 below summarises DFID's current research priorities related to cash transfers.

Working with partners for evidence generation and dissemination

DFID should also continue to act as a “*knowledge interface*” between key stakeholders and the wider evidence base on social protection²¹¹. DFID should continue to work with its partners to enable **synthesis, dissemination and uptake** of the existing extensive evidence base already accumulated.

²¹⁰ Temin, M, op. cit.

²¹¹ Davies, M., 2009, op. cit.

Box 12: DFID's Research Strategy and Systematic Review Topics

DFID is increasing its focus on evidence-informed decision making with the recognition that better informed decisions increase impact and value for money. To address key evidence gaps, consultations for the 2008-2013 Research Strategy suggested we need research on three key areas:

- the costs and benefits of putting in place systems to protect vulnerable groups;
- the potential for protection schemes linked to agriculture, health and education to break cycles of chronic poverty; and
- helping governments to explore the affordability of investing in social protection, compared with other potential allocations of public spending.

In DFID's current research portfolio, social protection is a major theme in three of the seven RPCs (Chronic Poverty Research Centre, Young Lives, Migration see Annex 3) and is addressed alongside other topics in a number of other RPCs (Future States, Women's Empowerment, Citizenship and Religions and Development). These Consortia focus on multi-disciplinary research within international consortia including developing country partners, linked to local policy processes. DFID is funding a new RPC on "Livelihoods, Social Protection and Basic Services in Fragile and Conflict-affected Situations: Improving development outcomes through stronger evidence". This will promote innovative, inter-disciplinary research on poverty and vulnerability in fragile states, offering practical insights on how to support social protection in fragile and conflict-affected situations. DFID is also funding a new RPC on Effective Societies and States: Building stronger evidence on the political dynamics of pro-poor development. A key research question is on how effective states devise effective mechanisms for delivering the core public services and social protection needed for long-term sustainable development?

DFID has also commissioned a review of RED-funded research into social protection and four systematic reviews on topics related to cash transfers. Systematic reviews examine the existing evidence on a particular intervention or program in low and middle-income countries, drawing also on evidence from developed countries. Key topics are:

- the economic impacts of cash transfers
- the effectiveness and efficiency of different social transfer targeting methodologies.
- the impact of benefits of work guarantee schemes on poor women and men as compared with cash transfers.
- the conditions under which social protection initiatives and systems are effective and efficient in reducing poverty and vulnerability.

RED is also setting up a call for impact evaluations on social protection with 3ie to go live in 2011 and co-funding a UNICEF/FAO programme examining the role of cash transfers in broader economic development. EvD is also involved in helping to make linkages to rigorous impact evaluation of social programmes, including the evidence base from experience with cash transfer programmes.

Annexes

Annex 1 Social protection: definition, instruments and objectives

Bilateral donors have developed a consensus on social protection as referring to “policies and actions which enhance the capacity of poor and vulnerable people to escape from poverty and better manage risks and shocks” (OECD, 2009)²¹². Social protection measures include social insurance, social transfers and minimum labour standards²¹³. In line with OECD and the ILO, DFID defines social protection as including the following categories of policy and programme instruments:

Social assistance

Direct, regular and predictable non-contributory social transfers to eligible households and individuals that raise and smooth incomes to reduce poverty and vulnerability. ‘Transfers’ may take the form of cash transfers, in-kind transfers (e.g. food), vouchers or free or subsidised access to goods and services (e.g. exemptions from health or education user fees). Transfers may be provided as a universal entitlement, or targeted based on poverty or some other criterion. Receipt may be unconditional, or conditional on behaviour (e.g. school or clinic attendance) or, more rarely, performance (e.g. in school tests). Examples include safety nets; child grants; social pensions; disability allowances; and public works (cash and/or food-for-work).

Social insurance

Includes risk-pooling arrangements that help individuals to smooth variations over time in income and consumption by contributing to a fund which then pays out in the event of a defined shock or life cycle event (injury, illness, unemployment, old age or death). Social insurance plays a larger role for better-off countries and individuals (the poorest of the poor, with limited and variable incomes, cannot afford to make regular insurance payments). It works best when the pool of insured individuals is large and varied so that it is unlikely that all members will suffer the same shock and make the same claim simultaneously.

²¹² OECD, 2009. *The role of employment and social protection: making economic growth more pro-poor*. Policy Statement, DAC High-level meeting May 2009.

²¹³ OECD 2009, op. cit.

Minimum labour standards

Laws and regulations to ensure decent work by establishing and enforcing standards for minimum acceptable conditions in employment. They range from fundamental human rights, such as freedom from child labour and forced labour and freedom of association, to more specific rights, such as health and safety, maternity leave and minimum wages

Complementary protective Social Services (e.g. child protection).

Annex 2 Timeline of DFID's contribution to building the evidence base on cash transfers

(Not including additional evidence work commissioned by DFID country offices)

- 2003–05** Work commissioned from ODI. Social Protection and Basic Services, Gender.
- 2005** DFID Emerging Evidence paper published on Social Transfers.
- 2005–07** DFID Practice papers on social protection published on human development, economic growth, affordability, financial services. Commissioned CPRC to develop database on Social Assistance programmes for annual updating.
- 2005–08** Regional Evidence Building Agenda of the Regional Hunger and Vulnerability Programme (RHVP) in Southern Africa.
- 2007–09** Joint contribution Policy Statement and Policy Compendium published by OECD DAC PovNet Task Team on Social Protection. DFID commissioned policy briefings on social protection and climate change, gender, fragile states and growth.
- 2007** Commissioned IDS to undertake a Review of Evidence and Evidence Gaps on the Effectiveness and Impacts of DFID-supported Pilot Social Transfer Schemes.
- 2008–10** RHVP's "Frontiers of Social Protection Research" 2008-2010.
- 2008** Commissioned EPRI to undertake synthesis of Evidence Base on Social Transfers, with online database.
- 2008** Commissioned University of Manchester to review and summarise evidence of linkages between social transfers and growth. Published by OECD.
- 2008** Commissioned Prof. Frank Ellis and team from University of East Anglia to do a scoping study for further research on social protection.
- 2006–10** Commissioned International Policy Centre on Inclusive Growth, Brasilia to undertake comparative research on cash transfers in Africa and Latin America.
- 2009** Commissioned ODI on affordability modelling and on gender and social protection research.
- 2010** Commissioned ODI to update synthesis of Evidence Base.

- 2010** Commissioned Systematic Reviews of the existing evidence on social protection, including economic impacts of social protection and the effectiveness of cash transfers for reducing vulnerability.
- 2010** Commissioned Prof Naila Kabeer and Peroline Ainsworth to conduct a review of GCSD Team funded research on Social Protection.

Annex 3 DFID-supported research on social protection: key findings and themes from four Research Programme Consortia (RPC)

Chronic Poverty Research Centre (CPRC)

- Social protection plays a central role in overcoming poverty traps that perpetuate chronic poverty.
- In poor countries, social protection can help develop a just social compact, which constitutes one of the most effective ways of eradicating chronic poverty.
- Social protection can contribute to pro-poor growth by facilitating the accumulation and protection of assets by the poor; influencing household resource allocation; and enabling access to economic opportunities
- In LICs the main challenges relate to scale and scope, not programme design.
- The chronic poor are likely to be neglected because they are harder and more expensive to reach.
- In a competitive political system, social protection that benefits the transient poor is likely to have greater electoral appeal than social protection for the chronic poor.
- The targeting of vulnerable groups for social protection varies considerably according to how 'deserving' they are seen to be in their particular society.
- Donors can help lower the costs of setting up social protection. In chronically deprived countries they should support system financing by improving the predictability and stability of aid flows.

Young Lives

- In each study country both the sample survey of children and families and the (sub-sample) qualitative research address perceptions of specific social protection measures. The Young Lives longitudinal approach enables researchers to dig deeper than the statistics to look at a complex pictures of impacts on social protection in Peru, Ethiopia and India.
- In **Ethiopia, the PSNP** has played a role in protecting household assets. PSNP households do not sell their animals during the traditional food deficit months; they do not go to money lenders during this period as they used to; they aren't being forced to rent their farm land out and are able to work on it themselves. However, the very low wage means both men and women in poor households need to participate and this has had huge consequences for women's double burden. Also, the impacts on children were not uniform across programmes. In households that were participating in the Employment Generation Scheme, children were more likely to be spending time on paid work and to be spending less time in school than children in similar households not participating. This contrasts with households involved in agricultural extension programmes which show positive impacts on decreasing children's time spent on work. This suggests that the impacts on children need to be taken into account when designing public works programmes. This finding has contributed to current improvements in targeting.
- In **Peru, the Juntos** conditional cash transfer programme appears to be improving

enrolment rates, reducing both student and teacher absenteeism and making parents more engaged in their children's education. However, work in agriculture or the home is now done by parents, increasing their own work burden. There is also discord within the community between beneficiary and non-beneficiary families, e.g. families who do not receive the cash transfers have less opportunity to purchase uniforms and shoes, or give children pocket money to make small purchases, generating a sense of exclusion among children.

- The **Indian Employment Guarantee Scheme** is having a positive impact on child nutritional outcomes. Registration and take up of work are both positively correlated with nutrition, although it is the actual take up of work that seems to be having an impact suggesting the importance of the income transfer itself. Findings are of greater significance for height-for-age than weight-for-age, suggesting that the programme is reducing chronic food deficiency. In terms of social exclusion, Scheduled Caste and Other Backward Caste appeared more likely to register for the scheme, e.g. Scheduled Castes are 28.7% more likely to register. However, results indicate that those who are better connected (have more than 5 influential relatives) are 10.3% more likely to register for the programme. This may be seen as evidence that the process may be biased towards the more influential and powerful in the community. It may also be explained by greater awareness and knowledge arising from the better connections.

Migration

- Most people who migrate between countries in the South do not have access to formal social protection. There are also significant gaps in social protection for migrants who move from developing countries to OECD or Gulf countries.
- As a result, migrants often face exploitative or abusive labour conditions; and rely primarily on social networks composed of other migrants for support.

Across Future States and CPRC

- The 'distance' between the state provider and the beneficiary of social protection is critical to programme effectiveness.
- The association in some countries of social protection with welfare assistance strengthens the tendency on the part of policy makers to perceive it as a fiscal burden rather than development expenditure.
- 'Events matter' in explaining state responsiveness to the poor. The 'politics of crisis', for instance, provides a far more fertile ground for the introduction of new pro-poor policies than 'politics as usual'.
- The main role of civil society actors in the field of social protection has been to form constituencies of support for these policies and to ensure accountability in implementation rather than to lobby for their introduction.
- Broader political considerations vary with the context. The five year electoral cycle in Uganda meant that priority was given to programmes that would bear fruit within that period of time. There was a view that 'there were too many poor people in the country to bother with the poorest'. However, in a number of Latin American countries the state played a leading role and competitive electoral politics contributed decisively to the emergence of the Renda Minima, a minimum income guarantee programme in Sao Paulo in Brazil. Campaigns for such a measure carried out during election years in the 1990s helped to build a coalition around the idea of broad based entitlement programs. In China, the threat of social unrest is a widely acknowledged concern of the Chinese State and so new social

protection measures were rapidly expanded around Shanghai during recent periods of structural change.²¹⁴

- One general policy implication from the Chinese experience is the fact that the speed with which the government was able to scale up its social safety net in response to the growth in new forms of vulnerability would not have been possible if the basic structure had not already been in place.

²¹⁴ The Minimum Living Standards System was extended from 2.6 million to 20.6 million in 2002, and added retraining, community work and exemptions from education and health fees to supplement enhanced income transfers.

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What is international development?

International development is about helping people fight poverty. Thanks to the efforts of governments and people around the world, there are 500 million fewer people living in poverty today than there were 25 years ago. But there is still much more to do.

1.4 billion people still live on less than \$1.25 a day. More needs to happen to increase incomes, settle conflicts, increase opportunities for trade, tackle climate change, improve people's health and their chances to get an education.

Why is the UK government involved?

Each year the UK government helps three million people to lift themselves out of poverty. Ridding the world of poverty is not just morally right, it will make the world a better place for everyone. Problems faced by poor countries affect all of us, including the UK. Britain's fastest growing export markets are in poor countries. Weak government and social exclusion can cause conflict, threatening peace and security around the world. All countries of the world face dangerous climate change together.

What is the Department for International Development?

The Department for International Development (DFID) leads the UK government's fight against world poverty. DFID has helped more than 250 million people lift themselves from poverty and helped 40 million more children to go to primary school. But there is still much to do to help make a fair, safe and sustainable world for all. Through its network of offices throughout the world, DFID works with governments of developing countries, charities, nongovernment organisations, businesses and international organisations, like the United Nations, European Commission and the World Bank, to eliminate global poverty and its causes. DFID also responds to overseas emergencies. DFID's work forms part of a global promise, the eight UN Millennium Development Goals, for tackling elements of global poverty by 2015.

What is UKaid?

UKaid is the logo DFID uses to demonstrate how the UK government's development work is improving the lives of the world's poorest people.

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