Social Cash Transfers and Pro-Poor Growth*

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- Social cash transfers in many developing countries
  - effectively tackle poverty
  - enhance growth's effectiveness in reducing poverty
  - stimulate economic growth.
- Social cash transfers are affordable in most developing countries, with development partner support playing an important role in some countries.
- Design elements that maximise the pro-poor growth impact of social cash transfers strengthen their fiscal sustainability.
- Countries beginning to implement these interventions can benefit from a global learning curve and an increasing number of South-South capacity building initiatives supported by development partners.

What are social cash transfers and how do they fit into the broader context for social protection?

Social cash transfers are emerging in many developing countries as a lead social protection initiative tackling poverty and vulnerability. Importantly, increasing evidence is suggesting that social cash transfers can contribute to pro-poor growth by providing an effective risk management tool, by supporting human capital development and by empowering poor households to lift themselves out of poverty. Social protection refers to policies and actions for the poor and vulnerable which enhance their capacity to cope with poverty, and equip them to better manage risks and shocks. Social protection includes a portfolio of instruments, including social cash transfers.[1]

Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability. The transfers can be unconditional, conditional on households actively fulfilling human development responsibilities (education, health, nutrition, etc.) or else conditional on recipients providing labour in compliance with a work requirement. The transfers can be universal or explicitly targeted to those identified

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as poor or vulnerable. Some developing countries constitutionally enshrine the right to social protection - Brazil and South Africa have built comprehensive systems of social entitlements that have substantially reduced poverty and inequality over the past ten years (IPC, 2007; Samson *et al.*, 2004, 2007).

Cash transfers tackle risk, vulnerability and poverty in several ways. First, they directly protect consumption, enabling households to better cope with both shocks and chronic poverty. Second, they mitigate the worst downside consequences of high-risk investments, promoting more productive activities. Third, in many ways the developmental impact of social transfers helps to break poverty traps. In particular, they support investments in children's health, nutrition and education that help to break the inter-generational transmission of poverty.

Why are social cash transfers important for promoting pro-poor growth and increasing the impact of growth on poverty reduction?

Increasing evidence suggests that social cash transfers promote pro-poor growth. Policymakers do not necessarily face a trade-off pitting social cash transfers against growth objectives - but rather have the opportunity to engineer a virtuous circle of increased equity promoting growth supporting further improvements in equity. Social transfers are an investment, and there are at least eight paths through which social cash transfers hold the potential to promote pro-poor growth:

- **Social cash transfers help create an effective and secure state**. When broadly based in a manner accepted by communities, they build social cohesion and a sense of citizenship, and reduce conflict. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest. The social pension in Mauritius contributed to the social cohesion necessary to support the transition from a vulnerable mono-crop economy with high poverty rates into a high growth country with the lowest poverty rates in Africa (Roy and Subramanian, 2001). Likewise, Botswana's social pension provides the government's most effective mechanism for tackling poverty and supporting the social stability that encourages the high investment rates required to drive Africa's fastest growing economy over the past three decades.
- **Social cash transfers promote human capital development, improving worker health and education and raising labour productivity**. Studies in South Africa and Latin America repeatedly document significant responses of health and education outcomes to both conditional and unconditional programmes (Adato, 2007; Olinto, 2004; Samson *et al.*, 2004, 2007).
- **Social cash transfers enable the poor to protect themselves and their assets against shocks, enabling them to defend their long-term income-generating potential**. Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later (Dercon, 2005, 2006). Social cash transfers enable households to resist desperate measures and reduce future vulnerability.
- **Social cash transfers mitigate risk and encourage investment. The downside of the riskiest and yet most productive investments often threatens the poor with destitution**. Social cash transfers enable people to face these risks. For example, farmers protected by the Employment Guarantee Scheme in Maharashtra, India, invest in higher yielding varieties than farmers in

neighbouring states (DFID, 2005). Protection against the worst consequence of risk enables the poor to better share in the benefits of growth.

- **Social cash transfer programmes combat discrimination and unlock economic potential**. In Bangladesh, Brazil and South Africa, transfers provided to women have a greater positive impact on school attendance by girls compared to boys (Devereux, 2005; Samson *et al.,* 2004; Duflo, 2000; Barrientos and Lloyd-Sherlock, 2002).
- **Social cash transfers support the participation of the poor in labour markets. Job search is often expensive and risky**. In South Africa, workers receiving social cash transfers put more effort into finding work than those in comparable households not receiving grants – and they are more successful in finding employment. (Samson *et al.,* 2004; Samson and Williams (2007); Williams, 2007).
- **Social cash transfers stimulate demand for local goods and services. In Zambia 80% of the social transfers are spent on locally purchased goods, stimulating enterprises in rural areas**. In South Africa the redistribution of spending power from upper to lower income groups shifts the composition of national expenditure from imports to local goods, increasing savings (by improving the trade balance) and supporting economic growth? (Samson *et al.,* 2004). A social account matrix analysis of the Dowa Emergency Cash Transfer (DECT) programme in Malawi found multiplier impacts from the payments broadening benefits to the entire community (Davies and Davis, 2007)[2] In Namibia, the dependable spending power created by social pensions supports the development of local markets and revitalises local economic activity (Cichon and Knop, 2003). However, the macro-economic impact for any given country will depend on the patterns of demand across income groups and the manner in which social transfers are financed.
- **Social cash transfers create gains for those otherwise disadvantaged by economic reforms, helping to build stakeholder support for pro-poor growth strategies**. The political economy of reform requires combining policies to broaden the base of those who benefit from new economic strategies. Cash transfer initiatives have compensated the poor for reduced price subsidies in Mexico and Indonesia. Bolivia established a social pension with the proceeds from the privatization of public enterprises. Nepal and Senegal are considering cash transfers as part of broader economic reform strategies. Social cash transfers can increase the positive impact of growth on poverty reduction.

What major risks are tackled by which instruments?

Social cash transfers provide an important risk management tool for the poor at three levels: reducing the poverty resulting from shocks (drought, floods, sudden food price increases, and others), reducing vulnerability and strengthening coping mechanisms. Social cash transfers reduce the impact of shocks on livelihoods nationally by stimulating overall economic activity, and they protect households by reducing the impact of shocks on productive assets. For example, economic shocks are less likely to force poor households to sell their livestock – often their only productive asset – if social cash transfers help them cope with the loss of income.

At the household-level transfers reduce risk by providing the security of a guaranteed minimum level of income. This better enables poor households to send children to school because they can afford for them not to be working, as well as afford fees, uniforms and other school expenses. The unemployed and lowest paid workers can take a chance on riskier ventures that are likely to result in a higher income, or acquire human capital such as education in order to find higher wage employment. The time and travel costs of job search – with its unpredictable outcomes – can lock vulnerable workers into poverty traps. Social cash transfers provide a coping mechanism for the least fortunate, supporting a minimal level of subsistence and allowing them to invest time and money to improve their chances of getting better employment.

Major controversies regarding social cash transfers

Decades of experience in some developing countries as well as robust impact assessments in others demonstrate clear lessons. Social cash transfers have a substantial impact on reducing poverty and vulnerability and promote human development. In many countries they are one of the government's most effective tools for tackling poverty.

The open issues revolve more around operational questions rather than impact. The question is not so much "if" as much as "how". How do you design appropriate programmes for a country's specific social and policy context? What are the institutional and management arrangements required to most effectively deliver social cash transfers to poor households? What systems and procedures work best?

While international lessons of experience have identified a number of good practices (see the next section), there are still a number of open questions. In particular, debates continue on a number of fronts, particularly with respect to dependency, affordability, cash versus in-kind transfers, sustainability, targeting and conditionality.

Development or dependency?

Policy-makers frequently raise the concern that social cash transfers will create "dependency", a vaguely defined term with strong emotional connotations. "Dependency from the state is not necessarily worse than being dependent on a husband, a rich relative or on begging the neighbours." (Künnemann and Leonhard, 2008). A rights-based social cash transfer creates an entitlement that replaces dependency with a reliable guarantee.

Importantly, an emerging evidence base suggests that social cash transfers support developmental impacts that may help the poor lift themselves out of poverty. The concept of dependency emerged from the heavily targeted social welfare programmes adopted by many industrialised countries over the past several decades. Rigidly applied means tests sometimes created welfare traps, undermining incentives to work. Dependency resulted more from the targeting mechanism than the cash transfer. In addition, the size of payments in industrialised countries - sometimes hundreds times the magnitude of developing country cash transfers - contributed to negative work incentives.

To address this question in the developing country context, it is necessary to formulate a more concrete definition of dependency. Dependency in the context of social cash transfers can be defined as "the choice by a social transfer recipient to forego a more sustaining livelihood due to the receipt of the cash transfer." This definition lends itself to empirical testing giving the panel datasets and other survey resources available that capture information about social transfer programmes.

Evidence from South Africa helps to illuminate this question. Panel labour force surveys track social grant recipients over time, enabling impact assessments of programme participation. A number of studies have found that workers in households receiving social grants look for work more intensively and extensively and find employment more successfully than do workers in comparably poor households that do not receive the grants (Samson *et al.*, 2004; Samson and Williams, 2007; Williams, 2007). Other studies explain this effect with evidence suggesting that social grants mitigate social risk and relax liquidity constraints on poor households, encouraging migration and job search. (Posel, 2006; Keswell *et al.*, 2005). Evidence of similar impacts is found for Mexico and Brazil, and more anecdotal evidence for Namibia, Zambia and Kenya (Barrientos, 2006; Devereux *et al.*, 2005; Schubert, 2005; Kidd, 2006).

Rigorously testing the dependency question in low-income countries poses challenges. Employment is the predominant livelihood in many middle- and upper-income countries, but more diverse and less easily measured livelihoods strategies predominate in low income countries.

Affordability

Social transfer programmes can be expensive - South Africa invests over 3% of its national income and more than 10% of government spending on its comprehensive system of social grants. Other countries, however, implement important national programmes with less than half a percent of national income.

Affordability is multi-dimensional. At one level, it is largely a matter of political will. The attempts by economists to scientifically measure fiscal capacity have generally found that most of the differences across countries are explained by non-economic and largely political factors (Tanzi, 1992; Nelwyn, 1985; van Niekerk, 2002).

Social transfer programmes are affordable in a broad range of low-income countries. Zambia’s cash transfer pilot – which provides the equivalent of USD 15 per month to 1 000 poor households could be scaled up to the poorest 10% of the population for less than USD 32 million (0.36% of national income and 1.3% of current government spending in 2006). In most of these countries, the programmes could be funded for less than 5% of existing aid flows (OECD, 2009; Samson *et al.*, 2006).

At an economic level, however, many countries face real fiscal constraints in financing social transfers. Understanding affordability requires information about both the static and dynamic conditions of the national treasury, as well as the availability of international assistance and credit. Affordability is both a short-term and long-term question. Using both domestic and international sources, a country may be able to fund an ambitious social transfer programme.

The dynamic impact of the programme on the economy can support the financing of the programme in the long run. Effective social protection is often economically productive through a number of transmission mechanisms, thus increasing the resource base available to a country (DFID, 2005; Devereux *et al.*, 2005; Samson *et al.*, 2004). “Putting money in the hands of the poor can yield very high rates of return, partly because they use their assets so intensively and partly because the cost of falling below a critical consumption level is so great, small amounts can yield a high effective return.” (Subbarao, 2003). Increasingly, the World Bank and the Inter-American Development Bank are making loans to finance social transfer strategies, reflecting the emerging consensus regarding the productive potential of social transfers? (Samson *et al.*, 2006).

The sustainability of social cash transfers is the commitment and ability of government to continue to deliver the programme for as long as it may be required - perhaps permanently. This refers to a number of different dimensions. On one level, sustainability requires that the government have access to and in fact mobilises the level of resources required to finance the programme. At a deeper level, sustainability requires that political commitment be sustained so that policy-makers assign the priority required to maintain the programme. This depends in part on the mix of political and economic costs and benefits, which in turn can affect affordability. Cash transfer programmes can prove politically popular - as demonstrated in Brazil's last presidential election. While the political economy of cash transfers is complex, one major question centres on the growth and development impact of social grants. The greater the growth impact, the more affordable and politically desirable is the social cash transfer programme - and this has a positive effect on sustainability.

Many social cash transfer initiatives (particularly pilots) in developing countries rely critically on development partner support. Sustainability depends on the respective governments incorporating these initiatives into the government's budget at national scale. Particularly in low-income countries, this is a long-term proposition. More innovative and long-term development partner instruments may be required to ensure the necessary stability of interim funding - over time horizons of ten years and longer. Financial sustainability can be strengthened if programme design elements aim to maximise the pro-poor growth. In addition, fiscal reforms and expansions may be required to mobilise the tax revenue necessary to sustain these programmes over the long-term horizon. Reallocation of existing expenditure - particularly when government spends on a patchwork of uncoordinated programmes - may also provide resources for social cash transfers. Countries have also taken advantage of HIPC funds to fund these programmes.

A commitment to capacity building - particularly at a national level - is usually critical to reinforce the long-term sustainability of the programmes. Directly, national capacity building improves a country's ability to cost-effectively and efficiently deliver programmes that yield vital social and economic impacts. The success of well-capacitated programmes in terms of tackling poverty and vulnerability as well as promoting pro-poor growth and resulting fiscal resources directly supports long-term sustainability. Indirectly, the building of national capacity creates a cadre of development professionals within the country that better understand the programme's operations and impacts. This cadre holds the potential to better influence policy-makers and mobilise the political will necessary for sustaining the social cash transfer programmes.

Building political will is critical for sustainability. The poor and excluded often cannot mobilise effectively to their interests. Support to civil society organisations that represent the poor can strengthen political will for social cash transfers. Civil society mobilisation provided a critical force supporting the tripling of social cash transfers in South Africa over the past seven years. Likewise, the design of cash transfer programmes can broaden political support. More universal benefit programmes can ally the middle classes with the poor and build political will. Effective monitoring and evaluation systems can strengthen the evidence base policy-makers and voters rely on to justify their political support.

Cash versus in-kind benefits

An emerging body of evidence demonstrates that cash (or in some cases electronic money) is the most effective way to deliver social transfers (Samson *et al.,* 2006; ODI, 2007). Cash is usually less expensive to transfer than physical commodities, and programme designers can take advantage of electronic transactions that reduce both costs and opportunities for corruption. Often physical control over food is more expensive and more difficult to audit, so corruption and leakage problems may tend to be greater.[3] The multiple levels of physical transfer required for food distribution increase the opportunities for misappropriation.[4] Innovations in cash transfer delivery systems are creating more developmental opportunities for participants in social transfer programmes, expanding access to financial services, communications and more productive livelihoods (Porteous, 2008).

Poor households have better information about what they need than policy-makers, and cash payments harness that information more effectively than in-kind transfers. Cash provides a greater degree of flexibility, enabling the household to allocate the resources to the most critical needs.[5] In-kind delivery of international food donations may risk reinforcing market failure and destabilising local agricultural markets, particularly when local economies can provide food and other necessities, but the poor lack the income necessary to access these resources. Providing cash may stimulate local economies and provide a multiplier impact with broader benefits.

However, under some circumstances, when food is not readily available in the local market, in-kind transfers may provide a useful short-term instrument. If a country faces severe market failures, due for example to conflict, drought, or some other disruption of the market, in particular with respect to food, in-kind transfers may bolster food supply; at least in the short run (DFID, 2005). Particularly under circumstances of hyperinflation and food shortages, when currency is eroding rapidly in value and there is little in the market to purchase, direct delivery of food may provide an effective emergency response (McCord, 2005d). There is also some evidence that women may also have more control over the intra-household allocation of food transfers (Harvey, 2005; Subbarao, 2003).[6] However, the circumstances under which in-kind delivery of food may be more appropriate than cash payments are conditions which require reform more far-reaching than what social transfers alone can deliver. As a long-term instrument of dependable and developmental social protection, cash transfers are more productive and cost-effective.

Targeting

Targeting's main aim is to allocate scarce social protection resources more efficiently to the poorest and most vulnerable. Yet targeting itself can be costly, and along a number of different dimensions. The most direct costs are administrative – the bureaucratic costs of assessing the means of programme applicants, and re-assessing participants on an ongoing basis. Added to this government cost are the private costs applicants incur while applying for benefits – time and transportation costs travelling to the respective government offices, queuing, and the fees (and sometimes bribes) required for the necessary documentation.[7]

Other costs are more hidden. Indirect costs arise when applicants change their behaviour in a costly way in order to become eligible for the grant. Assessments which exclude beneficiaries that receive in excess of a specified income can create disincentives to achieve increases in reportable income, particularly if the targeting test is blunt. Targeting transfers to those residing in specific areas may lead to increased in-migration - which can be costly for the beneficiary but nevertheless preferable to destitution. Social costs from targeting include stigma, the possible deterioration of community cohesiveness, and the potential erosion of informal support networks. While the provision of transfers can improve economic independence and reduce the impact of stigma, public communications that reinforce negative stereotypes can exacerbate the psychological costs of the targeting process.[8] "Self-targeting mechanisms that rely on social stigma, thereby reinforcing the social marginalisation of transfer recipients, are incompatible with current definitions of development that emphasise social objectives (*e.g.* empowerment and dignity) as well as economic objectives." (Devereux, 2002).

Targeting the poor also imposes political costs – primarily by eliminating middle class beneficiaries who could lend their support to social transfers. The greater the degree of marginalisation of the poor, the more likely that effective poverty targeting will actually reduce the total transfer of resources to the poor.[9] As Sen has pointed out: "The beneficiaries of thoroughly targeted poverty-alleviation programmes are often quite weak politically and may lack the clout to sustain the programmes and maintain the quality of services offered. Benefits meant exclusively for the poor often end up being poor benefits." (Sen, 1995). However, in some countries, the effectiveness of targeting has become a political selling point, demonstrating to taxpayers that the programme is cost-effective.

The choice of targeting approach significantly influences a programme's effectiveness and efficiency. Poorly designed targeting mechanisms can create distortions and perverse incentives, with potentially crippling consequences. Key options include:

- **Individual or household assessments**, which involve testing a person's or household's means for survival, usually with a procedure which verifies an individual's or household's income or assets. Thorough means tests are in theory relatively accurate in the few contexts where they are feasible, but usually very expensive. A variant - proxy means tests - economises by mathematically assessing combinations of easily observed proxies for poverty, but this mechanism is often poorly understood by communities and can undermine transparency.
- **Categorical approaches**, which rely on easily observed traits - usually demographic or geographic - that are associated with a higher incidence of poverty. For example, social pensions and child support grants are examples of categorically targeted programmes.
- **Community-based mechanisms**, which delegate the responsibility for the identification of beneficiaries to community groups or agents. Community representatives are frequently in a better position to assess poverty more appropriately in their local context, and they frequently have access to better information about the poor with whom they live. Community targeting also involves greater local participation in the process, potentially strengthening a sense of programme ownership. However, local elites in some cases may skew the allocation of transfers away from the poorest.

Appropriate mechanisms balance the potential financial savings from targeting against this portfolio of direct and indirect costs. The effectiveness of targeting depends on government's capacity to administer the sometimes complex bureaucracies associated with the implementation mechanisms. The costs of targeting are lower for more universal approaches that target vulnerable groups - such as universal social pensions, child benefits or grants for people with disabilities. These more universal categorical approaches, however, usually require a greater financial investment. Categorical approaches often aim to serve two objectives: *(i)* to target the poor by including groups characterised by criteria associated with poverty, and *(ii)* to provide transfers to groups considered by society to be universally entitled. Categorical approaches, however, run the risk of excluding very poor households who do not fit the profiles conventionally associated with poverty.

Conditionality

One of the most controversial questions about social cash transfers interrogates the role of conditionalities in programme design. Conditionalities are behavioural requirements that programme participants must satisfy in order to receive regularly the cash benefit. For example, households may be required to ensure 85% school attendance or prove that their children have received appropriate immunisations. Conditionalities aim to reinforce the human capital development impact of cash transfers, helping to break the inter-generational transmission of poverty by improving the child's likelihood of growing up and finding decent work.

Conditionalities, however, can compromise the poverty reduction objective - at least in the short run - by penalising the households with reductions in their benefits. Conditionalities can deprive the poor of freedom to choose appropriate services - and to freely make decisions to improve household welfare. Conditionalities can be expensive, inflexible, and inefficient - in the worst of cases, screening out the poorest and most vulnerable. Often the burden of complying with conditionalities falls disproportionately on women. Conditionalities can undermine the dignity of participants as well as the poverty-reducing impact of the programme, and they are potentially stigmatising. Conditionalities can also compromise a rights-based approach to social protection.

The case for conditionalities assumes that poverty depends on the behaviour of poor households. Conditionalities create an incentive and penalty structure that aims to modify that behaviour in order to address long-term poverty. Since children sometimes lack adequate voice regarding decisions about spending social cash transfers, conditionalities may change the intra-household allocation of resources. Parents and caregivers may not appreciate the high returns to early childhood development and investments in child health and education. Conditionalities provide social leverage when the interests of household decision-makers are not aligned with the perceived best interests of the child. Under these circumstances, conditionalities may improve the intra-household allocation of resources.

However, in some countries poverty is more structural and less dependent on the behaviour of the poor. In these cases, the costs of conditionalities may exceed their benefits. The World Bank's 2006 conference in Istanbul on conditional cash transfers concluded that insufficient evidence exists regarding the impact of the conditionalities *vis-à-vis* other programme benefits - such as income security, improved education and health services, or developmental awareness. In a number of countries - such as Kenya, Zambia and Pakistan - development partners are implementing conditional cash transfer schemes alongside unconditional programmes with structured monitoring and evaluations that aim to illuminate this critical question.

Other countries have adopted a more developmental approach. Zambia's cash transfer model has introduced conditionalities without penalties - developmental rather than punitive conditionalities. This is similar to Brazil's model, which uses social worker intervention rather than penalties to intervene when households fail to comply with the requirements of the programme. The Government of South Africa has recently indicated it is exploring "responsibilities" linked to cash transfers. The country's constitutional guarantee of the right to social security precludes punitive conditionalities, but linking cash transfers to developmental awareness may strengthen the social impact of the programme. Developmental conditionalities better address the multi-dimensional nature of poverty.

Traditional safety nets

Some policy-makers and social policy analysts question whether social cash transfers weaken existing traditional safety nets. Evidence exists that in some cases the payments of cash transfers by government to poor individuals reduce private remittances to their households. Where there is no public safety net, the burden falls on the working poor, often with negative growth and development effects for these households. The "weakening of traditional safety nets" means the households of the working poor have more resources - including for productivity enhancing consumption of the workers themselves. In many other countries, however, particularly those greatly affected by HIV/AIDS, cash transfers revitalises a failing system of traditional support. HIV/AIDS increases mortality and morbidity for the traditional funders of private safety nets while increasing the burden on older people who often must care for children orphaned by the disease. Cash transfers increasingly enable caregivers to cope with this intensifying burden.

What do we know? International lessons of good practice

Operational lessons

Many of the international lessons of good practice are operational. Countries that implement well-designed and effectively managed programmes consistently demonstrate success in reducing poverty and promoting social development. In recent years the research focus has shifted from demonstrating impact to identifying the most effective design elements and management practices. Key operational lessons include the following:

- Enrolment and targeting systems benefit from a single registry of all potential and actual programme participants. This helps to reduce fraud and promotes greater coverage and take-up. Management systems must be as simple as possible given the programme requirements, and appropriately tailored to the country's existing capacity constraints. Particularly when non-governmental organisations are serving as implementing partners, a single registry can minimize coverage gaps and duplication. A single registry works best when government takes primary responsibility for implementation – a national public institution can maintain the database. When programmes follow a decentralised model – and particularly when non-governmental organisations are involved – co-ordination among the implementing partners plays a more critical role.

- Documentation processes must be flexible. The poorest usually have the most limited access to the bureaucratic resources required to formally document age, income and other qualifying criteria. Targeting mechanisms that require unreasonable documentation frequently fail to reach the poorest and sometimes generate regressive outcomes – because the less poor often have the greater resources and knowledge necessary to navigate the bureaucratic hurdles while the very poorest sometimes find the barriers impenetrable.
- Payments processes must serve the poor. A client-based approach by payments service providers can protect the dignity of participants and potentially provide access to developmental financial services. Inaccessible pay points, long queues and demeaning treatment undermine the social protection the transfers aim to provide. Appropriate technology and sound management can create opportunities to expand the payment mechanism into an even greater pro-poor instrument potentially offering a savings vehicle and other financial services.
- Appeals processes and grievance procedures provide a critical path for addressing fiduciary risk and promoting the access to social cash transfers. Appeals and grievance systems should operate separately from the main implementing organisation in order to ensure independence and an ongoing ability to hold the programme to account. These processes aim to ensure that the poor realise their rights to social security. They require adequate funding, regular outreach activities, accessibility to all programme participants and the authority to enforce their decisions.
- Pilot programmes may not be necessary to demonstrate that social transfers effectively reduce poverty – there is already substantial global evidence of these impacts. Pilots serve more effectively to generate concrete evidence on how to implement social transfer programmes within a specific country context. Pilots must be established with appropriate monitoring and evaluation systems in order to marshal the necessary evidence. Pilots should test sufficiently diverse approaches in order to provide the relevant evidence required for scaling up successfully.

Capacity development

Social cash transfers constitute a relatively new policy intervention in many developing countries. As a result few governments have developed extensive delivery capacity for implementing these types of programmes. Over the past several years an increasing number of governments have developed a strong interest in designing and implementing social cash transfer programmes at a pilot stage, creating resource demands on national and international capacity as pilots are designed and sometimes implemented. However, little of the intellectual capital developed through this process remains in the public domain and heavy reliance on international consultants through short-term projects fails to adequately transfer skills to develop national capacity.

Limited capacity constrains successful implementation as several levels. First, government administrative capacity in many low-income countries is limited, particularly in the social ministries that are usually responsible for social protection. It is vital to ensure that implementation programmes are sufficiently well-resourced at both national and local levels. Districts often operate in an environment with inadequate human resources, office facilities, transport, communications and field infrastructure. Incentive structures often fail to retain qualified personnel. Investments in government delivery capacity at district level will not only support the implementation of social transfers but also the other social services delivered by these agencies.

Nearly all international consultants designing social transfer programmes are funded by development partners, creating an opportunity for co-ordinated donor assistance to substantially support national capacity development. Designing and implementing social cash transfer programmes in developing countries builds critical human capital – which often flees the source countries on the same flights as the international consultants. Agreed standards for co-ordination of social transfer projects between international and national teams can help to share this intellectual capital and build national capacity, supporting the cost-effectiveness and sustainability of the interventions.

National capacity building should begin at the pilot stage. Pilots provide a very effective training group for present and future social welfare officers. Given the long lead times required for effective training programmes, the long term need for capacity building should be addressed during the pilot phase. Building this capacity improves the effectiveness of development partner resources.

Conclusions

In conclusion, the available evidence demonstrates that social cash transfers in many developing countries:

- effectively tackle poverty;
- enhance growth's effectiveness in reducing poverty; and
- in some documented cases stimulate economic growth.

While financial, political and administrative capacity to implement these programmes varies substantially across developing countries, lessons of international experience are documenting the appropriateness of this intervention in countries that rely on market systems yet nevertheless face severe challenges of poverty and vulnerability. Key lessons include:

- Basic initiatives are affordable in most countries - sometimes depending on development partner support, while other countries can afford more comprehensive approaches.
- Sustainability can be strengthened through design elements that maximise the pro-poor growth impact of the interventions.

Many of the other key lessons are operational. Over the past ten years global experience with social cash transfer programmes has increased substantially. Countries beginning to implement these interventions can benefit from a global learning curve and development partners are supporting important South-South initiatives to share developing country experience and build capacity.[10] Nevertheless, important gaps remain:

- While persuasive evidence exists regarding impacts in terms of reducing poverty and promoting social outcomes, more convincing evidence is required on the direct links between social cash transfers and economic growth - particularly in the context of low-income countries.

- Operationally, better evidence on appropriate targeting and payment mechanisms, better management structures and the role and design of conditionalities will improve programme delivery.

Continued support for national capacity building will likely yield substantial returns in terms of promoting the long-term sustainability of these vital initiatives tackling poverty and vulnerability.

Notes

1 The Policy Statement describes a framework for these instruments.

2 Estimates multipliers ranging from 2.02 to 2.45.

3 In Bangladesh's Food-for-Education Programme, teachers were required to physically distribute the food commodities, distracting them from their teaching duties (Tietjen, 2003, p. 9).

4 The switch from food to cash in Ethiopia was associated with a decline in corruption, theft and wastage (Wilding and Ayalew, 2001).

5 In Bangladesh, for instance, households receiving commodities through the Food-for-Education programme often sold the goods at below-market prices in order to raise needed cash (Tietjen, 2003, p. 9).

6 Paying half the programme wage in food in Lesotho and Zambia succeeded in attracting more women than men. It is not clear whether this demonstrates the benefits of in-kind payments, the stigmatisation of food as a means of payment, or gender bias in other programmes (which often attract only a small percentage of women). In Malawi, for instance, men dominate the Social Action Fund's cash-for-work programme, while women predominate in the World Food Programme's Food-for-Work initiative (Devereux and Solomon, 2006).

7 Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee (Pellisery, 2005).

8 Policymakers in Armenia initiated a cash transfer programme by emphasising that it was only for the poor – aiming to employ stigma to promote self-targeting (Coady et al., 2004). In Jamaica, on the other hand, officials launched social transfers with television spots picturing the pregnant spouse of a cabinet minister registering for the programme, conveying a positive message about participation (Grosh, 1994; Coady et al., 2004).

9 When Sri Lanka began to more effectively target food subsidies using food stamps in the late 1970s, popular support for the social protection scheme deteriorated. In the face of steady inflation, policymakers neglected to adjust the nominal value of transfers for the relatively powerless poor beneficiaries. The resulting halving of the real value of the benefit increased poverty and malnutrition. The old subsidy scheme had allied the middle classes with the poor – and provided more substantial social protection (Ravallion, 1999, p. 47; Anand and Kanbur, 1987; van de Walle, 1998, p. 240; Besley and Kanbur, 1990, p. 6). Similarly, in Colombia, the shift of food subsidies to a poverty-targeted food stamp programme led to an erosion of political support and was eliminated (Gelbach and Pritchett, 1995, p. 32).

10 For example, DFID has supported Brazilian technical assistance to African countries, developing country study tours to Southern Africa and global training programmes situated in developing countries. GTZ and other development partners support important capacity building initiatives in developing countries.

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