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Using social transfers to improve human development

This note provides an introduction to how social transfers – particularly cash transfers and vouchers – can improve human development, especially for the extreme poor and socially excluded. Drawing on social protection and demand-side financing literature, it outlines:

- Evidence that investment in social transfers can make scaled up investments in education and health more effective and equitable
- The need to balance demand-side and supply-side action
- Key considerations in choosing social transfer instruments for human development
- Where the evidence base needs strengthening

This briefing seeks to encourage policy coherence and programme complementarity between education and health sectors, and social protection. It is written primarily for programme managers and advisers leading on DFID's engagement with education and health sectors, AIDS and social protection. This note complements the DFID practice paper (2005) [Social Transfers and Chronic Poverty](#). A [background paper](#) provides further information.

Introduction

The world's poorest and socially excluded people are not benefiting from the pursuit of the health and education Millennium Development Goals (MDGs). Without adequate health and education, children are facing long-term and irreparable damage. Enabling chronically poor families to invest in children's health and education will help prevent transmission of poverty from one generation to the next. Scaling up investment in service provision and quality is of course necessary, but is not sufficient to achieve **universal access to health and education services**. Specific policies to boost demand and expand equitable access to quality health and education services are also required. As are cross-sectoral policies that address **underlying causes of inequalities** in health and education outcomes.

Social transfers provide a promising solution to both of these policy challenges. They are attracting growing interest from national governments and multilateral and bilateral donors for their role in improving human development, as well as in reducing hunger and tackling extreme poverty and vulnerability. They are also increasingly recognised as an important element of an overall care package for children affected by AIDS. **Increasing and more predictable aid flows** provide an unprecedented opportunity to support low-income countries to invest in social transfers alongside health, AIDS and education, in the pursuit of the MDGs for all.

How social transfers can improve human development outcomes

Social transfers are non-contributory, regular and predictable grants to households or individuals, in cash or in-kind. Cash transfers can take the form of income support, child grants, disability benefits, scholarships and stipends, or non-contributory pensions. They can be targeted at specific vulnerable groups, or distributed universally. Demand-side vouchers are near-cash transfers that can be redeemed for specific products or services, although they are not always received on a regular basis.

Boosting demand for services

Social transfers can be an effective way of **targeting resources to the poorest and socially excluded**, to help get and keep children in schools and to use health services. Even where services are provided free, or fee-waivers operate well, the poor and socially excluded still face other barriers to access such as the costs of transport, medicines, uniforms and textbooks; discrimination against girls and other socially excluded groups; the loss of income from children attending school rather than working; and lack of knowledge of the value of education and preventive healthcare. Social transfers can address all of these **demand-side barriers**, especially if school attendance and/or use of preventive health services are conditions of payment. The situations in which conditional or unconditional transfers are appropriate are outlined under the 'How to' section below.

Tackling underlying causes of health and education inequalities

Cash transfers also address some of the underlying causes of inequalities in health and education outcomes, such as **poverty, social exclusion and malnutrition**. A regular source of income – whether conditional or not – allows extremely poor households to eat better food more regularly, leading to improved nutritional status. Improved nutrition in young children will in turn benefit their health, and is important for children's cognitive development and ability to benefit meaningfully from school.¹ Education in turn will lead to healthier children and these benefits will be passed on to the **next generation**. Adults with enough to eat are less likely to be ill, and good nutrition is essential for effective treatment with anti-retrovirals.

Evidence of the impact of social transfers on access to services and human development outcomes

The most robust evaluations come from the conditional cash transfer programmes in middle-income countries. This evidence has encouraged several low-income countries to pilot and in some cases scale up social transfer programmes.

Impact of social transfers tied to service use

Many of the large cash transfer programmes are conditional, with payment dependent on regular school attendance, or use of preventive health services or other specified conditions. Vouchers are the least flexible form of transfer, with recipients tied to using specified service providers.

Education. Brazil's *Bolsa Escola* – now merged into *Bolsa Familia* – is a national programme with strong political support that transfers \$6-19 a month to an estimated 5 million families, at a cost of 0.15 percent of gross domestic product.² It targets

cash transfers – paid directly to mothers – to poor families with school-age children on condition that each child attends school at least 90% of the time. Studies show a sharp fall in school drop-out rates and higher enrolments in post-primary education.³

Targeted scholarships and stipends to overcome financial and, through the direct empowerment of girls, also cultural barriers to girls' school attendance have been successful in Bangladesh, India and Mexico.⁴ The Bangladesh *Female Secondary School (FSS) Stipend Programme* paid school fees and transferred an incentive payment direct into girls' bank accounts on condition of at least 85% school attendance, remaining unmarried until at least 18 years old, and passing exams. This has increased enrolment rates by 12 percentage points per year in rural areas.⁵ Drop-out rates fell for some time, but are now rising due to the introduction of conditions based on performance.⁶ This national programme adopted a universal approach. There is ongoing debate about whether to move to a more targeted approach now that social norms and behaviour in relation to girls' education have changed.

Health. The *PROGRESA* (renamed *Oportunidades* in 2002) conditional cash transfer scheme in Mexico boosted demand by women for antenatal care by 8 percent, and contributed to a 25 percent drop in the incidence of illness in newborns and 12 percent lower incidence of ill-health among under five-year-olds compared with non-*PROGRESA* children.⁷ In Nicaragua's *Red de Protección Social (RPS)* programme, immunisation levels among recipient 12-23 month old children increased by 18 percent. Both schemes are well-targeted to the poorest, using a combination of geographical and proxy means test targeting approaches. Also in Nicaragua, vouchers provided to sex workers and their partners and clients for the treatment of sexually transmitted infections led to large declines in reported rates of syphilis and gonorrhoea.⁸

Nutrition. In Mexico, 70 percent of households participating in *PROGRESA* have shown improved nutritional status. Most markedly, stunting has been reduced, with the growth rate among 12-36 month old children increasing by one centimetre per child, per year.

Impact of unconditional social transfers

Evidence indicates that even when cash transfers are not tied to service use, the additional income is often used for health, nutrition and education priorities. The benefits enjoyed by the direct recipients of the transfers are often shared by other household members across generations. Choosing the recipient of transfers must be based on an understanding of local beliefs and targeted to where the money is most likely to be fairly distributed. Experience shows this is most likely when the transfer is given to women.

Education. In rural Brazil, social (non-contributory) pensions to over 5 million elderly poor are strongly associated with increased school enrolment, particularly of girls aged 12-14 years.⁹ Social transfers in the form of foster care grants are often an integral element of an **overall care package for children affected by AIDS**. Early findings from the pilot *Kenya Cash Transfer for Orphans and Vulnerable Children* show how the unconditional transfer of Ksh. 500 (£3.80) per month has increased school attendance.¹⁰ Similarly, overall absenteeism from school has declined by 16 percent over the first nine months of the *Kalomo cash transfer pilot scheme* in Zambia - where transfers are made to the most vulnerable households, often grandparents caring for children affected by AIDS.¹¹

Health. In Namibia, pensioners spend 13.8 percent of the cash they receive on health care and medicines. A study in South Africa found that older people who received social pensions had a significantly better health status than other family members, when the household did not pool their resources. Where they did pool income, the health status of all family members was higher than in households that did not contain a pensioner.¹²

Nutrition. A study of the unconditional *Child Support Grant* in KwaZulu-Natal, South Africa, suggests that it has an impact on child height for children who started receiving the grant in their first 20 months of life.¹³ Early findings from the *Kalomo cash transfer pilot scheme in Zambia* indicate that a payment of US\$6 per month to the poorest 10 per cent of households has a marked impact on households reporting an increase in daily food consumption and an 8 percent decrease in the proportion of underweight children.¹⁴

Balancing investment in demand and supply

Social transfers work best alongside investments in service provision...

The very success of social transfers in rapidly expanding access can undermine service quality unless there is also increased investment in service provision. This has been experienced with declining test scores and pupil retention in the Bangladesh FSS stipend programme¹⁵. Quality and capacity issues must be addressed in order to sustain benefits.

Clearly, social transfers are not a panacea to compensate for lack of investment in inclusive, equitable education and health systems. Even in a middle-income country such as Mexico, Oportunidades (formerly PROGRESA) only operates in those areas where there are adequate schools and clinics, and supplements government capacity with additional NGO service provision. It also allocates resources towards the costs of additional supplies of equipment, medicines and materials¹⁶. In Nicaragua, RPS provides a modest bonus to teachers per child participating in the programme, half of which pays for school materials. This calls for a high degree of cross-sectoral coordination at all levels.

Efforts to abolish user fees for health and education services, or to put in place fee waivers, are an important complement to social transfers, provided adequate measures are put in place to meet costs. This will increase the impact of both the social transfer and the fee waiver or free service policy.

...but still have a role in areas of weak service provision

Even when service delivery systems are weak, for examples in fragile states, social transfers can still play an important role in reducing vulnerability and improving health outcomes. A recent evaluation of the impact of an emergency unconditional cash transfer scheme in Somalia, for example, showed that the provision of cash grants to women not only helped the poor repay debts and improve their food intake, but also empowered them to invest in healthcare.¹⁷ If the core policy objective is to increase access to education and health services, then some combination of accreditation of non-state providers (possibly through franchising) with demand side voucher schemes may be possible. Further research is needed on the combination of social transfers and supply side interventions that is most effective in different types of fragile state.

How to decide which type of social transfers to use

Decisions about the type and value of social transfers – or combination of social transfers – are extremely context-specific. Very often, the choice and design of social transfer programmes reflects the priorities and political realities of policy-makers or donors, as much as technical feasibility, institutional capacity and affordability. The [Background Paper](#) sets out key considerations for choice of social transfer instruments:

- *Policy objectives*: Is improving human development an explicit policy objective or an indirect objective of a programme focused on reducing hunger and poverty?
- *Understanding demand*: What types of financial and non-financial barriers to access need to be addressed? What is the optimal value of transfer required to overcome barriers for vulnerable groups? Who in the household should receive transfers to maximise impact?
- *Cash or restricted spending choice*: do vulnerable people have sufficient information to make informed choices; what political pressures do governments and donors face to restrict spending choice through conditions or vouchers; what capacity to monitor compliance with conditions; is there adequate provision of quality services to tie transfers to service use?
- *Targeted and universal approaches*: What are the trade-offs between accuracy of targeting and the politics and cost of targeting? Are there existing programmes that use effective approaches to targeting (geographical, community-based, proxy means test, etc) that a social transfer scheme can also use?
- *Cost-effectiveness*: will the benefits of social transfers - in terms of human development outcomes, and also in terms of reducing hunger and income poverty, increasing women's empowerment, and promoting growth - exceed the costs of administering them?
- *Political feasibility*: what is the constituency for social transfer programmes; will financing be sufficiently predictable and long-term to sustain social transfer programmes?
- *Institutional capacity, governance and accountability*: what are the options for delivering cash and vouchers directly to people (eg. banks, post offices, health posts); which different institutions and levels of government administration need to cooperate to implement social transfers effectively and in coordination with education and health service provision?

Conditional transfers are most likely to be effective in increasing equitable access to services, where demand for child labour (opportunity cost) is high or discrimination against girls or disabled children leads to low school attendance. Where main barriers to service use are direct costs, a scholarship or stipend (covering fees) with lower administrative demands may be sufficient. It could also be complemented with a fee waiver scheme or, where appropriate, entitlement to free service provision. The transaction costs of alternative policy options will need to be calculated.

Vouchers work best when the main cost involved is paying for the service, and there are no additional out of pocket expenses involved, or people are not giving up work time to access services. Vouchers tend to be more successful when targeted to easily defined vulnerable groups, and where there is a choice of accredited service providers (public, private or NGO). They are best suited to more focused and

predictable services or products, such as vouchers for textbooks, or vouchers for sex workers to access STI treatment (Nicaragua). For these reasons, vouchers have been used more extensively in education than health. However, Bangladesh is piloting vouchers to increase pregnant women's access to the more complex area of obstetric care.

Unconditional cash transfers are more likely to impact on human development where vulnerable groups also have sufficient access to information to make informed choices about health and education. Such transfers may also have indirect benefits such as empowerment of women and socially excluded groups through increased control of household finances. Unconditional cash transfers are more appropriate where service coverage is poor. The unconditional transfers should at least improve nutrition and the physical and cognitive development of children thereby leading to better health. This would create a positive cycle with healthier and more cognitively developed young children, better able to take advantage of educational opportunities in the future if service provision improves. Further, evidence shows that people will often prioritise spending on health and education even when it is not a condition.

When deciding which transfer is more appropriate in certain conditions, it is important to keep in mind that governments have **multiple objectives**. If a government wants, for example, to provide income support to tackle poverty, tackle hunger and improve human development outcomes then both conditional and unconditional transfers would be the most appropriate choice. Vouchers are not so appropriate for achieving these multiple objectives. However, different ministries tend to have more focused objectives. Decisions around types of transfer are therefore likely to reflect the power of the individual ministries involved (eg. Ministry of Education may favour conditions whilst Ministry of Agriculture may prefer unconditional).

Implications for DFID

Encourage policy coherence and programme complementarity

It will be important for DFID to encourage sector ministries (Health and Education) and national AIDS coordinating bodies to co-ordinate their efforts with ministries responsible for social welfare/protection. It will also be important to explain clearly how social transfers are linked to education and health outcomes, and to discuss the merits of combining transfers with other policy options, such as removal of user fees.

The country-led Poverty Reduction Strategy process can provide a platform for coordinating overall social protection strategy, social policies and sector strategies that together contribute to pro-poor education and health goals. It can also provide an entry point for dialogue with sector ministries on demand-side financing to boost demand for services.

It is also important to recognise that the scope for this dialogue is often determined by the politics in the country, and decisions about whether to use social transfers are often more to do with what will be acceptable to politicians and the voting population than what is technically possible by the various sector ministries.

Support pilots and scaling up of promising initiatives to build up the evidence base

There is an urgent need to pilot, and then scale up pilots, as well as monitor and evaluate social transfers in low-income countries. DFID is keen to collaborate with other agencies on rigorous evaluations of social transfer programmes in low-income

countries to ensure that both the human development and poverty reduction objectives are addressed. Beyond this, it will be important to track country experiences such as cash transfers and vouchers for maternal health in Nepal and Bangladesh. And the comparison of education-based conditional cash transfers with unconditional schemes in Zambia – particularly as these are taken to scale.¹⁸

DFID can continue to support country partners to develop strong monitoring and evaluation systems to social transfer programmes in order to build the evidence base. Key questions include: Are conditions themselves a strong determinant of service use, or is the size of the transfer, frequency of payment, and its duration more important? What impact can social transfers have on human development where there is weak supply? What is the distributional impact of different transfer sizes on health and education outcomes? To what extent can social transfers drive up quality of services, and improve accountability of service providers to citizens? To what extent do local cultural understandings of health and education impact on the effectiveness of transfers?

References and resources

References

¹ World Bank, March 2005, *Draft World Development Report 2006: Equity and Development*.

² Rawlings L, 2004, *A new approach to social assistance: Latin America's experience with conditional cash transfer programs*. Social Protection Discussion Paper Series No 0416. World Bank.

³ UNESCO, *Education for All Global Monitoring Report 2003/04*.

⁴ See footnote 1.

⁵ Khandker Shahidur R, March 2003, *The Female Stipend Program in Bangladesh*, World Bank.

⁶ Social Development Direct/Verulam Associates Ltd for DFID, Feb 2005, *Pushing the boundaries: Girls and secondary education in Bangladesh*.

⁷ SKoufias and McClafferty, 2000, *Is PROGRESA working? Summary of the results of an evaluation by IFPRI*, International Food Policy Research Institute No 118, Washington.

⁸ Sandiford P, Gorter A et al 2002, cited in Ensor T, September 2004, *Consumer-led demand-side financing in health and education and its relevance for low and middle income countries*, International Journal of Health Planning and Management, 19, pp 267-285.

⁹ De Carvalho Filho I, 2000, cited in Gorman, 2004, *Age and Security: how social pensions can deliver effective aid to poor older people and their families*, HelpAge International.

¹⁰ *Cash Subsidies for Children Affected by HIV/AIDS – Background paper on the pre-pilot and pilot initiatives (Kenya)*, March 2005. (no author)

¹¹ Ministry of Community Development and Social Services and GTZ, August 2005, *First Monitoring Report, Pilot Social Cash Transfer Scheme, Kalomo District*.

¹² Case A, *Does money protect health status?* cited in Gorman, 2004, see footnote 9.

¹³ Department of Social Welfare 2004 study of South Africa Child Support Granted cited by Dr Ingrid Woolard at Southern African Regional Poverty Network seminar: *The impact of conditional cash transfers on human development outcomes: a review of evidence from PROGRESA in Mexico and some implications for policy debates in South and Southern Africa*, Pretoria, 27 January 2005.

¹⁴ See footnote 11.

¹⁵ See footnote 6.

¹⁶ Rawlings L, 2004, *A New Approach to Social Assistance: Latin America's Experience with Conditional Cash Transfer Programs*, World Bank Social Protection Discussion paper Series No. 0416.

¹⁷ Ali D, Fanta T, Tilleke K, 2005, *Cash relief in a contested area: lessons from Somalia*, Humanitarian Practice Network Paper, ODI.

¹⁸ GTZ has piloted an unconditional cash transfer scheme in Kalomo district. CARE will be operating one conditional and one unconditional scheme through similar government systems in Chipata and Kazangula districts. CARE, GTZ, government and DFID will agree common elements to the monitoring and evaluation systems of the pilots to allow for meaningful comparison.

Links to useful resources

- Please check Insight pages for Scaling up Services team and Social Protection team.
- Childhood Poverty Research and Policy Centre (CHIP):
<http://www.childhoodpoverty.org>
- ELDIS Dossier on Meeting the health-related needs of the very poor:
http://www.eldis.org/healthsystems/dossiers/v_poor/
- IDPM and HelpAge International, 2003, *Non-contributory pensions and poverty prevention. A comparative study of Brazil and South Africa*:
<http://idpm.man.ac.uk/ncpps/>
- International database on Social Assistance in Low Income Countries Database (2005):
<http://www.chronicpoverty.org/pdfs/SocialAssistanceDatabaseVersion1-April2005.pdf>
- International review of consumer-led demand-side financing for health and education:
http://www.whoban.org/dsf_international_review.pdf
- Save the Children UK, HelpAge International and Institute of Development Studies, 2005, *Making Cash Count: Lessons from cash transfer schemes in east and southern Africa for supporting the most vulnerable children and households*:
http://www.savethechildren.org.uk/scuk_cache/scuk/cache/cmsattach/3604_Making_Cash_Count_final.pdf
- World Bank social protection: <http://www.worldbank.org/sp/>
- World Bank demand-side financing in education:
http://www1.worldbank.org/education/economicssed/finance/demand/demand_index.htm
- World Development Report 2006:
http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/09/20/000112742_20050920110826/Rendered/PDF/322040World0Development0Report02006.pdf

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