

## **ANNEX (UN)CONDITIONAL CASH TRANSFERS IN AFRICA**

**Author: Hannah Piek (drjgpiek@gmail.com)**

### **An Introduction**

Development aid and assistance and developing countries have known and implemented for quite some time social transfers or (un)conditional cash transfers: Cash given to households or families or other groups under certain conditions. Such methods of providing aid or assistance were embedded in larger programs of emergency or humanitarian aid, rehabilitation or community development.

There are three kinds of social transfers (2006: M. Samson et al):

- The unconditional transfers (pensions, child care, family care, widow support, support for the handicapped). These transfers often have the least transaction costs, no influence on market prices and receivers keep their decision making autonomy, e.g. decide themselves in what way to use the cash resources. However, information about the social and economic advantages are not easy to generate.
- The conditional transfers (which can be for the same groups as mentioned above, though conditions are attached related to for example using health care or educational facilities and these transfers are often focused on the development of human capital). Conditional cash transfers often influence autonomy, depend on the availability of the various services (supply-side) in quantity and quality or do not reach the poorest or most vulnerable, and monitoring might administratively be difficult.
- Public work program's: these are more applicable in cases of short term poverty; these are the food-for-work or cash-for-work programs; the latter encompasses a means to build up capital or capital goods that can serve as inputs for economic activities when programs have come to an end; hence, it serves as a leverage between unemployment and poverty.

(Un)conditional cash transfers are transfers of cash to a household, family or other specific groups of people for which they do something in return; they were often handed out unconditionally (2006, Devereux). Most authors are convinced that conditional transfers are more effective, though it depends on the local and individual conditions and circumstances which conditions are to be stipulated and included in the social contracts. This paper provides a brief introduction of the history of (un)conditional cash transfers after which it will give an overview of a number of programs as implemented and researched in Africa. The paper closes with a description of what important steps and issues to include when developing such programs.

### **History**

(Un)conditional cash transfers were and are used in developed and developing countries. Against a transfer conditions are set to be fulfilled by a family or household. Various governments in Europe have after WO-II developed and implemented a variety of social transfer programs paid for out of taxes, often called redistributive programs. Much later, after the fall of the Soviet Union in 1989 and in Eastern Europe, Romania developed, for example, a program stimulating the population to register the birth of their child and to send their children to school. This was in fact, a child support program. Conditional cash transfers were used in Bangladesh in 1991 to tackle gender imbalances in education: de *Female Secondary School Attendance Program*. Mid-1990s almost all countries in Latin America introduced (un)conditional cash

transfer programs and policies. Even the mayor of New York, Michael Bloomberg, started an experimental program in April 2007: the *Opportunity NYC*. This being the first program ever introduced in the United States, the donors are private organizations such as: The Rockefeller Foundation, Robin Hood Foundation, the Open Society Institute, the Star Foundation, AIG, and Mayor Bloomberg's personal foundation (Wikipedia).

The central focus of the conditional transfers is the development of human capital (knowledge, skills, competences). "*Conditional cash transfers*," notes the World Bank is "*to provide money directly to poor families via a "social contract" with the beneficiaries*". There are different types of (un)conditional transfers: birth registration, child care for education, food, vaccinations against common diseases; development of children with respect health and education; support for the handicapped, pensions, or transfers that have to lead to changes in behavior for example with respect to HIV/Aids, the use of sanitation, et cetera; or grants to enhance forest and environmental care (Costa Rica); it depends on the local situation if conditional transfers are changed in unconditional ones.

The basis for conditional transfers is a social contract which stipulates the conditions, who needs to fulfill them, which sanctions are to be attached in case of non-compliance and for how long. Transfers are often not given to individuals but to families or households, who promise to do something back in return for the monies received. "*For extremely poor families, cash provides emergency assistance, conditionalities promote longer-term investments in human capital.*" The conditional transfers often have a long term horizon and specific means of ending or closing the contract (Unicef & UNDP).

Till date a number of countries have implemented (un)conditional cash transfer programs embedded in larger programs and related to institutional infrastructures such as banks, hospitals, schools, et cetera. Only Mexico, Brazil and Bangladesh had conditional cash transfer programs in 1997. By 2008 they were joined by: Argentina, Bangladesh, Bolivia, Burkina Faso, Burundi, Cambodia, Chili, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Ghana, Guatamala, Honduras, Indonesia, India, Jamaica, Malawi, Mozambique, Namibia, Nigeria, Nicaragua, Pakistan, Panama, Paraguay, Peru, Tanzania, Turkey, Uganda, United States, Zambia, and cities such as New York and Washington DC.

### **(Un)conditional Cash Transfer Programs in Africa**

A number of different conditional cash transfer programs have been introduced in Africa since 1984. These programs were connected to institutions which supplied the necessary services such as banks, hospitals, schools or to emergency, rehabilitation or development programs as these institutional services also provided the infrastructure for proper monitoring and evaluation. Cash transfers were for example used in Western Sudan in 1984, in Ethiopia (by Unicef) in 1984-5, in Ghana (by Action Aid) in 1994 and were also introduced in Mozambique, Namibia and Zambia (2002, ODI). Programs were used for example for the *internally displaced peoples* in Sudan, given to representatives and farmers organizations to buy food in local or regional markets, for community development programs whereby people would contribute their labor in return. Zambia allowed the Netherlands to implement a cash-for-work program in a drought stricken area in the Western Province, while the Zambian government itself implemented a food-for-work program in other areas. A program started in Mozambique encountered problems of corruption and fraud, though after evaluation, reconsideration and adjustments the program continued (2002, ODI). Uganda established a pilot program which meant to institutionalize regular health checks for children. South Africa used a *Child Support Grant* system, in which the grants would have to lead to a reduction in child poverty; though the program soon came to realize that additional investments were needed in the areas of water,

sanitation, education, health care and transportation for the program to be successful. The program encompassed a total of 8 million child caretakers as well.

Ethiopia established a *Ethiopian Employment Generation Scheme*, a part of which became the *Productive Safety Net Program*: a cash-for-work and food-for-work program for 8 million people for a duration of 5 years (2006, Devereux). Concern Worldwide and Oxfam GB started unconditional cash transfer programs in Malawi and Zambia in addition to other programs of food provision, the right to food, the enlargement of purchasing power of households. FACT embarked upon a program providing food for the home and cash for the purchasing of additional foodstuffs and other consumer goods or services (health, education) of importance for a household. In areas that do not receive or need emergency assistance providing cash turned out to be much more effective as was shown in (2006, Devereux).

Malawi used a pilot program to induce rural people to tests for immunodeficiency and treatment. Though the program was successful it was doubted if such a program would lead to an overall improvement of people's health in general (2009, Jama). Conditional cash transfers focusing on the participation of households in education, health and nutritional services did show a significant improvement out of poverty in Kenya, Malawi, Zambia, Mozambique en Namibia. This was even more so when cash was given to the elderly (as a pension); they turned out to support strongly the health and education of children and of sending girls to school (2007-8, Adato). A focus on the very poor does need clear descriptions and transparency as it is often a combination of factors that lead to being extremely poor. This is also the case with orphans and vulnerability, sometimes whole groups are vulnerable and how can one decide some are more vulnerable to others? A focus on distinct clearly recognizable groups will be perceived positively within the communities. A one-year program for teenagers and young women in Malawi as a pilot program showed a remarkable number returned to school; in this pilot it did not matter if conditional or unconditional transfers were used, though the level of transfers did make a difference (2009, Baird).

Kenya developed a program for orphans and vulnerable children to improve their health and their child rights situation. The selection of children to be included was based on a very narrow definition and it soon turned out that this definition better be broadened; the program was extended (2009, Bryant). The program started in 2004 with 500 receiving \$6.50 monthly per family. The community selected the families on the basis of the degree of poverty and the presence of HIV/Aids. The cash was used for school uniforms, books, cooking oil and other basic necessities. The conditions focused on school attendance, getting birth certificates, improving health and access to food, and children with HIV/Aids would receive ARV-medicines. During the first two years the program covered 13 districts and 5.500 beneficiaries. For the period 2009-2015 the program is to be extended to 74 districts and 300.000 people. Determining the target group, the implementation and the monitoring is done by volunteers with the assistance of the local governments. Though the whole target group is immense in size, volunteer committees were forced to divide the target group into four groups and established rules as to who would receive the highest priority. It is clear of course that in areas where there are no school, school conditions were not set or met.

## Designing an (un)conditional Cash Transfer Program

Most studies compare cash transfer programs with programs in which target groups are given goods such as food, fertilizer, seed, et cetera, in addition to other services. Without any hesitation most authors state that a program that includes cash transfers often is much more efficient and effective. This is because no large overhead is needed compared to food distribution and transportation and though corruption and fraud are risks, the development of a valid checks and balances, monitoring and evaluation and audit systems has enabled most programs to continue.

(Un)conditional cash transfer programs are often included in larger development programs. This is because the implementation often depends on institutional infrastructures at the supply side and this is different within each country. Some authors note that in Africa the banking system has not developed enough to support cash programs. Since 2005 however many steps were taken to ensure safe transfers of monies over distances short and long and to introduce sophisticated systems of money transfers. Kenya for example has introduced cash transfer systems through the use of mobile phones. Many financial institutions have established local offices in county and district capitals and develop other means to ensure the development of a cash economy and safe transfers of monies. Outreach has grown phenomenally. Districts often have good administrative systems and local government offices and hospitals. Population growth ensures ever growing villages and towns, even in the rural areas.

First and foremost it is essential to know the institutional and policy context if one is to establish a cash transfer component in a development program, to know the level of poverty countrywide and within the particular locations, to know the other institutions, organizations and NGOs, that deliver services and goods and know the actors and factors in the field, the formal and informal structures, et cetera (that is to know the economic, social, cultural, demographic and geographic situation at large). Table 1 provides an overview of some issues to consider in the design of a cash transfer program.

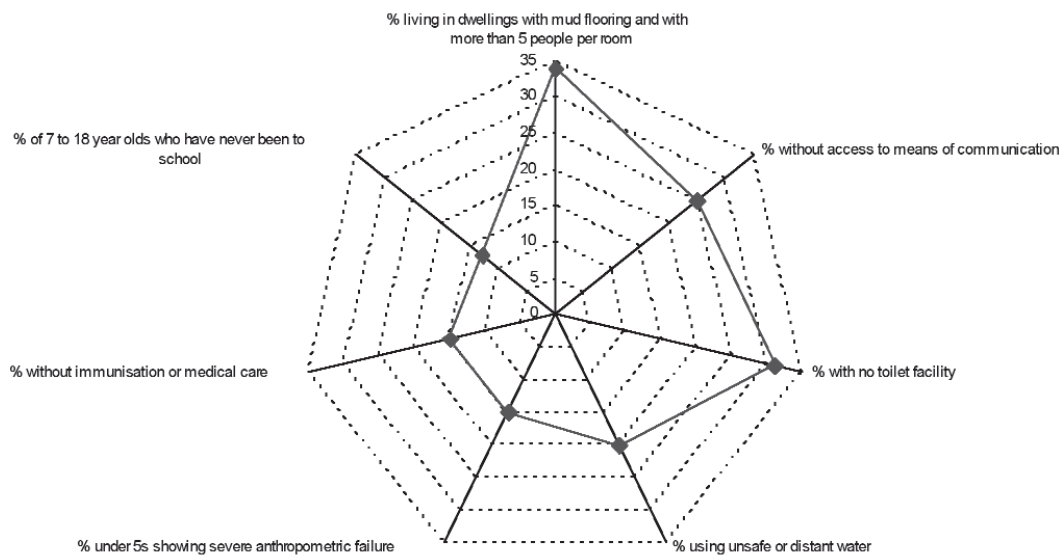
In Southern Africa large groups of people are vulnerable and subject to structural livelihood insecurity which stems from lack of (access to) water, land, fertilizer, seed, credits, labor, et cetera (2006, Devereux). A good analysis of the local situation is important; clarity and transparency about the vulnerable groups, the poorest of the poor, the elderly handicapped is important. Poverty and insecurity is also often due to incomplete households or families.

To determine target groups different methods are used, such as (2006, Samson et al):

- The per capital poverty (the part of the population whose income is below the general or national poverty level); the poverty trap is the additional amount of money needed to rise above that level; the squared poverty trap is a much more realistic picture of the group that needs to be reached (see example at the end of this paper);
- The categorically determination of a group, such as: the elderly, the children, the handicapped, the HIV/Aids affected, the location or area, et cetera;
- The means test. This is an assessment of the situation of individuals, families or households in which the means are established with which one must be able to survive. A 'proxy means test' establishes the means that could be recognizable replacements of the actual means. Such proxy means could be: the location of a house or hut, the quality of the house or hut, the ownership of the means one has in the house or hut, the composition of the household or family, the characteristics of the available labor, income, et cetera, et cetera.

Figure 1 provides an example of how one could arrive at determining the target group and which factors might be important in this.

Figure 1. Incidence of severe deprivation among children in the world



Data from Gordon et al. [2003] Child Poverty in the Developing World. Bristol: Policy Press.  
Estimates based on household data from 46 countries

Source: 2006, Barrientos & de Jong.

Tables 1 and 2 provide issues that need to be considered when developing a (un)conditional cash transfer program.

Tabel 1: Basis voor de opzet van een geïntegreerd programma.

Entitlement category	Sources of vulnerability	Policy response
Production-based	<ul style="list-style-type: none"> <li>Harvest failure</li> <li>Persistent food production deficits</li> </ul>	<ul style="list-style-type: none"> <li>Fertilizer subsidy</li> <li>Starter packs</li> </ul>
Labour-based	<ul style="list-style-type: none"> <li>Limited employment and opportunities</li> <li>Falling real wages</li> </ul>	<ul style="list-style-type: none"> <li>Public works programmes</li> <li>Minimum wage legislation</li> </ul>
Trade-based	<ul style="list-style-type: none"> <li>Market failure</li> <li>Failure of exchange entitlements (terms of trade decline)</li> </ul>	<ul style="list-style-type: none"> <li>Open market operations</li> <li>Food price subsidies</li> <li>Pricing policies</li> </ul>
Transfer-based	<ul style="list-style-type: none"> <li>Failure of informal safety nets</li> <li>Failure of emergency food aid</li> <li>Absence of social protection</li> </ul>	<ul style="list-style-type: none"> <li>Food aid</li> <li>Cash transfers</li> <li>Weather insurance</li> </ul>

Source: 2006, Devereux.

Programs better focus on a full geographic area instead of a target group that is too thinly spread over a large geographical area. Composing a target group is no easy task, since it is often the case that many will feel excluded, treated with injustice. Local/national governments should be involved and able to adopt the program in a later stage (2005, Farrington). Continuity is important.

Other means are needed to determine in which environment it is necessary to include a (un)conditional cash transfer component to arrive at an efficient and effective community development program.

**Table 2: An Asset-based Social Protection/Transfer Framework**

Lower capacities ----- Faster to scale ----- Lower inputs		Higher capacities ----- Slower to scale ----- Higher inputs		
Protective -----	Preventive -----	Promotional -----	Transformational	
Secure basic consumption needs	Reduce fluctuations in consumption and avert asset reduction	Enable people to save, invest, and accumulate through reduction in risk and income variation	Build, diversify, and enhance use of assets <ul style="list-style-type: none"> <li>• Reduce access constraints</li> <li>• Directly provide or loan assets</li> <li>• Build linkages with institutions</li> </ul>	Transform institutions and relationships <ul style="list-style-type: none"> <li>• Economic</li> <li>• Political</li> <li>• Social</li> </ul>
Public Works Direct feeding	Insurance (health, asset) Subsidies	Unconditional cash transfers Home-based care for the ill transfers	Material and Child health and Nutrition Early childhood development	Conditional cash Child and adult education/skill development

Source: 2008, Adato & Basset.

The methods or tools which can be used in a community development program that includes cash transfer components are shown in row 4 of table 2. The goals or the development problems that need to be overcome are shown in the five columns of row 3. One moves in principle from the left to the right when planning development.

Conditions focus in general on the development of human capital, such as health, skills, knowledge, or health care, education, prevention of HIV/Aids through change in behavior, change in behavior towards women to improve the situation of women and girls.

A large study on Africa oriented itself on the average national poverty level and came to a cash transfer of US\$ 0.73 – 2.40 per child; considering three distinct age groups. All amounts of the various countries end of the 1990s were translated to the Purchasing Power Parity of 1993. For the sake of understanding I took the amounts per child of the highest age group (14-16 year) for the 365 days per year. For the younger children lower amounts were transferred. The following amounts in 1993 PPP per day per child with a total per child per year are: US\$32 in Zambia, US\$ 60 in Uganda, US\$ 40 in Malawi, US\$ 47 in Mozambique, US\$ 69 in Kenya (though Samson speaks of US\$ 8 up to US\$ 15 in the experimental phase of the program on a two-monthly basis, which is US\$ 90 per year). For countries such as Burundi, Ethiopia, Madagascar and Western Africa the amounts are more or less similar (2005, Kakwani, UNDP).

All payments were provided with the assistance of the financial institutions or the post offices and the monitoring and evaluation were carried out by community groups and cooperating institutions (schools, hospitals, medical posts). However, while I might have mentioned the amounts, one should consider the need for a continuing monitoring with respect to inflation of food and fuel stuffs, which has shown in the last decade to be substantial. Problems might also arise in the area of markets, prices, lack of cash-management training or household budget training, et cetera.

Authors point out that problems might occur in the areas of:

- Registration of the target group. One should therefore ensure that the community understands and agrees with the selection of the target group. That the program is transparent and clear on the rules and regulations applied, who gets what, who is responsible, how complaints are dealt with, if

complaints can be made, who the independent authority is who monitors the program and who is able to mediate when problems arise or is able to take decisions carried by all.

- Monitoring and evaluation. Developing a good monitoring and evaluation system and checks and balances system which includes target group and the design, organization and process of implementation of the program.
- Unforeseen effects. Accounting for unforeseen effects on the supply of services of banks, hospitals, schools, prices of goods and services with respect to quality, et cetera. Effects can arise out of the fungibility of cash and not knowing fully the demand for services and goods; a household might use their scarce resources (which are freed when cash is given) for other necessary goods and services.
- Security. The security of those who hand out the cash or those who receives them (within as well as outside the household).

#### Example of determining the poverty level, size poverty gap and squared poverty gap

Country A				Country B			
Person	Income	Poverty Gap	Poverty Gap Squared	Person	Income	Poverty Gap	Poverty Gap Squared
A	280	72%	52%	E	40	96%	92%
B	400	60%	36%	F	860	14%	2%
C	1200	0	0	G	940	6%	1%
D	2000	0	0	H	2040	0	0
<b>Average</b>	<b>970</b>	<b>33%</b>	<b>22%</b>		<b>970</b>	<b>29%</b>	<b>24%</b>

Assume the poverty level to be 500 units of income. In country A two persons (A & B) are below the poverty level. In country B only one (E). The poverty gap is the amount needed to arrive at 500 units of income; it is the amount to get out of poverty; we consider here the percentages. In country A 72% and 60% is needed; in country B 96%.

Assume that the poverty level is now 1000 units of income. In country A two persons are below the poverty level (A & B) and in country B three persons (E, F, G).

If the poverty gap is taken as a squared figure then the weight of the poorest rises; this is then seen as a much better tool to include in a (un)conditional cash transfer program that tries to reach the most vulnerable or the poorest of the poor.

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