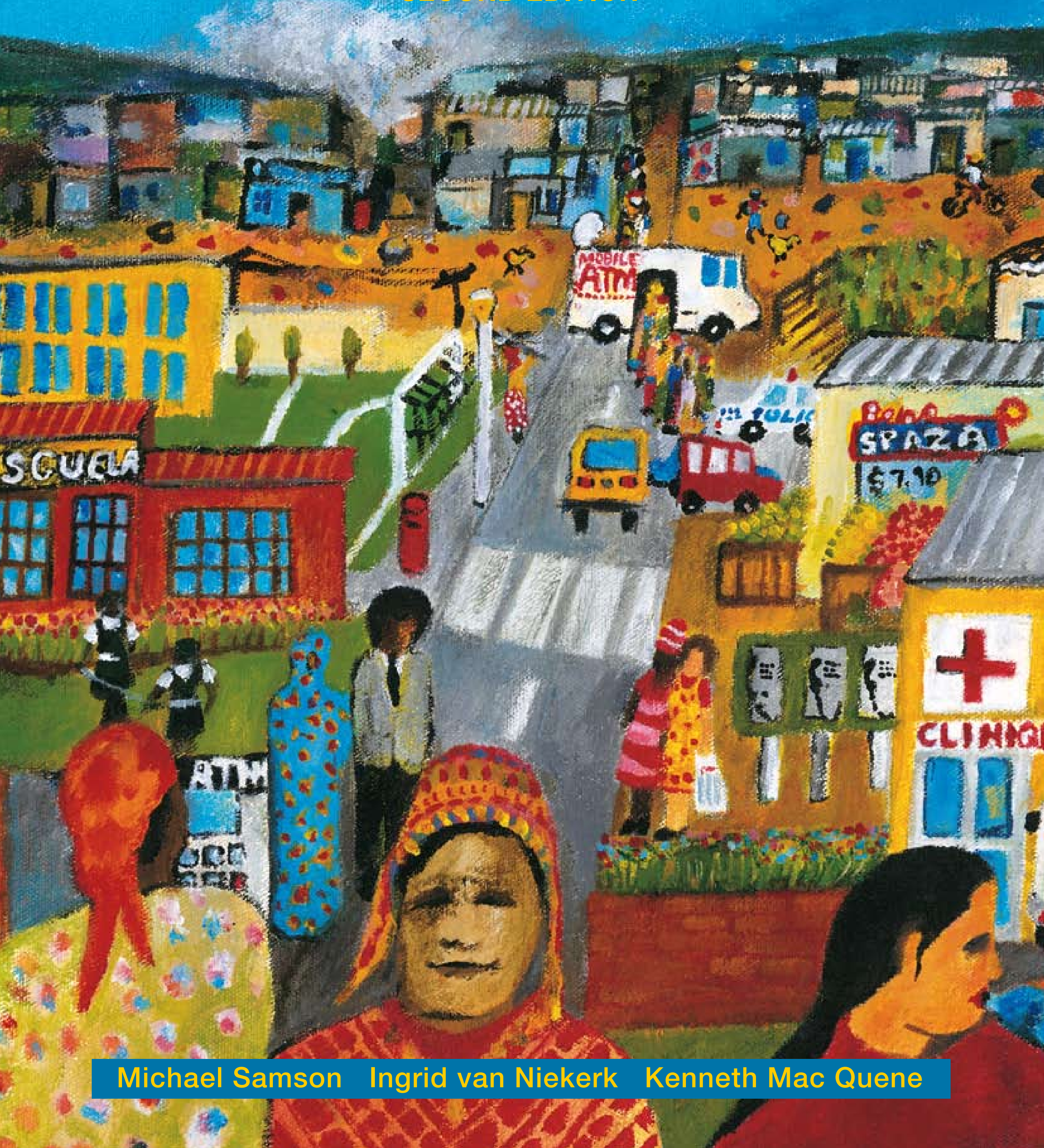
Designing *and* Implementing SOCIAL TRANSFER PROGRAMMES

SECOND EDITION



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Economic Policy Research Institute

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For our parents and our children

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List of acronyms

AIDS	Acquired immune deficiency syndrome
APWDW	Assistance Programme for Widowed and Destitute Women (Bangladesh)
ARV	Anti-retroviral
ATM	Automated teller machine
AusAID	Australian Government Overseas Aid Programme
BDH	Bono de Desarrollo Humano – Human Development Bond (Ecuador)
BFA	Bankable Frontier Associates
BFP	Bolsa Familia Programme (Brazil)
BRAC	The Bangladesh Rural Advancement Committee (Bangladesh)
CAS-PASIS	Pension Asistencial – Pension Assistance Programme (Chile)
CCT	Conditional cash transfer
CD4	CD4 cells are also known as T-cells, and help the body prevent infection
CEF	Caixa Econômica Federal – public sector bank (Brazil)
CPU	Central Programme Unit within the Ministry of Home Affairs (Kenya)
CRIMP	Central Region Infrastructure Maintenance Programme (Malawi)
CSG	Child Support Grant (South Africa)
CV	Curriculum vitae
DCO	District Children's Office (Kenya)
DDR	Disarmament, Demobilisation and Reintegration programme
DECT	Dowa Emergency Cash Transfer Programme (Malawi)
DFID	Department for International Development (United Kingdom)
DRC	Democratic Republic of the Congo
EGS	Employment Guarantee Scheme (Maharashtra, India)
EPRI	Economic Policy Research Institute (South Africa)
EPWP	Expanded Public Works Programme (South Africa)
FAO	Food and Agricultural Organisation
FFW	Food-For-Work Programme (Bangladesh)
FRA	Fiduciary risk assessment
FSD	Financial Sector Deepening (Kenya)
G20	Group of 20

GAPVU	Gabinete de Apoio à População Vulnerável – loosely translated as "the Cash Payments to War-Displaced Urban Destitute Households Programme" (Mozambique)
GDP	Gross domestic product
GPRS	General packet radio service
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit – German Society for Technical Co-operation
HIV	Human Immunodeficiency Virus
HSN	Hunger Safety Net Programme (Kenya)
ICT	Information and communications technology
IFPRI	International Food Policy Research Institute
IGVGD	Income Generation for Vulnerable Groups Development (Bangladesh)
ILO	International Labour Organisation
IMF	International Monetary Fund
IPC	International Poverty Centre
IT	Information technology
LEAP	Livelihoods Empowerment Against Poverty (Ghana)
LIWP	Labour Intensive Works Programme (Afghanistan)
M&E	Monitoring and evaluation (impact assessment)
MASAF	Malawi Social Action Fund (Malawi)
MBS	Ministry of Social Welfare (Ecuador)
MCDSS	Ministry of Community Development and Social Services (Zambia)
MDGs	Millennium Development Goals
MDS	Ministry of Social Development and Hunger Eradication (Brazil)
MIS	Management information system
MLD	Ministry of Local Development (Nepal)
MOHA	Ministry of Home Affairs (Kenya)
MWCSW	Ministry of Women, Children and Social Welfare (Nepal)
NAPWA	National Association of People with AIDS
NFBS	National Family Benefit Scheme (India)
NGO	Non-governmental organisation
NPA	National Plan of Action on Youth Employment (Nepal)
NPC	National Planning Commission (Nepal)
NREGA	National Rural Employment Guarantee Act (India)
OAAS	Old Age Allowance Scheme (Bangladesh)
OECD	Organisation for Economic Co-operation and Development
OIBM	Opportunity International Bank of Malawi
OVC	Orphans and vulnerable children
PATH	Programme for Advancement through Health and Education (Jamaica)
PESP	Primary Education Stipend Programme (Bangladesh)
PETI	Programa de Erradicação do Trabalho Infantil – Programme for the Eradication of Child Labour (Brazil)
PFMA	Public financial management and accountability

PHECS	Palestinian Housing Expenditure and Consumption Survey (Palestine)
PIN	Personal identification number
PISA	Poverty and social impact analysis
POS	Point-of-service
PPP	Purchasing power parity
PPS	Social Protection Programme (Ecuador)
PRAF	Programa de Asignacion Familiar – Family Allowances Program (Honduras)
PRBS	Poverty reduction budget support
PROCAMPO	Programa de Apoyos Directos a la Agricultura – Programme for Direct Assistance in Agriculture (Mexico)
PROGRESA	Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Programme (Mexico)
PSIA	Poverty and social impact analysis
PSNP	Productive Safety Net Programme (Ethiopia)
PSP	Payment service provider
PVA	Poverty and vulnerability assessment
RFP	Request for proposal
RMP	Rural Maintenance Program (Bangladesh)
RPS	Red de Protección Social – Social Safety Net Programme (Nicaragua)
SASSA	The South African Social Security Agency (South Africa)
SBP	State Bank of Pakistan (Pakistan)
SEDESOL	Secretaria de Desarrollo – Secretariat for Social Development (Mexico)
SENARC	Secretaria Nacional de Renda de Cidadania (Brazil)
SIM	Subscriber identity module
SISBEN	Sistema de Selección de Beneficiarios – System of Beneficiary Selection (Colombia)
SOAP	State Old Age Pension (South Africa)
SSNP	Social Safety Net Programme (Bangladesh)
SSP	Social Support Project (Malawi)
TCU	Tribunal de Contas da União – Brazilian Court of Audit (Brazil)
TIP	Targeting Inputs Programme (Malawi)
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNAT	Unidad de Apoyo Técnico – Technical Analysis Unit (Honduras)
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	U.S. dollars
VAT	Value added tax
VDCs	Village development committees
WFP	World Food Programme (Burundi)
ZMK	Zambia kwacha

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Chapter 1

Introduction

The objective of this chapter is to establish the purpose and context for the guide and to introduce the key issues. This chapter also defines the main terms, discusses the main options for social transfer instruments, provides examples of them, and discusses the preconditions for social transfers.

The role of social transfers

Over the past ten years national governments, development partners and international organisations have focused on increasing investments in social transfer programmes (including social pensions, grants for children and families, public works schemes and other programmes). These initiatives have documented substantial impact in achieving the Millennium Development Goals and other social and human development impacts. Social transfers not only tackle income poverty; they also provide effective support for broader developmental objectives. Households in developing countries spend social transfer income primarily on food, improving nutritional outcomes. In many countries, social grants are distributed largely to women, promoting empowerment and more balanced gender relations. Better household living standards facilitate education and improve health outcomes – particularly for women and children. Social transfers also play a role in the protection strategy for those afflicted by HIV/AIDS, malaria and other debilitating diseases. Long a vital tool for industrialised countries, social transfers are increasingly recognised as an essential policy element for low- and middle-income nations.

The triple F crisis (food, fuel, financial) that peaked in 2008-09 and the ongoing economic downturn have intensified interest in appropriate social protection responses to address current and future vulnerability. The global economic downturn has inflicted a cycle of shocks affecting poor and vulnerable people in low- and middle-income countries. Preceding shocks contributed to surging food and fuel prices that eroded the purchasing power of the limited incomes of poor people. The economic downturn threatens slowing or negative economic growth, falling remittances, eroding public capacity and potentially falling international aid. The global economic downturn affects the fiscal space not only of affected developing countries but also industrialised countries that provide development partner support (as well as global demand driving economic growth).

The downturn thus increases the demand for social protection (and a range of other responses) while simultaneously limiting fiscal capacity to respond – and triggering global economic changes that create additional negative pressures on pro-poor growth. Social transfers in particular have attracted attention in a number of countries as a cost-effective alternative to less effective responses such as generalised subsidies that are often expensive, poorly targeted and prone to creating economic distortions. This book complements a toolkit aimed at supporting policy decision-making that strengthens appropriate social protection responses to economic shocks and ensures continued progress against a range of MDGs.[1]

In addition to their vital social contribution, social transfers can support critical economic objectives. Many of the world's fastest growing economies over the past several decades have built social protection into their policies at early stages because of its potential to increase productivity, foster economic growth and wealth creation, and contribute to stabilising domestic demand. The failure to provide appropriate social protection limits prospects for growth and development at the very foundation of society because household poverty undermines children's nutrition and educational attainment, limiting their future prospects.[2] Poverty traps individuals and households – even entire countries – stifling human dignity and eroding potential. Poverty reproduces itself generation after generation, challenging policy makers to take imaginative and bold steps to transform their nations. Social transfers are increasingly acknowledged as an effective tool to reduce this inter generational poverty:

> "The Commission for Africa identified social transfers as a key tool in tackling extreme poverty in sub-Saharan Africa… The greater use of social transfers in developing countries worldwide is endorsed by the World Bank's World Development Report for 2006 which recognises their potential impact on poverty and inequality as well as their contribution to promoting and distributing growth."[3]

More recently, the global Group of Twenty (G20) committed $50 billion to support social protection responses to the global economic downturn, recognising the "disproportionate impact on the vulnerable in the poorest countries" and the "collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential".[4] Development partners have increasingly prioritised access to social protection programmes for the poorest people in developing countries. For example, the U.K. government's Department for International Development's White Paper committed to help build social protection systems to support fifty million people in over 20 countries from 2009 to 2010. The Australian government's development agency (AusAID) has also established social protection as one of its new development priorities and is emerging as a leader in this sector in many countries, particularly in Asia and the Pacific.

This guide aims to assist government policy-makers and donor agency officials in designing, implementing and managing cash-based social transfer programmes. This guide is also of use to policy advocates who require evidence of the feasibility and desirability of social transfer programmes. More information on the benefits and challenges of social transfers is available in the DFID 2005 Practice Paper, "Social transfers and chronic poverty: emerging evidence and the challenge ahead".

This guide is part of an evolving global resource base that supports more effective social protection interventions. For example, OECD's Povnet recently published a policy guide on social protection and pro-poor economic growth which assesses the global lessons of experience on a broad range of social protection instruments.[5] The U.K. Government's Department for International Development has supported the development of several toolkits promoting more effective design and implementation of social protection interventions. The World Bank has recently published a book on the design and implementation of social safety nets.[6]

This guide benefits from the models and analysis of the existing literature, as well as the growing evidence base on social transfer programmes that has expanded substantially over the past several years. This guide updates and expands on the lessons of the first edition of this book, published in 2006 and distributed in over a hundred countries in Africa, Asia, Latin America and Eastern Europe.

The definition of cash-based social transfers

Cash-based social transfers are operationally 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.[7] The transfers can be unconditional, conditional on households actively fulfilling human development responsibilities (education, health, nutrition, etc.), or conditional on recipients providing labour in compliance with a work requirement. The transfers can be universal, or explicitly targeted to those identified as poor or vulnerable. (The terms "transfers", "cash transfers" and "social transfers" are used interchangeably throughout this guide.)

Box 1.1: The role of social transfers in alternative frameworks for social protection

Cash-based social transfers provide a critical element for reducing vulnerability to poverty, regardless of the framework within which one understands social protection. A transformative approach defines social protection broadly, as "the set of all initiatives, both formal and informal, that provide: **social assistance** to extremely poor individuals and households; **social services** to groups who need special care or would otherwise be denied access to basic services; **social insurance** to protect people against the risks and consequences of livelihood shocks; and **social equity** to protect people against social risks such as discrimination or abuse" (Devereux and Sabates-Wheeler 2004). Alternatively, the social risk management approach focuses more explicitly on human capital and income risks, defining social protection as "a collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old-age insurance to targeted income support. Social protection interventions assist individuals, households, and communities to better manage the income risks that leave people vulnerable" (World Bank 2004e).

Both frameworks (and many others) include essential roles for social transfers, which can operate at several levels. In the first approach, social transfers can be understood to support protective, preventive, promotive and transformative impacts. The dimensions of the social risk management framework can be compared to the transformative approach, as illustrated in the table below. Using risk management terminology, social transfers reduce poverty in three major ways: (1) enabling risk coping, (2) facilitating risk management and (3) promoting risk reduction.

The broader social protection context

Social protection rests on three pillars: social insurance (individuals pooling resources to provide support in the case of a shock to their livelihoods), social assistance (non-contributory transfers distributed on the basis of vulnerability or poverty), and the effective protection of minimum standards in the workplace.[8] Social transfers support the second of these pillars and are the main type of social assistance used in developed countries. They are increasingly recognised as the key to social solidarity and development in low- and middle- income nations. Cash-based transfers aim to provide social protection, which is defined as those "public actions – carried out by the state or privately – that address risk, vulnerability and chronic poverty."[9]

Social transfers provide an important risk management tool for the poor at three levels: they reduce the poverty resulting from shocks (drought, floods, sudden food price increases, and others), reduce vulnerability, and strengthen coping mechanisms.[10] Social 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 transfers help them cope with the shock. At the household level, transfers reduce risk by providing the security of a guaranteed minimal level of income. This better enables poor households to send children to school because they can afford for the child not to be working, as well as 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

Transformative Social Protection	Social Risk Management	Role of social transfers
Protective	Risk coping	Social transfers provide cash income to enable households to address the worst consequences of poverty. Even short term public works projects or temporary transfers provide important protective value, enabling households to cope (at least temporarily) with the circumstances of poverty.
Preventive	Risk mitigation	Social transfers can prevent poverty shocks from devastating households, mitigating the adverse consequences. Employment guarantee schemes and targeted programmes include many elements of risk insurance, helping to keep households from sinking deeper into poverty.
Promotive and transformative	Risk reduction	Social transfers strengthen the economic power of households, potentially enabling workers to negotiate higher wages. Transfers support accumulation of assets, particularly human capital. Public works programmes create productive infrastructure. The macroeconomic stabilisation effects of transfer programmes reduce the intensity of poverty shocks.

TABLE 1.1 Dimensions of alternative approaches to social protection and the role of transfers

SOURCES: Devereux and Sabates-Wheeler (2004).

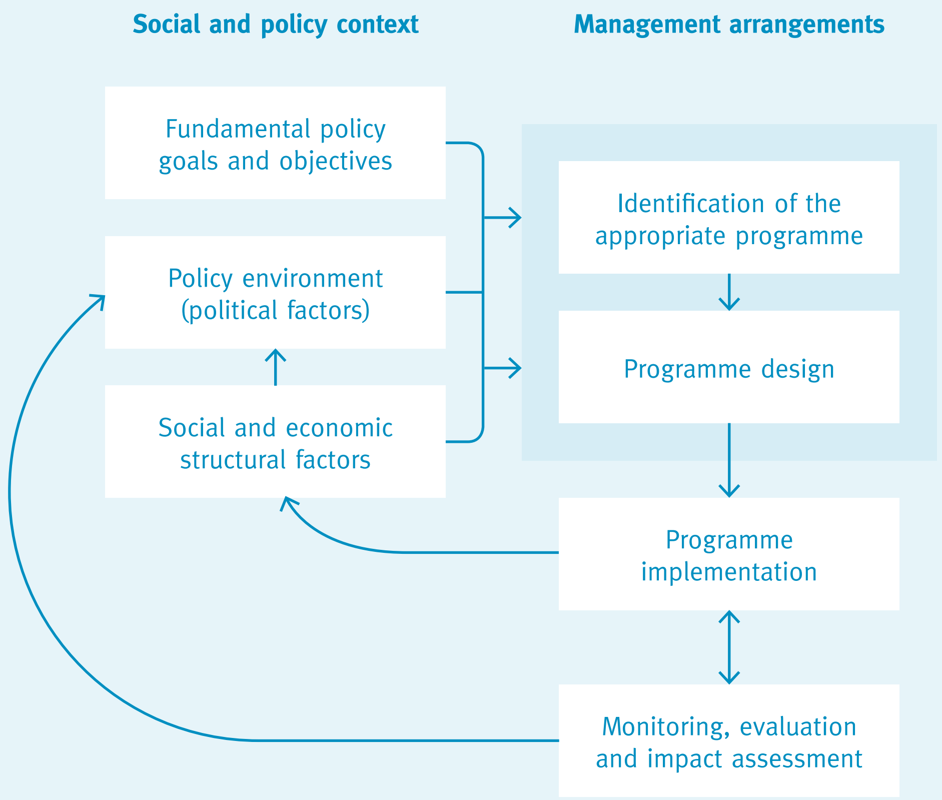
education in order find higher wage employment. The time and travel costs of job search – with its unpredictable outcomes – can lock vulnerable workers into poverty traps. Social transfers provide a coping mechanism for the least fortunate, supporting a minimal level of subsistence and allowing them to invest time and money to improve their chances of getting better employment. Box 1.1 discusses the role of social transfers in alternative frameworks for conceptualising social protection.

Countries around the world effectively build cash transfers into broader social protection strategies. Brazil complements investments in health and education with several social transfer programmes that promote social protection. Community referral centres identify, monitor and address the needs – both cash and non-cash – of the vulnerable, supporting social inclusion and poverty reduction.[11] In South Africa, the government's integrated approach combines social transfers with guaranteed access to basic social services, successfully reducing poverty and laying a foundation for future development.[12] Increasingly, policy-makers recognise the essential role for cash transfers in a comprehensive system of social security.

Overview of the guide: how do you manage social transfer programmes?

"Management arrangements" refer to the selection, design, implementation, monitoring, evaluation and impact assessment of a programme of social transfers aimed at providing social protection. This guide includes chapters on each of these major elements, with additional chapters addressing special

Box 1.2: Management arrangements and the social and policy context



features of specific classes of social transfer programmes (conditional cash transfers and public works).

The management arrangements of social transfer programmes reflect the social and policy priorities of government. The inter-relationships between management arrangements and this social and policy context are illustrated in Box 1.2. The policy environment and social and economic structural factors influence and constrain the design and implementation of the programme. Programme design largely determines implementation, which over time has an impact on social and economic factors – particularly poverty, vulnerability, human development and economic growth. Monitoring, evaluation and impact assessment reflect programme implementation, and can provide feedback for improving delivery. In addition, positive social and economic impacts as well as effective evaluations can strengthen the policy environment – and lead to further programme expansion.

An overview of the types of social transfers covered by this guide

This guide distinguishes three types of social transfer programmes with important operational distinctions: unconditional transfers, conditional cash transfers (also know as "cash for development" programmes), and public works schemes. These categories include most of the non- contributory cash-based transfers commonly used in developing countries. This guide does not cover food assistance programmes (such as food stamps), contributory social insurance programmes (such as unemployment insurance), or programmes that provide social services.

Unconditional transfers

Unconditional social transfers are regular, non-contributory payments of money provided without active conditionalities by government (or non-governmental organisations) to individuals or households, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. "Without active conditionalities" means that no one in the household of the recipient is expected to undertake an activity (like work, school attendance, etc.) in exchange for the transfers. ("Unconditional" does not exclude administrative requirements, such as proving one's identity or qualifications for the programme, or preclude the employment of targeting mechanisms such as age or income.)

Unconditional transfers include social pensions, child support grants, family assistance, widows' allowances and grants for people with disabilities. Social pensions are non-contributory cash grants to older people, provided either universally (subject to age requirements) or with eligibility determined by a means test. Examples include pension programmes in Bangladesh, Brazil, Lesotho, Namibia, Nepal and South Africa. Child and family allowances provide cash (or near-cash[13]) transfers to poor households or families. Examples include South Africa's Child Support Grant, Namibia's Child Maintenance Grants and Foster Parent Grants, Zambia's Kalomo pilot cash transfer scheme, and Kyrgyzstan's Unified Monthly Benefit. Examples of other types of programmes – such as Disability Allowances and Widow's Allowances – include India's National Family Benefit Scheme (NFBS), Bangladesh's Assistance Programme for Widowed and Destitute Women (APWDW), Brazil's disability assistance programmes, and Namibia's and South Africa's disability grants. South Africa's system of unconditional grants is described in Box 1.3.

Unconditional cash transfers have significant advantages over alternative vehicles for social protection. With potentially lower administrative costs, they promise the least-cost solution to poverty reduction.[14] Unlike subsidies, they do not distort the price system. Unlike in-kind transfers, they enable households to decide on and meet their most critical needs. Further, it is easier to predict the budget for cash transfers than in-kind transfers because the benefits are fixed and do not depend on volatile commodity prices. Transfers can also help to provide one more macroeconomic stabiliser, since the net benefits to the poor tend to increase during a recession or in the face of an economic shock.

Unconditional transfers also pose important challenges to social analysts and policy makers. Information on their social and economic benefits is not always readily available, making the task of mobilising political support a

Box 1.3: South Africa's system of unconditional social grants

South Africa's system of unconditional social grants is the government's most effective intervention for reducing poverty, directly benefiting over ten million people while supporting household development and socio-economic progress. Poverty in South Africa continues to bear the imprint of apartheid's legacy – racially and spatially biased, and deeply embedded in a skewed allocation of social and human capital. According to the government's *Labour Force Survey*, in 2004 over half the households subsisted on expenditure of less than US$130 per month (with an average household size of 4).

Social security in South Africa consists of targeted social grants that provide support for older people, individuals with disabilities and children under the age of fourteen. The grants are fairly large by developing country standards: the social pension and disability grant are approximately equal to the household poverty line, while the child support grant is approximately a dollar per day. The Department of Social Development enforces an income-based means test, which varies according to the type of grant, the marital status of the beneficiary and other characteristics.

Up until a few years ago, problems with the targeting mechanisms created severe bottlenecks. Surveys of provincial social development offices identified contradictory interpretations of the means tests, and conditionalities for the child support grant severely undermined take-up. Single parents of a qualifying child had to provide 'proof of efforts' to obtain private maintenance from the other parent, proof of immunisation and health clinic registration, and proof of efforts to secure employment or to join a development programme. In 2000, 90.7% of poor children failed to receive the child support grant, and these children were concentrated in the poorest provinces. A study in 2001 of one of the country's poorest regions found less than 5% of qualifying children received the grant – in spite of such severe poverty that children in the sampled households were hospitalised for severe malnutrition.

In 2000 the South African Cabinet appointed a Committee of Inquiry into Comprehensive Social Security (the Taylor Committee), which examined the shortcomings of the existing system. Under the leadership of Prof. Viviene Taylor, the Committee recommended the introduction of a universal grant to all South Africans, beginning with the extension of the child support grant to all children. Following the government's acceptance of the report, the Department of Social Development extended the grant from age seven to age fourteen, doubling its scope. In the 2002 State of the Nation Address, President Thabo Mbeki announced a government-led campaign to "register all who are eligible for the child grant". A few weeks later the National Treasury declared a 45% increase in the size of the child support grant. Relaxation of the burdensome targeting mechanisms and conditionalities kicked away the stumbling blocks, and delivery accelerated.

In the 2003 State of the Nation address, the President also reinforced his support for the ongoing effort by publicly thanking all those "who had rolled up their sleeves to lend a hand in the national effort to build a better life for all South Africans", citing first "the campaign to register people for social grants". By 2004 the take-up rate

challenge. If targeted, poorly designed mechanisms can create distortions. Social transfers establish a new contract between citizens and the state – which means the government must be prepared to commit the resources necessary for a sustainable programme.

Conditional cash transfers (cash for human development programmes)

Conditional cash transfer programmes, often referred to as "cash for human development programmes", link monetary compensation to active compliance with health or education conditionalities. Proving support directly to households, they serve the same traditional functions as unconditional for the child support grant had risen six-fold to 58%. The President's unequivocal commitment sent a clear message to the bureaucracy that social grants provided the central pillar for the poverty eradication strategy. Today, the grants are fairly well targeted, both geographically and at a household level. Less than one-fifth of the grants are paid to households with expenditure in excess of approximately US$200 per month. Nevertheless, gaping holes riddle the safety net. More than half the poorest households receive no social grants, mainly because no one in the households meets the targeting conditions.

Social grants are financed through general tax revenues collected on a national basis. The grants are directly deposited into a beneficiary's bank account – or more frequently, given South Africa's exceptionally high personal banking fees and low rates of bank access for the poor, they are paid in cash at specified pay points. Legislation in 2004 established a national government social security agency, centralising responsibility from the provinces. While the national Department for Social Development remains accountable for social security, the agency becomes the implementing provider, managing and administering grant delivery, while the department acts as assuror. As assuror, the Department develops and implements policies, norms and standards, and monitors and evaluates the impact and quality of the Agency's service delivery. High priorities include a more effective national information management system, delivery-improving infrastructure, improved economies in grant payments and fraud reduction.

Extensive evaluations have documented the substantial impact of social grants. Children (particularly girls) in households receiving grants demonstrate better weight-for-height indicators, improved nutrition, less hunger and better school attendance than children in comparable households that do not receive grants. Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants. Analysis of household survey data shows that the grants reduce South Africa's poverty gap by 47%.

Social grants also provide potential labour market participants with the resources and economic security necessary to invest in high-risk/high-reward job search. Workers in households receiving social grants have higher labour force participation rates and greater success rates in finding employment than those in comparable households not receiving grants. The redistribution of spending power from upper income groups to the poor shifts the composition of demand toward labour intensity and domestic production, improving the demand for labour and the trade balance. The tripling of spending on social grants since 2000 has been associated with South Africa's longest economic expansion in decades, low inflation, a trade surplus in spite of an appreciating currency and the first significant upturn in job creation since the dawn of the nation's democracy. Social grants not only reduce income poverty – they support sustainable social and economic progress. South Africa's experience demonstrates that investments in social grants are developmental.

SOURCE: Samson et al (2005).

transfers, aiming to decrease chronic or shock-induced poverty, provide social protection, address social risk or reduce economic vulnerability. However, the conditionalities endeavour to provide a further impact: by encouraging the accumulation of human capital through education, health and nutrition, the programmes aim to break the inter-generational transmission of poverty. In order to obtain the transfer, households must actively satisfy certain conditions, such as ensuring their children attend school regularly or visit health centres. The cash provides immediate social assistance, and the compliance with conditionalities can foster longer-term investments in human capital.[15] In addition, these programmes are often linked to infrastructure investment

Box 1.4: Mexico's Oportunidades conditional cash transfer programme

Mexico's *Oportunidades* programme provides incentives for poor families to invest in *human capital* – education, health and nutrition – in order to improve their long-term economic prospects and reduce future poverty. The incentives take the form of cash transfers to households, where payment depends on clinic visits and school attendance. By providing social transfers to promote human capital investment, the scheme aims to reduce both current and future poverty. Government officials in different ministries conceived the programme with strong presidential support, and education, health, finance, and social security ministries collaborate effectively on the operation of the scheme. Originating as Progresa (the Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Programme) in 1997, the programme was renamed Oportunidades in 2002.

Oportunidades pays cash grants, usually to the mother or female family head, for each child (21 years old or younger) enrolled in school from the third primary grade to the third grade of high school. The benefits increase at higher grades (this is not because older children have greater priority for poverty reduction but because they are more likely to leave school in order to work). Likewise, grants for girls are higher than for boys in secondary school because of the higher female drop-out rate. Health and nutrition components provide incentives and resources for basic health care (particularly preventive care) and improved food consumption, including supplements for pregnant and lactating women and young children. More than five million families (both rural and urban) benefit from Oportunidades, and the Mexican government has committed approximately half of its poverty reduction budget to this programme. Mexico borrowed its largest-ever loan from the Inter-American Development Bank – one billion dollars – in 2002 in order to help finance the expansion of the programme.

The targeting process required three steps. Census data provided a statistical measure of deprivation that identified the poorest communities. Within these geographically targeted areas, household surveys provided proxy indicators of poverty that fed a statistical analysis identifying those most likely to be poor. The third stage involved

initiatives that improve the supply of educational and health services.[16]

Established examples include Brazil's Bolsa Familia, which consolidated four similar pre-existing programmes, and Mexico's Oportunidades programme (formerly Progresa, and described in Box 1.4). Other countries in Latin America and the Caribbean have followed these models, setting up similar programmes in Ecuador, Honduras, Jamaica and Nicaragua. While less common outside of Latin America, the approach has been adopted in Bangladesh and pilots have been established in some African countries.

While this social transfer vehicle is relatively young, and further critical evaluations are required, the initial evidence on social impact makes it a popular option for social policy analysts.[17] Evaluations of conditional cash transfer programmes in several Latin American countries document positive impacts on health and education. Successful programmes can be administratively efficient and fairly well-targeted, and most of them integrate monitoring and evaluation into the design and implementation phases of the project with successful results. The programmes tend to promote linkages across social sectors in order to meet the needs of the poor.[18]

However, there is a strong argument against conditional transfers because the imposition of conditionalities may unnecessarily undermine household autonomy and presumes that the poor will not make rational choices that a community meeting to review and approve the list of selected households. In practice, the combination of geographical targeting, proxy means tests and community participation initially led to under-coverage of poor households, particularly since the programme failed to serve areas without health and education services (usually the poorest and most remote areas).

Evaluations showed that organisers of community reviews sometimes invited only selected beneficiaries and generally failed to encourage the participation of non-beneficiaries, potentially turning the reviews into legitimising exercises rather than checks on transparency and accountability. A common perception at the grassroots level was that the targeting system often excluded the poorest households and sometimes included non-poor households. While some mis-targeting is a natural consequence of the statistical errors of a proxy means test, practical problems with surveying exacerbated the problem. Survey techniques suffered from language problems, biases in reporting income, the poor being away from home or not answering their door, and a lack of sufficient follow-up.

Oportunidades invests considerable resources in a rigorous evaluation process, whose positive results have strengthened the programme's political legitimacy, won international recognition and supported its expansion. While the use of randomized experiments has generated some controversy, the political benefits have exceeded their costs. The results have documented increased school enrolments (particularly at the secondary level), better nutrition and improved health. Oportunidades combines three key mechanisms: grants that increase the income of poor households, awareness promotion that emphasises the importance of human capital, and conditionalities that link the two – making the grants conditional on behaviours that reinforce human capital development. The evaluations have successfully demonstrated that all three of these ingredients together can generate very positive results. However, the studies so far have been unable to identify which is most important – the income, the awareness or the conditionality.

SOURCES: Britto (2005), World Bank (2004d), Santibañez et al. (2005).

improve their livelihoods. Policy analysts point out that the transfers do not always reach the poorest. Conditional transfers depend on the presence of adequate health and education services. Areas where services are poor are often inhabited by the country's most vulnerable people, and these areas may well not be chosen for conditional transfer schemes. The monitoring requirements can be administratively burdensome, particularly in lower income countries.[19] In addition, the conditionalities can be costly for the households to satisfy, particularly for the very poor.

Public works

This guide defines "public works" as programmes that involve the regular payment of money (or in some cases, in-kind benefits) by government or non-governmental organisations to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. Examples include Argentina's Trabajar public works programme, Bangladesh's Cash-for-Work and Food-for-Work public works programmes, Ethiopia's Productive Safety Net Programme, India's Employment Guarantee Scheme in Maharashtra (described in Box 1.5), Malawi's public works programmes run by its social fund (MASAF), and South Africa's Expanded Public Works Programme (EPWP).

Box 1.5: The Maharashtra Employment Guarantee Scheme (EGS)

India's Employment Guarantee Scheme (EGS) in the state of Maharashtra aims to address the problem of transient poverty during the agricultural lean season. The programme provides guaranteed employment at a subsistence-level wage while constructing productive infrastructure and other assets. The developmental projects seek to address short-term poverty while supporting longer-term development. The work requirement and the low wage intend to target the poor – and the exclusionary impact on those unable to work is offset somewhat by the government's social pension and food subsidies.

In order to participate, individuals must register a "demand for work" with the local village authority, which is then obliged to offer work within 15 days or else to provide an unemployment allowance. The work project site must make available potable water, childcare, first aid, a shaded place for rest breaks, and other amenities. Projects must be labour-intensive, spending at least 51% of their budget on unskilled labour. In addition, they must generate productive assets, with a priority given to water conservation. The law requires the creation of a new project when at least 50 workers who have demanded jobs cannot be accommodated in existing public works.

Committees at the state, district and block council (Panchayat Samiti) levels implement the Employment Guarantee Scheme. The Panchayat Samiti is an elected block council which plans, co-ordinates and implements development policy initiatives and social welfare programmes of the state government. The state Planning Department manages overall responsibility for the programme, with district-level authority vested in the Collector, who receives quarterly budget allocations from the state. Dedicated taxes (including taxes on urban formal sector employees), together with a matching contribution from the state government, finance the scheme. Launched in 1965, the government expanded the programme after the extended drought in 1971 and legally institutionalized it with the Employment Guarantee Act of 1979. The most

Public works programmes are particularly appropriate for addressing transient poverty by employing workers whose employment or livelihoods are disrupted by a seasonal, climatic or economic shock or cyclical downturn. Public works can be productive, holding the potential to create valuable assets that further reduce poverty or otherwise contribute to programme cost-effectiveness. The projects often have political appeal, supporting their implementation and sustainability. The project orientation facilitates geographic targeting to areas of high unemployment and poverty.[20]

Offsetting these advantages are several potential pitfalls.[21] Often they are expensive and difficult to administer, taxing government capacity. They are not appropriate for many of the most vulnerable (children, older people, those with disabilities) who are unable to accept the kind of employment offered. In some countries the work requirement fosters a gender bias. It is often difficult to target those of the poorest who live in remote and inaccessible locations. In most cases the projects offer employment of only a short duration, which undermines the delivery of a sustainable social impact. Sometimes the assets created by the projects are of poor quality, failing to contribute the expected productivity impact.

Public works programmes are more likely to succeed when the link between poverty and unemployment is exceptionally strong. Since most programmes offer only short-term employment, they are more appropriate for transient rather than chronic poverty.[22] It is also important that the value of assets produced through public works substantially offset the cost of the programme.

significant poverty reduction programme in the state of Maharashtra, the scheme created 90 million person-days of employment in 1997.

Reaching the poor, however, has posed significant challenges. From 1979 to 1989, the non-poor participation rate rose from 39% to 55% while the proportion of the poor not participating rose from 81% to 86%. Low overall participation rates do not reflect a lack of demand for jobs, but rather complicated registration procedures, inaccessible work-sites and poor programme management. The proportion of female participation significantly lags their share of registration due to the programme's failure to provide childcare, discriminatory wages and the particular burden long distances to work sites place on women. Many of the benefits of the productive assets accrue to large landholders, encouraging their political support but missing an opportunity to accelerate pro-poor development.

Nevertheless, the programme provides substantial benefits. Studies of household data indicate that the employment guarantee has contributed to higher market wages for agricultural workers – both through the improved productivity generated by the assets created, and the improved economic power and worker solidarity the programme promotes. The scheme successfully improves the income stability of poor rural households, reducing reliance on usurious credit, productive asset sales and hunger as responses to income shocks. The programme generates few disincentive effects – workers seek higher wage employment and take advantage of better opportunities when they become available. The relative success of the programme has inspired the implementation of a national Employment Guarantee Scheme.

SOURCES: Gaiha and Imai (2005), Gaiha and Imai (2006).

Public works can be an expensive way to deliver social protection. The net income gains to the workers from the Trabajar programme in Argentina have been estimated to be just a quarter of the benefits paid by the government.[23] Due to their high implementation costs, unless programmes generate substantial production-related benefits, they are unlikely to deliver social transfers in a cost-effective manner.

Public works often aim to provide a safety net – to prevent the poor from falling deeper into poverty and liquidating their assets in order to survive. Policy-makers employ public works in the face of economic shocks and natural disasters, and even for cyclical downturns in employment. For chronic poverty and deep structural unemployment, however, short term public works have limited impact. In these circumstances, regular and predictable employment aimed at creating pro-poor assets is likely to provide more effective social protection.[24]

Is a social transfer programme appropriate for my country?

While social transfers offer substantial potential to reduce poverty and foster development, the capacity of a country to deliver on this depends on several important preconditions. First, the country needs to mobilise substantial resources, either from domestic sources or through international assistance. The significant cost implies the need for political commitment to effective social

Box 1.6: Is a social transfer programme appropriate for a fragile state rebuilding from war?

During the conflict situation of the early 1990s the Government of Mozambique successfully implemented a social transfer programme supporting those disabled or displaced by the country's civil war. The scheme – known by its acronym GAPVU (Gabinete de Apoio à População Vulnerável, loosely translated as "the Cash Payments to War-Displaced Urban Destitute Households Programme") – provided very small but significant cash transfers to more than 70,000 households by 1995. Initiated in 1990 by the Ministry of Finance and later managed by the Ministry for Coordination of Social Action, its purpose was to reduce destitution in Mozambique's 13 principal urban centres.

With a staff of 92 people in 1995, GAPVU reached 16% of all households living in Mozambique's cities and towns, providing the only functioning programme to broadly address the needs of the urban poor, particularly older people and individuals with disabilities. In some areas GAPVU increased household income by up to 41%. While the transfer was very small – about US$6 per person each month – it contributed significantly to food security and promoted trading activities and supported home gardens. It reduced the headcount poverty rate by approximately six percentage points, and the poverty gap by even more.

One problem with programme implementation

protection. Practically, there must be appropriate implementation capacity to ensure automatic and robust delivery of the transfers. The government must be committed to a transparent targeting process which supports a clear understanding of the entitlements of beneficiaries.[25] A wide range of countries have effectively implemented social transfer programmes – often adapting institutional features to most appropriately address their specific circumstances. Low-income countries including Lesotho, Nepal and Nicaragua demonstrate that transfers are affordable and that the more important factor is the commitment to poverty reduction as a central policy priority.

It is difficult to identify clear standards for these preconditions. Even a small amount of resources can create a significant social impact. Nepal grants a social pension equal to approximately US$2 per month (about 10% of per capita GDP), India pays a monthly pension benefit equal to approximately US1.50, and Honduras' PRAF programme provides children with $3 per month.[26] A study of Nepal's social pension found only 1.3% of the participants believed the amount was too low to have an impact, although most agreed the programme would benefit from expansion.[27] This evidence of usefulness is corroborated by the pension's high take-up rate – over 80%.[28] While India's national social pension benefit is very low, individual states are able to increase the amount or provide other benefits, usually with a more significant impact.[29] The low benefit in Honduras' PRAF programme may explain the relatively poor performance of the scheme in achieving human capital development outcomes.[30] For unconditional social transfer programmes, low initial benefit levels may provide an affordable starting point for evolving a more developmental programme.

Likewise, implementation capacity constraints need not deter a committed government from implementing a social transfer programme. Even in fragile states – such as Nepal and early-1990s Mozambique – governments have effectively delivered social transfers. During the reconstruction period in the was the means test – the income threshold for programme eligibility was only about 25% of the poverty line. With strict enforcement, the programme would have served a tiny fraction of the poor. In practice, the means test appeared to be largely ignored, and this contributed to programme success. Another problem resulted from the urban focus – with 85% of Mozambique's population in rural areas, their exclusion limited the potential social impact.

Given the low state capacity and limited fiscal resources, the programme worked remarkably well in the first five years, but grew increasingly strained as pressures built for more rapid expansion. With overheads and administrative expenses limited to 7%, administrators and phantom beneficiaries seized opportunities for corruption, and widespread fraud caused government to suspend the programme in 1997. It re-emerged as the National Institute for Social Action programme shortly thereafter, and continued similar operations on a smaller scale. GAPVU's failure does not discredit the capacity of a fragile state to successfully implement a social transfer programme, but rather underscores the need to properly resource sound administrative systems and effective monitoring and supervision.

SOURCES: Devereux (2002b), (2003), (2005); DFID (2005); Datt et al. (1997).

early 1990s, Mozambique's GAPVU programme delivered very small transfers with a significant impact, promoting food security and significantly reducing poverty. Box 1.6 describes this programme in greater detail. Nepal chose a universal social pension to reduce the administrative burden.

In many ways, cash transfers require less government bureaucracy and administrative resources than other mechanisms for social delivery. The option of administratively feasible and affordable social transfers makes it easier for governments to consider implementing direct income support for the poorest. The critical prerequisite is the political commitment to undertake meaningful poverty reduction. The positive impact of cash-based social transfers works through market processes and reinforces them. Countries that rely on markets and face significant problems with poverty are most likely to find social transfer programmes an effective instrument for developmental social protection.

Endnotes

1 EPRI (forthcoming).
2 Asian Development Bank (2003), page 50.
3 DFID (2005), page 2.
4 Group of Twenty (2009).
5 OECD (2009).
6 Grosh et al. (2008).
7 This adapts DFID's and Devereux's definitions (DFID 2005, page 6 and Devereux et al. 2005, page 3) and incorporates McCord's definition of public works programmes (McCord 2005c).
8 DFID (2005), page 6.
9 Ibid.
10 This discussion follows the framework set out in Holzmann and Jorgensen (2000).
11 Inter-American Development Bank (2004),page 6.

12 The head of the South African Social Security Agency is on record noting that "the unequivocal commitment of the state to an integrated approach to social protection that combined on the one hand, minimum income services for vulnerable categories and job creation schemes, and on the other, guaranteed access to basic social services, had made it possible to reduce poverty considerably in some developing countries". International Social Security Association (2004).

13 This guide focuses on social transfers in the form of cash, although some countries have effectively delivered social transfers with cash-like substitutes like food stamps. Near-cash substitutes usually increase transaction costs and can create distortions, such as when households must convert food stamps into cash in order to pay for essential medical treatment. Issues with food as a transfer medium are discussed in Chapter 7.

14 These arguments are drawn from del Ninno (2005), page 6 and Blomquist (2005), page 12, but with further elaboration.

15 Lindert (2005b), page 1.

16 Sedlacek et al. (2000), page 4.

17 "In terms of results, although CCTs are quite recent initiatives, initial evaluations have shown positive effects on school enrolment and nutrition patterns". [Rawlings and Rubio (2003), Morley and Coady (2003), Guerrero (2001), Sedlacek et al. (2000); cited in Britto (2005), page 13.]

18 Rawlings (2005), page 18 and Ayala Consulting (2003), page 60.

19 Rawlings (2005), page 18.

20 For more details, see Subbarao (2003), pages 3-4.

21 For more details, see Coady et al. (2004).

22 See Jones (2005), page 2.

23 Ronconi et al. (2006), page 21; Jalan and Ravallion (1999).

24 See McCord (2005c).

25 For more details, see Schubert (2005), Hanlon (2004), Harvey et al. (2005), Rawlings and Rubio (2003), ODI (2005).

26 Rajan (2002), page 2; Barrientos and Smith (2005), pages 24–34.

27 Shresth and Raj (2003), page 43.

28 Rajan (2002), page 8.

29 Government of India (2002), page 300.

30 Glewwe et al. (2003), page 22.

Chapter 2

Analysing the policy context for social transfers

The objective of this chapter is to identify the key elements of a country's institutional and policy context that influence the choice of social transfer instruments, and to analyse the decision-making process. This chapter provides a framework for selecting an appropriate set of social transfer instruments for a country.

Policy priorities

Many developing countries place poverty reduction as a central objective of national socio-economic strategy. The translation of this rhetorical goal into action is the test of political priorities. In assessing policy priority, it is important to understand the objectives of the key role-players, both in government and in civil society. Who are the champions and allies that will push to make social protection a central issue? What are their specific interests and objectives? Is the focus of social protection income poverty or human capital development? Are there particular priority groups? What existing programmes reflect policy priorities? What are the gaps in these programmes?

Understanding the positions of those opposed to social protection can also help comprehend public priorities. Who are the adversaries of social protection? What are their concerns? Does social protection spending compete with their priorities, or are there other factors driving their positions?

Are there non-government allies? What are the risks of involving civil society? Does government have a co-operative or confrontational relationship with civil society? Civil society's role is often that of watchdog, and vigorous advocacy for the poor sometimes creates tension with government. Some civil society organisations interact closely with government, while others take a more adversarial approach. The relationship between government and relevant

Box 2.1: Key constraints

Some of the key constraints of the policy context that must be addressed include:

- Increasing government ownership of social protection initiatives;
- Moving beyond the technical and addressing the political dimensions of pro-poor policy;
- Marshalling more convincing evidence that social protection works.

A Drivers of Change study might not provide the final action plan, but it can identify common ground for policy makers and donors, promote better dialogue, and form the basis for a constructive consensus.

SOURCE: DFID (2006); Barrientos et al. (2005).

civil society groups influences how government addresses the need for social protection.

Governments balance economic and social spending priorities, and we often see this trade-off intensify in times of economic downturn. The more policymakers understand the linkages between crisis impacts on the poor, and social protection and broader development priorities, the greater is their political will to implement effective interventions. The nature of the political arena and the relative power of different groups may influence choices; often pressure from elite groups decidedly influences the choice of instrument.

Mobilising political support therefore remains one of the long standing challenges in building national social protection systems. The global economic downturn provides an impetus for this political resource. In light of the economic downturn, the political costs of inaction are high, and the global policy climate favours social protection responses to the crisis. Ensuring that social protection interventions reflect the national, social, institutional and policy context both reinforces political will and, related, increases the likelihood of programme success. Credible monitoring and evaluation is also important for sustaining this political support.

The organised business community can exert an important influence on policymakers. Business organisations sometimes oppose increased social spending because the higher taxes required to finance the transfers are often borne in large part by their constituencies. Some businesses, however, clearly profit from social transfers in the immediate term, such as food industries, telecommunications, clothing and textiles. Opening the political process to their voices on this issue can help overturn the misperception that social protection is bad for business.

In order to formally assess policy priorities, policy-makers can conduct a "Drivers of Change" study, which aims to illuminate how governments work to achieve their priorities. Social expenditure reviews provide another avenue for understanding how governments allocate resources and who benefits from existing social programmes (These are discussed in Box 2.2).

Aligning a social transfer programme with the political priorities of the country requires fine balancing. Success requires political leadership – visionaries and champions – backed by appropriate interest groups who are able to initiate, institutionalise and sustain the social transfer programme.[1] At the same time, political interference can undermine programmes, particularly

Box 2.2: Social expenditure reviews

"Social expenditure reviews are a key instrument to determine fund allocations intra- and inter-sectorally, showing the administrative costs of social protection, the relative weight as compared to other social expenditures, the distribution of funds among social protection programmes; the benefit incidence and effectiveness in reaching vulnerable and poor populations; and last, but not least, distribution issues – who is paying and who benefits. The matching of the social expenditure review with the country needs assessment will provide the key to the needed social protection reforms. Social expenditure reviews, in line with the public expenditure reviews developed by governments and aid agencies, particularly ILO and World Bank, will thus be critical in assessing the effectiveness of current allocations to reduce poverty and vulnerability and discussing the options for social protection reform."

SOURCE: Asian Development Bank (2003), page 36.

around the targeting and registration processes where applicable. Effective public information campaigns can consolidate political support while reducing negative political impacts – especially when the publicity promotes transparency and is provided early in the process. Further, participation by local and institutional actors can provide vital support from the initial design phases.[2]

Policy responses

The global economic downturn poses renewed challenges to leaders in low- and middle- income countries trying to tackle the imperatives of economic development and pro-poor and inclusive economic growth. This crisis is raising the costs of reforms in countries reliant on exports and international capital for growth. Successful strategies must combine policies more efficiently than ever

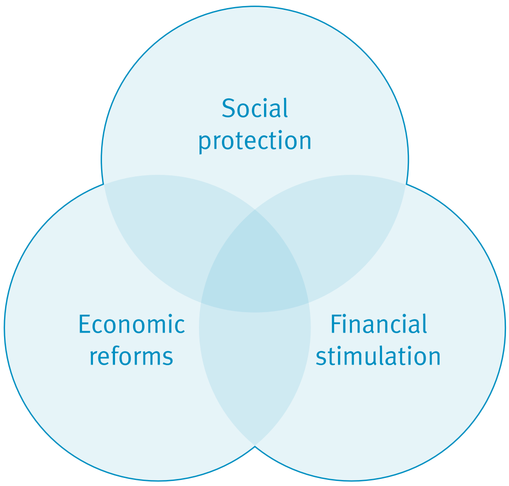


Figure 2.1 Three types of responses

to balance the necessary reforms with initiatives that offset the costs for the most vulnerable.

Social protection instruments – and social transfers in particular – constitute one set of interventions that optimal policy-making would co-ordinate with other types of responses, particularly economic reforms and fiscal stimulus. The three types of responses have overlapping impacts – many social protection interventions produce pro-poor economic outcomes. Likewise, by increasing purchasing power for groups within society most likely to spend, social protection interventions often provide effective fiscal stimulus. Similarly, economic reforms and fiscal stimulus support social protection objectives, in addition to furthering their own goals. Harmonised fiscal and economic policies better support pro-poor and inclusive economic growth, strengthening the potential of social protection to tackle poverty, risk and vulnerability while promoting developmental outcomes (see Figure 2.1).

Social protection interventions are particularly effective in promoting the necessary social and economic outcomes that constitute an effective response to the economic downturn for several reasons[3].

Social protection:

- reduces poverty and vulnerability effectively and efficiently;
- enables households to manage social risk and thereby promotes engagement in labour markets and livelihoods activity;
- builds human capital to break the inter generational transmission of poverty;
- supports consumption by the poor, reinforcing policies aimed at increasing demand to stimulate economic activity;
- provides poor people with a stake in the economy, promoting social cohesion and facilitating pro-poor economic reforms.

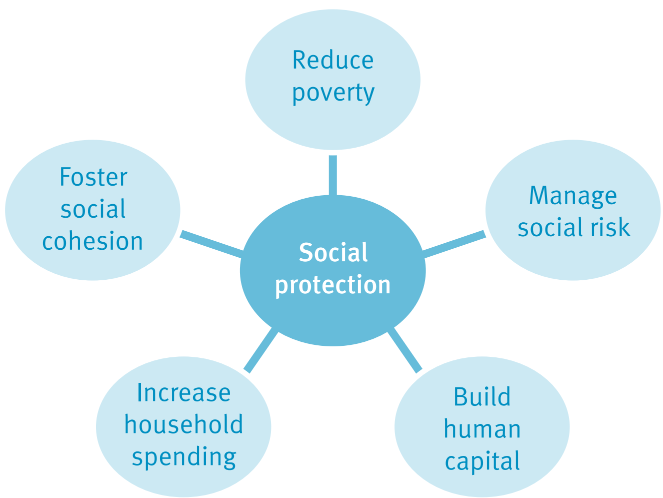


Figure 2.2 Response to economic downturn

The immediate social protection priority in the face of the economic downturn requires a focus on the rapid rollout of interventions, with the aim of protecting consumption and preventing further decline into poverty.

Social transfers within social protection strategies

Countries around the world are increasingly adopting national social protection strategies in order to better coordinate social transfers and other instruments. The goal of a national social protection strategy is to build a comprehensive social protection system that aims to tackle poverty, risk, vulnerability, exclusion and other social problems. This will promote human security and development, and contribute to pro-poor and inclusive economic growth.

Different stakeholders provide varying definitions for social protection, but an emerging consensus defines social protection as "a set of public actions that address poverty, vulnerability and exclusion as well as provide means to cope with life's major risks throughout the lifecycle" [4]. An appropriate strategy starts with either a definition or description of social protection relevant to the country's social and policy context. The diagram below illustrates some of the typical instruments governments and other actors use to provide social protection. Different definitions encompass various collections of these instruments.

A roadmap for a social protection strategy

Over the past several years, an increasing number of countries have undertaken a process of building a national social protection strategy. The aim of the strategy is usually to consolidate approaches to social protection

Public actions	Private actions
Social transfers	Remittances
Social insurance	Private insurance
Minimum standards	Voluntary standards
Access to social services	Access to private services
Other public actions	Other private actions

Figure 2.3 Instruments of social protection

into a unified and comprehensive approach that serves a number of critical objectives, and ensures that different aspects of social protection policy fit together efficiently and effectively. Social protection strategies increase the likelihood of achieving policy objectives and lower the expected cost, relative to more fragmented approaches to implementation. In addition, comprehensive strategies can enlist broader stakeholder support, since many of the benefits result from efficient policies working together, and a strategy communicates a commitment to coordination.

Different countries have adopted varying processes for developing social protection strategies, and consultations with key stakeholders in countries around the world have led to the development of a pro forma roadmap which can be adapted to suit the requirements of a specific country. The following points map out a number of principles – based on global experience with national priorities – for the process of developing a national strategy:

- The national social protection strategy will **build on an evidence base** of what works and can work for the country. This evidence base will include both global lessons of experience and evidence mobilised from the country's national programmes and social protection pilots.

- The social protection analysis that builds on this evidence base will be **both positive (scientific) and normative (values-based)**. As a result, this analysis cannot be purely technical but must reflect appropriate policy perspectives and include the active involvement of key political stakeholders.

- The process of generating evidence and analysing strategic elements requires **a broadly consultative approach** that involves all stakeholders. Understanding the country's existing evidence requires the input of many stakeholders.

- The actual process of building a social protection strategy requires **constructing a synthesis of competing ideas** based on the preceding three activities – marshalling the evidence base, positive and normative analysis and broad consultation. Synthesis requires iterative work; in some countries the cycle of evidence building, analysis, consultation and further synthesis has required two to three years of effort.

- The process can be streamlined with **effective communications** among stakeholders. A wide range of communications media can support the building of the strategy, with regular face-to-face meetings an important element of the process.

- The final stage of constructing a durable social protection strategy involves **building a consensus** on the central elements of the approach. The cross-cutting nature of social protection requires the support of key stakeholders across ministries, development partners and civil society.

Elements of a social protection strategy

Building a national social protection strategy involves national policy development; strengthening relationships within government and between government and other partners; and an ongoing process of policy co-ordination. Social protection incorporates important dynamic elements; with the implication that the social protection strategy involves ongoing activity. Nevertheless, the embodiment of a national social protection strategy is usually a document, and while different countries take various approaches to formulating this document, eight central elements provide a starting point for the components that will constitute a national strategy. The following outlines the components that an eventual social protection strategy document will include. While the elements are listed sequentially, many of the components can be developed in parallel, or with alternative sequences. This set of elements can be further revised as consultation on the social protection strategy develops.

- The first element is a statement summarising the country's **social and policy context** for social protection. This section will describe the country's current situation in terms of poverty, vulnerability and social exclusion, with a quantitative foundation. The section then identifies the high-level policy priorities that social protection will tackle.

- The second element presents a **stock-take and/or mapping of existing social protection interventions** and weighs this against the profiles of poverty, vulnerability and exclusion from the social context section in order to identify gaps. (Existing stock-takes and mappings can provide a basis for this element.) Together with the policy context from the previous section, this identifies priority areas for social protection.

- The third section mobilises **the evidence base of relevant national and international experience**. Informed by the assessment of gaps and priorities in the preceding section, this element distils lessons from the evidence base that are relevant for achieving the social protection strategy's specific objectives.

- The fourth element is the heart of the strategy, and presents **specific proposals and strategic directions for social protection**. Building on the policy aims from the first section, the specific objectives of the second section and the design and implementation lessons from the third section, the fourth element proposes a concrete plan of action. Chapters 6 and 7 of this guide provide some tools for this element of the strategy.

- The fifth integrates the social protection strategy into **the larger development planning strategy**. Specific social protection initiatives cannot succeed without complementary strategies, policies and interventions that maximise developmental impacts. Cash transfers, for example, tend to increase the demand for education and health services. Co-ordinating social protection's linkages with other sectors reduces the cost of the development strategy and increase its likelihood of success.

- The sixth element proposes the **institutional arrangements** for implementing the strategy. This involves identifying and/or building the mechanisms and institutions for overall social protection policy design and co-ordination, monitoring and evaluation and donor harmonisation. The co-ordination mechanism will involve cross-ministerial responsibilities. Institutional requirements must also specify the mechanisms and structures required for efficient and effective delivery of social protection benefits. Chapter 4 of this guide provides some tools for this element of the strategy.

- The seventh element presents **a financial plan** for the social protection strategy. Concrete recommendations must be costed, and the case must be built for the affordability and sustainability of the strategy. While detailed costings are not likely to be feasible or necessary at the strategy stage, solid fiscal analysis, micro-simulation modelling (ex ante policy analysis) and international benchmarking can provide convincing evidence of the strategy's financial viability. Chapter 11 of this guide provides some tools for this element of the strategy.

- The eighth element describes a **monitoring and evaluation (M&E) strategy for the social protection strategy**. When interventions are implemented by different government ministries, the integration function becomes significantly more important – yet the ability of the co-ordinating institution faces greater challenges. The monitoring and evaluation function can serve as a powerful tool for managing and harmonising diverse initiatives. Chapter 15 of this guide provides some tools for this element of the strategy.

These eight elements constitute the starting point for a comprehensive and actionable social protection strategy for most countries. They are aligned with international best practice, and likely to be consistent with the requirements for most countries.

Action steps towards a national social protection strategy

Work towards a national social protection strategy will require a number of steps.

The first step is to clearly define the objectives and scope of the process. In most cases it is unproductive to undertake an open-ended process of building an undefined strategy. Serial ownership of the process sometimes further complicates the challenge. Lack of clear government ownership of the process can also create ambiguities. The first step can circumvent these potential hurdles. This first step must answer:

1. Who in government has primary responsibility for the strategy process?

2. How will development partners support this? Often, a donor group or multi- donor task team can play a central role, and a donor compact may be the first step in defining the role of development partners.

3. What is social protection in the country's context?

4. What are the specific objectives of a social protection strategy for the country?

5. What are the specific elements required for a social protection strategy document? This preceding section proposes an eight-element strategy that serves as a starting point for national consultations.

Once the scope of work and relationships of key stakeholders are established, relevant parties can proceed to the second step, the establishment of a task team and project structure. This requires work at three levels: political, governmental and technical. The political work involves legitimising the technical and policy analysis and assuring the strategy's role in the policy process. The governmental level provides the main operational arm building the strategy. The technical level supports the government process of building the strategy and can provide technical assistance, research and support writing the text of the strategy document.

- The political level usually requires at least one champion, at the ministerial level, who can advocate for the role of social protection within national policy and involve other ministers where required.

- The government level requires a representative from each ministry of government central to the strategy process. Development partners are often involved at this level. The representatives serve as either a task team or reference group for the strategy document process.

- The technical level involves national and possibly international technical assistance and is largely responsible for supporting the government level. From international experience, those processes that have built capacity for national technical assistance have created the deepest impact on government policy processes. Excess reliance on international technical assistance risks creating an orphaned strategy.

Once the key role-players in the three levels are identified, the process of building the strategy can begin.

The process of building the strategy itself involves developing the agreed elements, as in the strategy identified above. Depending on the agreed elements, the operational task team – the government and technical level role-players – will undertake activities such as the following:

- To clearly identify the problems of poverty, vulnerability and exclusion that the social protection strategy should address, based on consultation with key stakeholders and informed by an empirical evidence base, and to clearly articulate the strategy's goal in terms of social protection.

- To compile and analyse an evidence base that includes a vulnerability and risk profile and that supports a rational prioritisation of the country's critical social protection needs, based on quantitative evidence. The vulnerability and risk profile will identify the main causes of vulnerability and social risks, and quantify affected populations by age group, geographical area and other relevant criteria.

- To assess the efficiency and coverage of existing social protection programmes and their appropriate long-term roles within a broader social protection strategy. This involves taking stock of existing interventions and identifying other instruments required for a comprehensive approach toward achieving desired social protection goals.

- To broadly engage with the wider context for social protection. This involves defining what social protection can achieve, and how it must fit into a more comprehensive strategy to achieve broader national objectives. For example, the strategy should address the linkages between social protection and economic growth, livelihoods promotion and humanitarian approaches.

- To identify appropriate instruments and coverage. The strategy will integrate a comprehensive set of instruments that over the medium term will constitute an appropriate and adequate social protection strategy for the country, effectively reducing poverty and vulnerability.

- To include a strategy for monitoring and evaluation of the distribution, impacts and cost-effectiveness of interventions, supporting a determination of priorities and economic and social benefits.

- To lay the foundation for establishing a multi-sector mechanism for ensuring the appropriate prioritisation of social protection objectives and the appropriate sequencing and implementation of initiatives, including the establishment of the secretariat to spearhead

Box 2.3: Ghana's LEAP Programme

Through good governance, Ghana has maintained steady economic growth for the past several years and is on track to reach its MDG of halving poverty by 2015. In spite of these impressive gains, it is estimated that 18 percent of the population lives in extreme poverty.

In 2007, the Government of Ghana finalized its National Social Protection Strategy. The stated goal of the strategy is "to help lift the socially excluded and vulnerable from situations of extreme poverty and to build their capacity to claim their rights and entitlements in order to manage their livelihoods" (Government of Ghana 2007). The Livelihoods Empowerment Against Poverty (LEAP) programme is the cornerstone of the social protection strategy. It consists of cash-based conditional and unconditional transfers aimed at benefitting the poorest 20 percent of the population. Of this group, priority is given to orphans and vulnerable children, persons with disabilities and the elderly. The Ministry of Employment and Social Welfare oversees the implementation of the programme under the Social Protection Unit. LEAP is unique in that "instead of providing in-kind benefits, it is one of the first government-financed cash transfer programmes in West Africa that is based on the right to basic social security" (Sultan and Schrofer 2008). In May 2009, it was estimated that the programme has benefitted 26,200 households in 74 districts. The cash transfer ranges from GHS 8 (US$6.90) per month for one dependent, to GHS 15 (US$12.90) for four dependents. Transfers for orphans and vulnerable children are conditional and require school enrollment for children, birth registration, attendance at post-natal clinics, vaccination of children up to the age of 5 and the prohibition of child trafficking or child labour. Ghana's high population growth rate has significantly increased public revenue and debt relief has reduced the fiscal burden on the government.

Despite the adverse effects of the 2008 global financial crisis and Ghana's substantial fiscal deficit, the Government increased funding for social protection in 2009, including a threefold increase in the funding for LEAP. The total cost of LEAP from 2008-2012 amounts to somewhere between 0.1 and 0.2 percent of total government expenditure, rendering the programme very affordable for the Ghanaian government.

SOURCES: Government of Ghana (2007), Sultan and Schrofer (2008).

implementation of the national strategy.

- To assess the resources available for social protection programmes both nationally and from development partners, and to assess how fiscal constraints influence social protection choices.
- To initiate discussions with relevant stakeholders in Government, and particularly Ministry of Finance, with a view to integrate these stakeholders in the strategy development process.
- To outline the requirements and key responsibilities for a national social protection secretariat to undertake the work necessary for preparing the strategy.
- To identify the key responsibilities for a National Social Protection secretariat in terms of policy prioritisation, a comprehensive national

evidence base, social rights protection, monitoring, evaluation and impact assessments.

- To identify and outline capacity building requirements for the national secretariat and, more broadly, requirements for implementing the strategy across government.

Endnotes

1 World Bank (2004d), page 10.

2 Ayala (2003), page 33.

3 See OECD (2009), Davies (2009), Samson (2009).

4 UNICEF (2009), page 1.

Chapter 3

Rooting social transfers within an evidence-based approach

The objectives of this chapter are to describe a framework for evidence-based design and implementation of programmes, outline the major elements of the evolving social transfers evidence base, and identify important gaps and unanswered questions that require further research.

A social transfers evidence base that can effectively inform decisions on priorities, approaches and actions requires two key elements:

- the evidence must be mobilised in a manner that facilitates an understanding of likely impact of the social transfers instruments, using both *ex ante* policy analysis (where household survey data is available) and *ex post* policy analysis (where relevant interventions – pilots, comparable programmes and relevant international examples – have already been implemented); and
- the information must be both relevant to the key questions facing policymakers and implementers and lead to actionable decisions.

The global evidence base for social transfers offers a number of lessons, particularly in terms of two main types of impacts which might be typologised as (1) social and (2) developmental. Figure 3.1 illustrates several of social protection's main social impacts, which represent the achievement of the main objectives of social protection interventions.

In addition to promoting core social and developmental objectives, social protection also serves secondary developmental priorities that, in turn, further the policy objectives of pro-poor and inclusive economic growth.[1] In particular, as illustrated in figure 3.2, the poverty reduction aim of social protection also builds, protects and promotes human capital and other productive assets,

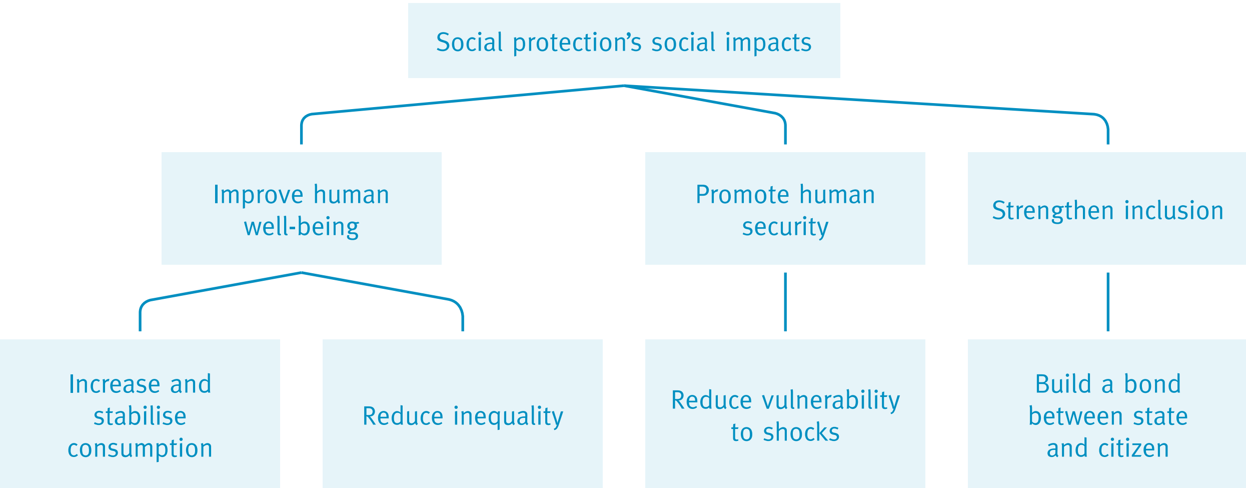


Figure 3.1 A typology of social protection's social impacts

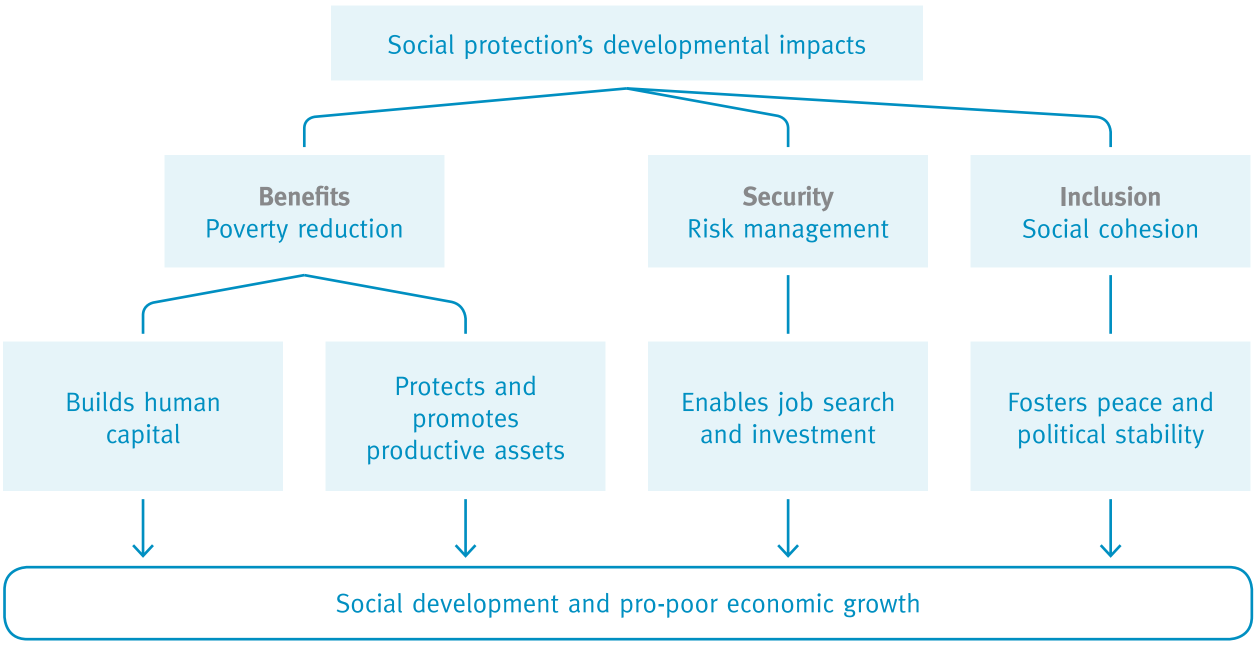


Figure 3.2 A typology of social protection's developmental impacts

enables people to more productively manage risks and shocks and promotes social cohesion.

These impacts are influenced by a number of distinct factors, as illustrated in figure 3.3. Both the policy environment and the social context inform impact results, through programme design and transmission mechanisms by which interventions generate impact. In addition, operations, including delivery systems, often determine the success or failure of the programme. Social policy analysts are also increasingly recognising the vital role complementary institutions play in determining impact.

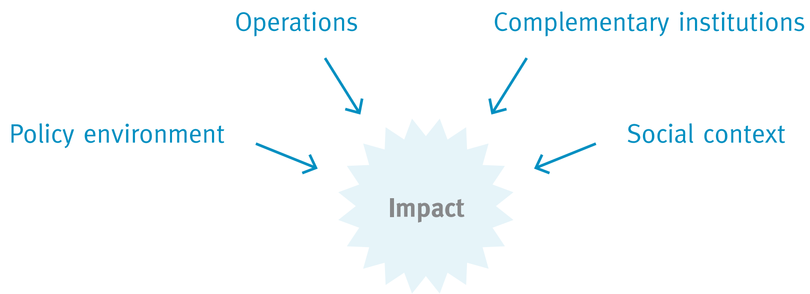


Figure 3.3 Determining the of impact of social protection programmes

Operational questions include the design and implementation of social protection interventions, with particular focus on targeting effectiveness and the appropriateness and performance of any programme conditionalities. Operational effectiveness depends critically on administrative capacity and the accessibility of social protection interventions, which in turn depends on the functioning of payments systems and other delivery mechanisms.

Complementary institutions can affect market performance (particularly food markets) and supply responses, as well as the availability and quality of human capital services (particularly health and education). In addition, appropriate complementary programmes can strengthen livelihood opportunities and promote access to financial, information and communications services.

These factors operate within both a social and a policy context. Impacts are seriously compromised by discrimination and social exclusion, and are heavily influenced by intra-household allocation decisions. In addition, these impacts depend on the interaction between formal instruments and informal social protection systems. Social protection benefits strengthen opportunities for human capital development, but actual nutrition, health, education and other outcomes will depend on the household demand for human capital services. In addition, actual outcomes across the spectrum will depend on poverty dynamics.

This evidence base focuses on the above framework for understanding and organizing the key lessons of social transfers experience. In order to maximize its usefulness, this evidence base follows four basic principles, as illustrated in figure 3.4 below:

- The evidence base should address the questions most relevant to the policy issues the government faces

- The information should be available to government in a timeframe that facilitates effective policy decisions

- The methodological approaches should be appropriate and rigorous

- Evidence should be shared with all relevant stakeholders
- Reports should be written in a broadly accessible style

Figure 3.4 Principles underlying the social protection evidence base

The analysis and synthesis that follows applies these principles and structures to the evolving evidence base through both a thematic view and a programme view. The thematic view cuts across multiple programmes to identify general lessons. The programme view summarises key lessons on a programme-by-programme basis.

Poverty profile

While the objectives of policymakers may reflect the conditions of poverty in the country, concrete evidence is required to identify appropriate social transfer instruments. A thorough understanding of the nature of poverty, vulnerability and social backlogs (health, education, housing and vital services) in the country importantly informs policy choices.[2]

The starting point is a demographic and spatial picture of poverty, deprivation and vulnerability. Understanding the nature of poverty in the country is the first step in targeting effective programmes: What is the incidence, depth and intensity of poverty for children, the elderly, those with disabilities and the unemployed? Is poverty disproportionately rural or urban? Are there racial, gender-based or other demographic features of poverty? The appropriate programme for a country with a 20% poverty rate is likely to be different from one with an 80% poverty rate.

A poverty profile will quantify the incidence of poverty in the country. Various measurement techniques will provide different pictures of poverty. Two frequently used indicators are the "poverty headcount" and the "poverty gap", which are discussed below. A variant of the poverty gap – the "squared poverty gap" – provides a measure more sensitive to the very poorest. An example of the various measures is provided in Box 3.1.

The most common measure of poverty – often problematically favoured by politicians and journalists for its simplicity – is the poverty headcount measure, which is generally reported as a percentage.[3] This indicator reflects the proportion of the population (either individuals or households) whose income or expenditure falls below a specified level, called the "poverty line". The poverty line varies depending on the size and structure of the households and the price level of goods purchased by the poor.[4] The main shortcoming of the poverty headcount measure is that it does not reflect changes in well-being that occur below the poverty line.[5] Given resource constraints and the policy priority of addressing the most severe poverty, social transfers frequently have their most important impact below the poverty line: improve the well-being of the poorest, but do not necessarily free them from poverty. The poverty headcount measure will not reflect these benefits.

A more useful indicator in these cases is the "poverty gap".[6] The simplest form of poverty gap measures the average additional amount of income (or expenditure) each person (or household) requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals (or households) is zero.[7]

For example, if the individual poverty line is 500, a person with an income of 200 faces an individual income poverty gap of 60% (since the difference of 300 is expressed as a percentage of the poverty line of 500). A person with an income of 500 would have a poverty gap of zero. The average includes the gaps for the poor and the non-poor. (If these two people made up the entire population of a hypothetical country, the average poverty gap would be 30%.)

In order to appropriately weight the impact of policy on the poorest, other indicators can be used, such as the squared poverty gap measure.[8] This measure multiplies the percentage poverty gap for each person by itself.[9] Since each person's poverty gap is less than or equal to one (100%), the square is also less than or equal to one – but the value of the squared poverty gap shrinks as the poverty gap gets smaller. As a result, this measure weights the poverty of the poorest more heavily in relation to the poverty of those closer to the poverty line. In the example above, the person with the income of 200 has a poverty gap of 60% and a squared poverty gap of 36% (0.6 times 0.6 expressed as a percentage). The example in Box 3.1 provides a more complete numerical example and demonstrates how different measures can provide very different analytical outcomes.

These conventional measures of poverty are all based on a measurable dimension of well-being, such as income or expenditure on consumption.[10] In practice, per person measures are usually calculated as a per capita of the household measure.

An important issue arises in how the household resources are distributed among the members. Given difficulties in tracking how much is spent on each

Box 3.1: Measuring poverty: a simple numeric example

Suppose we want to compare two hypothetical countries – Lowinca and Baja Inga – both with the same per capita income. Each country has a population of four people, with incomes measured in comparable "units" as follows:

Lowinca	
Person	Income
A	280
B	400
C	1200
D	2000
Average	970

Baja Inga	
Person	Income
E	40
F	860
G	940
H	2080
Average	970

The per capita income of both countries is the same – 970 units. Which country has greater poverty? The answer depends on the definition of poverty, as well as the methodology used to measure it.

For example, if we establish a poverty line of 500 units, and we use a poverty headcount measure, then half (50%) of Lowinca is poor (since the incomes of A and B fall below the poverty line) while only a quarter of Baja Inga is poor (only E's income falls below the poverty line).

If, however, a new study shows the more appropriate poverty line is 1000 units, then the incidence of poverty using the headcount measure doesn't change for Lowinca – only the incomes of A and B fall below the higher level. For Baja Inga, however, the incomes of E, F and G fall below the new poverty line, and the poverty headcount rate is three-quarters (75%).

This demonstrates that the ranking of poverty across countries can change as the poverty line changes. Since the identification of a poverty line is subjective, somewhat arbitrary and often political, the fact that measured poverty can be reduced simply by lowering the poverty line is cause for some concern.

Suppose that we continue to define the poor as those with an income of less than 1000 units, but we measure the extent of poverty using the poverty gap methodology. In this case, the poverty gap measures the average additional amount of income each person requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals is zero. This indicator is more sensitive to changes below the poverty line.

For example, if a social transfer improved the livelihoods of the poor but did not raise them above the poverty line, the poverty headcount measure would reflect no impact at all. The poverty gap measure, however, would reflect the associated

household member, an alternative approach tracks non-income measures of well-being – such as nutritional status, height-for-weight, school attendance and other broader indicators of household development. In addition, considering qualitative assessments can improve the analysis.[11] This multi-dimensional information will provide greater insight into how household resources broadly affect all the members.

In addition, information on poverty dynamics is critical. Is poverty chronic or transitory? For example, public works more effectively address transitory shocks that increase unemployment than chronic poverty disproportionately affecting children and the elderly. Dynamic information is important at both an aggregate level (how does the country's poverty rate change over time?) and at an individual level (how many people move in and out of poverty each year?). The use of longitudinal studies, which track how households evolve over time, can provide important insight into different kinds of poverty traps that afflict the poor.[12]

reduction in poverty.

The poverty gaps for each person are calculated in the third column for each country below (labeled "Poverty Gap"). For example, for person A, with an income of 280 units, the gap to the poverty line is 720 – or 72% when expressed as a percentage of the poverty line. The average poverty gap for Lowinca is 33%, while for Baja Inga it is 29%. Using the poverty gap in this example reverses the poverty ranking of the poverty headcount index, even using the same poverty line.

*This demonstrates that the ranking of poverty across countries can change as the **poverty indicator** changes.*

Lowinca			
Person	Income	Poverty Gap	Squared
A	280	72%	52%
B	400	60%	36%
C	1200	0	0
D	2000	0	0
Average	970	33%	22%

Baja Inga			
Person	Income	Poverty Gap	Squared
E	40	96%	92%
F	860	14%	2%
G	940	6%	<1%
H	2080	0	0
Average	970	29%	24%

Finally, consider a third measure, which weights the poverty of the poorest greater than the poverty of the poor near the poverty line. This "squared poverty gap" measure squares the calculated poverty gap for each poor person – which increases the relative weight of poorer individuals compared to those who are less poor. This measure is appropriate when policies aim to target the very poorest in a country, since the impact of policy changes that benefit them will be weighted more heavily.

These calculations for each person are shown in the last column for both country tables, in the column labeled "squared". In all cases, the squared poverty gap measure is less than the poverty gap – but the measure shrinks more for people near the poverty line. For example, person E's poverty measure falls just slightly from 96% to 92%, while person F's measure nearly disappears, falling from 14% to just 2%. Once again, the ranking of poverty across countries reverses, from the result we obtained using the poverty gap measure.

These examples demonstrate that poverty lines and measurement methodologies matter – both for comparisons across countries and for the appropriate assessment of policy impacts.

SOURCE: This example adapts and extends the framework developed by Duclos (2002).

To evaluate the feasibility of targeting, it is important to have an understanding of coping mechanisms. If individuals in a household pool most of their resources, then directing grants to specific classes of the vulnerable (young children, the elderly, those with disabilities) will not effectively target them. For example, an old age pension paid to a poor elderly person caring for seven grandchildren will benefit the whole household, but might not lift the pensioner out of poverty. The same pension paid to a single elderly person living alone might raise him or her well above the poverty line.

Concrete quantitative measures are required for analysis and advocacy. These include headcount poverty measures, poverty gap measures, measures of the incidence of public expenditure, linkages between poverty and unemployment and HIV/AIDS (as well as other critical social conditions), a profile of the major sources of income for the poor, and other information.

A thorough understanding of the nature of poverty in the country will enable policymakers to better identify social needs and more accurately predict the likely impact of social transfer programmes. There are a number of structured options for harnessing the required information for policy analysis. Whether through household economy assessments, vulnerability and risk profiles[13], or less structured mechanisms, the information generated will illuminate the country's specific needs for social protection and the potential role for social transfers. Key factors include assessments of the profile of poverty, major social risks (HIV/AIDS, natural disasters, unemployment), the demographic structure of the population (age and geographic distributions), economic factors (including both the formal and informal sectors) and existing social protection institutions (discussed further in the next section).

Dynamic analysis can identify trends affecting social priorities – growing dependency ratios, a more rapidly aging population, increasing unemployment, intensifying vulnerability from HIV/AIDS – and model how policy responses can make an impact. Distributional analysis can identify who is most affected – and where the most affected are located. Box 3.2 provides an overview of Zambia and Malawi's poverty and vulnerability assessments (PVAs).

Vulnerability context analysis and identifying appropriate instruments

The first step requires employing forward-looking risk and vulnerability analysis and other tools to build an evidence base for selecting the appropriate intervention and target groups, including an ex-ante poverty and social impact analysis (PSIA) of expected impacts of a proposed intervention.[14] This requires a three-part process:

- assessing the current and likely future impact of a crisis,
- applying it to a analysis of vulnerability (disaggregated by gender, age, disability, ethnicity, location and other variables); and
- selecting appropriate social protection responses.

Understand the impact of the economic downturn

- Remittances and private safety nets
- Livelihoods and employment
- Government capacity

Forward-looking vulnerability analysis

- Evidence-based approach challenged by data availability
- Analysis of data to predict likely impacts

Options assessment and identification of instruments

- Focus on country-specific context
- Identify most appropriate instruments

Figure 3.5 Elements of an ex-ante poverty and social impact analysis (PISA)

Forward-looking vulnerability analysis

The second part of risk and vulnerability analysis involves assessing those most vulnerable to different types of crisis impacts. The poorest are usually the most vulnerable – not only because they face greater risks, but also because they have fewer means for dealing with adverse shocks, hazards and stresses. The recent compound crises both increase their risks and reduce the effectiveness of their coping mechanisms. Conventional vulnerability assessments usually take one of two approaches – identifying vulnerable groups and then assessing the various risks each group faces, or analysing major risks and identifying who is the most vulnerable.[15] Either approach depends on disaggregated historical data, either indicators or information, on the prevalence of past risks for different social groups. Forward-looking vulnerability analysis requires further investigation in order to predict likely outcomes of shocks that might materialise or intensify over a multi-year horizon. (Vulnerability analysis is discussed further in the appendix.) Vulnerability analysis can also be combined with an assessment of household resilience, using tools like the FAO's analysis model that measures how resilient a household is under severe stress.[16]

It is then necessary to compare this predicted profile of vulnerability against existing (or future) social protection interventions in order to identify the gaps in addressing future vulnerability. An evidence-based approach roots the selection of social protection instruments in the social and policy context of the country, particularly in terms of the identified gaps between existing or prospective vulnerability and the public initiatives aiming to address it.

Evidence on developmental impact

An emerging evidence base documents that social transfer programmes not only tackle poverty – they also support important developmental outcomes at individual, household, community and national levels. This section of the guide presents a summary of existing evidence and remaining gaps in five areas:

1. poverty and inequality;
2. nutrition, health and food security;
3. education;
4. economic growth,
5. social cohesion.

Impacts on poverty and inequality

Most social transfer programmes directly aim to address income poverty by providing cash to society's most vulnerable groups. Numerous studies demonstrate that well-designed and implemented interventions successfully produce substantial impacts. In South Africa, social transfers have reduced the poverty gap by 47%.[17] In the absence of the social pension, 30% of households with older people in Mauritius would be below the poverty line compared with only 6% with the social pension.[18]

Box 3.2: Evidence for policy: Zambia and Malawi's poverty and vulnerability assessments

The World Bank – partnered with Zambian researchers and development specialists, DFID/ Lusaka and other international partners – prepared a poverty and vulnerability assessment (PVA) for Zambia in 2005. Another PVA was delivered for Malawi in 2006. Aiming to inform debate about policy priorities for reducing poverty and vulnerability, the report emerged from new studies as well as pre-existing work on Zambian and Malawian poverty and living conditions. The PVA process aims to be highly consultative, and to involve national non-governmental organisations and researchers, development community partners and government counterparts.

The PVA documents five dimensions of poverty (four for Malawi): material deprivation, human deprivation, vulnerability, destitution and social stigmatization.

Material deprivation

Measured in terms of material deprivation, 62% of Zambia's rural population is poor, compared to 45% in urban areas. The people's perceptions of poverty appear rooted in the economic boom of the 1960s and 1970s – 95% of those interviewed in a 2002/03 living standards survey considered themselves very poor or poor, including many with secure jobs in the formal sector.

Malawi has some of the same problems as Zambia: in 2005, 52% of the population, nearly 6.4 million people, lived below the poverty line. Within this group, 22% were deemed to be ultra-poor, meaning that a person cannot afford the minimum daily recommended food requirements. Malawian cities have much lower levels of poverty, standing at 25% in 2005 with only 8% of people living in cities deemed to be ultra-poor.

Human deprivation

This category has worsened significantly over the past few decades in Zambia. While the average education level (in years) relatively high compared to other southern African countries, Zambian men in their 20s have less education than men in their 40s. According to United Nations estimates (disputed by the Zambian government), the country has the lowest life expectancy in the world. The HIV/AIDS prevalence rate was estimated at 18% percent for women and 13% percent for men in 2001. Chronic malnutrition rates for children have risen from 40% in the early 1990s to 47% most recently. The under-five mortality rate (176 per 1000 live births) is very high.

The life expectancy in Malawi has fallen from 46 years in 1987 to just 37 years in 2005. This is mostly due to the HIV/AIDS epidemic facing the country – there was a HIV prevalence rate of 11.8% in 2004. The decrease in the number of physicians by 50% over the last decade has also contributed to this fall. Child immunisations have decreased from 82% to 64%, and maternal mortality rates have increased to 960 (per 100,000 live births) in 2004. Almost one in five children do not even start school in Malawi and very few actually complete primary schooling. The secondary school net enrolment rate is a dismal 15% and usually consists of children from wealthy families who can afford the cost of schooling.

Some studies also document the extent to which social transfer programmes reduce inequality. In Brazil, the social pension reduces the country's Gini coefficient (the most common measure of inequality) by one percentage point, and Bolsa Familia reduces the Gini by another half a percentage point. From 1995 to 2004, Brazil's Gini coefficient has fallen from 60% to 57%.[19] In South Africa, the comprehensive system of social grants reduces the country's Gini coefficient by three percentage points and approximately doubles the share of national income that the poorest quintile receives.[20]

Vulnerability
The poor in Zambia face a myriad of risks including droughts, commodity price shocks (primarily copper), and health risks, including HIV/AIDS, malaria and other infectious diseases. The PVA process reports not only statistics but also evidence from rural participatory studies.

The Malawian people face many different vulnerabilities that come from several different areas. The economy is still based on agriculture and is thus subject to shocks caused by draughts and flooding. Families can also experience shocks brought on by injuries or deaths in the family, which can drastically reduce family income. The poor of Malawi are also facing increasing food prices, which makes it even more difficult for them to be able to receive the necessary sustenance levels.

Destitution
In Zambia, destitution afflicts many in the most vulnerable groups, including widows, those with disabilities and orphans. Fifteen percent of all children are orphans. The most recent Zambian Demographic and Health Survey (conducted during the hungry season) shows that 47% of children under five years of age are stunted, 28% are underweight and 5% suffer wasting.

In Malawi, destitution afflicts many. Children across the country, both in the rural areas and in the cities, face problems of malnutrition. Approximately 40% of children are stunted and 15-20% are underweight. There are also many orphans in the country. UNAIDS, UNICEF, and USAID all estimate that the number of orphans in Malawi rose from 560 000 in 1990 to 1 000 000 in 2003. According to the Malawian government, 13% of all children are orphans.

Stigmatisation works hand-in-hand with poverty to reinforce vulnerability and destitution. The lack of resources afflicting many women-headed households is compounded by social stigmatisation as well as discrimination that undermines rights to property and inheritance – in spite of new laws, which have yet to provide effective protection. The most extreme forms of stigmatization and discrimination affect those with HIV/AIDS, including denial of treatment, name-calling and other forms of degrading treatment.

PVA reports go further than presenting the details of a country's poverty profile – they also assess the causes of poverty and identify key challenges for policymakers. The Zambian and Malawian PVA process analyses alternative policies aimed at reducing poverty and identifies priority areas for promoting pro-poor growth, managing risk and vulnerability and improving strategies for poverty reduction. For example, the report provides evidence supporting social transfers as an efficient instrument for improving the nutritional status of the poorest and most malnourished children.

SOURCE: SARPN and World Bank (2005), Republic of Malawi and World Bank (2007).

Impacts on nutrition, health and food security
Evaluations of social transfer programmes frequently find positive nutrition and food security impacts, mainly by enabling increases in household expenditure on food. Households in South Africa that receive social transfers not only spend a higher share of income on food and education; they also spend lower proportions of income on alcohol, tobacco and entertainment than similar non-participating households, although there is no significant impact on health expenditure.[21] Social transfers in Afghanistan, Brazil, Ethiopia and Lesotho increased the amount and diversity of household food expenditure.[22]

This increased expenditure translated into broad improvements in different

Box 3.3: Understanding the transmission mechanisms of the economic downturn

Assessing the transmission channels through which the global economic downturn and other crises affect the poor provides some insight into the extent to which already vulnerable groups will face greater risks of poverty shocks or where the near-poor become the new poor.

Vulnerability to the downturn varies, although usually the indirect impacts of the crisis pose greater threats than the direct impact of the deteriorating financial sectors in industrialised countries. Imminent and severe indirect impacts include reduced migration and remittances. Medium-term risks stem from falling global consumption and the resulting consequences for low- and middle-income country exports – a planned driver of pro-poor economic growth in many countries. Vulnerability depends on the country's exposure to the crisis (reliance on trade, aid and remittances), as well as the population's ability to cope with the impact.

Job losses, declining wages and falling remittances represent some of the most immediate direct and indirect effects of the global economic downturn on developing countries. The Inter-American Development Bank (IDB), for example, observed a 15% decline in remittances to Latin American countries in 2009, with an even steeper decline of 17% during the second half of that year[i] – the first decline since the IDB began tracking these flows a decade ago. Comparable impacts are expected in many other developing countries.

With global economic output declining for the first time since World War II and global trade registering its most severe drop in 80 years, export-oriented developing countries are likely to bear the more immediate and severe brunt of the downturn. While international financial institutions and bilateral donor partners have re-committed and even extended longstanding obligations to development assistance, fiscal pressures in industrialised countries may leave aid-dependent developing countries increasingly vulnerable – and threaten their capacity to deliver public responses to the increasingly severe poverty shocks afflicting their people.

i Maldonado et al. (2010).

indicators for hunger and nutritional status. In South Africa, self-reported hunger rates for both children and adults fell in households receiving child grants and social pensions,[23] and height-for-age and weight-for-height indicators are significantly better for girls in households receiving social transfers.[24] Outcomes depend on who receives the social transfer within the household, with grandmothers responsible for more developmental outcomes. Participants in Zambia's pilot cash transfer scheme who reported still being hungry after a meal fell from 56% to 35%. The percentage of households subsisting on one meal per day fell from 19.3% to 13.3%.[25] Participation in Nicaragua's Red de Proteccion Social (RPS) reduced the rate of stunting by 5.3%.[26] Increased food spending by households in Colombia's Familias en Accion programme translated into improved nutritional indicators, including child growth and weight.[27] Food-for-Work (FFW) programmes in Bangladesh significantly improve nutritional outcomes,[28] and Mexico's Progresa documents significant improvements in infant nutrition.[29]

In Bangladesh cash transfers interact with direct health interventions to improve immunisation rates, access to micro-nutrients and ante- and post-natal care.[30] Cash transfers in Brazil,[31] El Salvador,[32] Honduras,[33] Lesotho[34] and Nicaragua[35], as well as public works in Ethiopia[36] all promote access to health services, mainly through household spending choices. Health outcomes for Mexico's *Oportunidades* programme are significantly positive in terms of

Reliance on remittances	• Highly reliant on remittances: for example, Bangladesh, Lesotho, Nepal, Nicaragua, Tajikistan • Low reliance on remittances: for example, Burkina-Faso, Ghana, Zambia
Export-oriented economy	• Export-oriented economies: for example, Cambodia, Ghana, Lesotho, Mongolia • Low export economies: for example, Afghanistan, Burundi, Nepal, Pakistan, Rwanda
Aid-dependent	• High-aid economies: for example, Burundi, Rwanda, Sierra-Leone • Less dependent economies: for example, Kenya, Lesotho, Vietnam, Yemen

Selected drivers of economic vulnerability to the downturn

High rankings on these economic exposure indicators, however, do not necessarily imply vulnerability to the economic impact of the downturn. The indirect effects will be weaker if a country depends on remittances from or exports to countries less affected by the downturn. Likewise, development partner support may be more resilient for some countries.

reducing the number of days ill.[37]

Conversely, an impact assessment of *Bolsa Familia* in Brazil found no positive programme impact in terms of reducing stunting or improving rates of child immunisation.[38] A study of South Africa's social grants found no impact on improved access to health care.[39] Part of the reason for weak measured impacts may be that some assessments measure associated indicators only for those who are ill, and this limits sample sizes and reduces the statistical power to identify outcomes. In addition, studies on health outcomes may require longer horizons than what has been possible up until now. In spite of the variability of the results, many assessments find significantly positive health impacts.

In some cases, social transfers also generate a positive impact on the supply of food. In remote rural areas of South Africa, cash transfers stabilise the demand for food, reducing market risk and supporting local agricultural production.[40] Households receiving South Africa's Child Support Grant demonstrate greater resiliency in maintaining agricultural production.[41] The direct and indirect effects of Bangladesh's Food-for-Work (FFW) programme significantly raised agricultural production in the country.[42] Malawi's Targeting Inputs Programme (TIP) contributed to a significant increase in the annual maize harvest.[43] Zimbabwe's Protracted Relief Programme generated over two months of additional food supply in an average beneficiary's households.[44]

Box 3.4: Measuring poverty impacts

Since cash transfer programmes in developing countries provide benefits equal to only a fraction of the poverty line, much if not most of the measured impact reflects movement towards but not over the poverty line. As a result, poverty headcount measures, which only identify impact when a household moves over the poverty line, provide misleading measures of success. Some of the world's most effective programmes, which reach a large proportion of the very poorest households, demonstrate little impact on the poverty headcount. The poverty gap measure – which reflects movement of households up towards but not over the poverty line – provides a more sensitive indicator and is usually preferred for measuring the poverty impacts of social transfer programmes.

Both poverty headcount and gap measures are sensitive to the poverty line employed. Using a lower poverty line (or destitution line) will often lead to larger measured impacts for well-designed and effectively implemented social transfer programmes. Figure 3.6 illustrates an example of different measures for South Africa's social transfers.

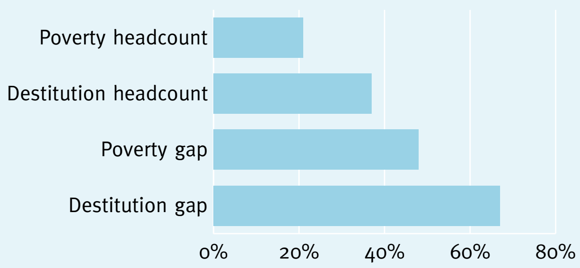


Figure 3.6 How much social grants in South Africa reduce poverty (different measures)

SOURCE: Samson et al. (2004).

Impacts on education

Evaluations document improved in education indicators as the most consistent human capital impact of social transfer programmes. Properly designed and implemented interventions – both conditional and unconditional – tend to improve school enrolments and attendance.[45] In Brazil, participants in the Bolsa Familia programme are 20% less likely to have a one-day absence from school in any given month, they are 63% less likely to drop out of school; and they are 24% more likely to advance an additional year than are comparable children in households not participating in the programme.[46]

In Columbia, Mexico and Nicaragua, conditional cash transfer programmes significantly improve enrolment rates – although the effects tend to be much greater for groups (such as secondary school students) whose enrolment prior to the transfer is low. Primary school enrolment rates in Mexico were high before the programme was implemented – around 94% – and the attributed impact of Oportunidades for this group is only 1%. However, for secondary school students (with 70% enrolment rates prior to the programme) the impact is 8%. Drop-out and repetition rates are usually more sensitive to social transfers, and the measured impacts for these indicators are greater. An assessment of Honduras' conditional cash transfer programme documents relatively weak impacts, but the results of this assessment reflect the very small level of transfer and the lack of complementary initiatives to support the delivery of education services to meet the increased demand.[47]

Several social transfer programmes in Bangladesh – including those

Households receiving social transfers spend more on food	• Study of African pilots (IFPRI 2008) • South Africa (Samson et al. 2010) • Colombia (Ayala 2006)
People receiving social transfers experience less hunger	• Mozambique (Samson et al. 2010) • South Africa (Samson et al. 2004, 2010) • Zambia (MCDSS/GTZ 2007)
Children receiving social transfers tend to be better nourished	• Study of Latin American programmes (IFPRI 2008) • South Africa (Duflo 2003) • Bangladesh (Devereux et al. 2006) • Mexico (Szekely 2001 and Britto 2005)
Some results on nutrition and health impacts are perplexing	• Social transfers alone are often not sufficient to tackle severe malnutrition, which has multiple causes • Many studies fail to demonstrate improved health outcomes, in part due to methodological challenges

Figure 3.7 Impact of social transfers on food security, nutrition and health

targeted at education as well as broader public works programmes – yield significant improvements in schooling outcomes, particularly attendance rates.[48] Likewise, Ethiopia's Productive Safety Net Programme significantly improved school attendance.[49]

In Lesotho, 60% of households receiving the social pension include young children, many orphaned by HIV/AIDS. These social transfers support approximately 10,000 school children nationally with funds for uniforms, books and stationery.[50] In South Africa, school attendance rates are significantly higher in households receiving social grants compared to similar households not receiving them. The effects of social grants on the education of girls are particularly strong.[51] In Namibia the social pension supports children's school attendance.[52]

The main gap in the evidence on education outcomes is the weak evidence on impact of conditionalities themselves. Only one study to date has employed a randomised experimental methodology to test this question, finding that conditionalities in a pilot cash transfer programme in Malawi did not significantly improve education outcomes.

Economic impacts including employment and livelihoods

Social transfers have additional economic effects. They can affect the economy through the labour market by shifting the composition of spending and by conserving fiscal resources. In particular, an emerging evidence base suggests that social cash transfers may promote pro-poor growth. Policymakers do not necessarily face a trade-off that pits social protection against growth objectives. Instead, they may have the opportunity to engineer a virtuous circle: increased equity promotes growth, which supports further improvements in equity.

The impacts discussed above in terms of nutrition, education and health promote human capital development and in turn improve the productivity of the labour supply. This indirect "human capital" effect undergirds the view that social transfers can break the intergenerational transmission of poverty by enabling households to lift themselves out of poverty – and support economic growth and employment in the process. This economic impact, however, may require a generation or longer to reach its full potential.

Social transfer programmes also yield more immediate positive impacts on livelihoods and employment. For example, participants in Zambia's cash pilot scheme use a significant proportion of the benefits to hire labour in order to cultivate the land around their homes, consequently multiplying the value of the social transfer by creating employment for local youth.[53] Mexico's Progresa (now Oportunidades) social transfer programme is associated with local economic impacts that improve consumption, asset accumulation and employment broadly within communities – for both programme participants and non-participants.[54] Participants in Progresa invest a portion of their social transfers in productive assets and are more likely to engage in entrepreneurial activities, improving their potential for sustainable self-sufficiency.[55] Likewise, participants in one of Malawi's social transfer programmes were empowered by the resources to invest in their own farms during the planting season, instead of relying on dead-end casual employment for their immediate survival.[56] A more recent study in Malawi of the Dowa Emergency Cash Transfer (DECT) programme found economic multiplier impacts exceeding two Kwacha for every Kwacha disbursed.[57]

Despite fears among some policymakers that receipt of a social grant will discourage or reduce labour force participation, many studies – particularly from South Africa – show that social transfers have a positive impact on labour market participation. A series of studies in South Africa have found that for workers in the lowest income households, social grants had a positive and significant impact on labour market participation and the probability of finding employment.[58] More recent studies take advantage of the natural policy experiment that has resulted in the rapid increase in the scope and take-up of the Child Support Grant between 2002 and 2005. These studies find that the Child Support Grant has a significant and positive impact on labour force participation in grant-receiving households.[59]

Grants can particularly empower women to search for and find work. One study that employed panel data for South Africa found that an older woman's receipt of a social pension has a strong positive impact on the labour force participation of other women in the household.[60] Another study which incorporated migrant workers, an important factor in South Africa's labour markets, found no work disincentives from social pensions. Instead, researchers found positive and significant impacts for female labour migrants: social grants help finance women's migration for job searches and assist older people in caring for the workers' children.[61]

Increasingly, other countries are undertaking similar formal labour market assessments of the impact of social transfers. In Brazil, the labour market participation rate for adults in households participating in *Bolsa Familia* was 6% higher than the rate for adults in similar non-participating households. The impact was particularly strong for women: the participation rate of beneficiary women was 16% greater than for women in similar non-participating households. *Bolsa Familia* also reduced the probability of employed women leaving their jobs by eight percentage points.[62]

Social grants enable workers to invest in more productive job searches, providing the critical support to look for decent work rather than attach themselves to the worst forms of labour out of desperation.[63] In South Africa, social pensions have been shown to have risk management properties: they enable the poorest households to avoid less efficient insurance mechanisms and improve employment prospects by reducing the risk and cost of job search.[64] Social transfers may also support other forms of livelihoods in addition to employment: social pensions play a role in backing credit, renting capital equipment and buying the necessary inputs for agricultural activities.[65] Social grants also directly support nutrition, access to transportation services, and other short run productivity- enhancing expenditures.

In some countries social protection stimulates demand for local goods and services. In Zambia, 70% of a social transfer is spent on locally produced goods, stimulating enterprises in rural areas.[66] The transfer of purchasing power to remote rural areas holds the potential to revitalise local economies. Adamchak (1999) finds similar results in Namibia with the social pension,[67] and emerging evidence suggests the same effect for Lesotho's social pension.[68]

Social transfers shift spending power from upper income groups to the poor. If the poor spend more on labour-intensive goods, this redistributive effect may increase the demand for labour, promoting job creation. The poor are more likely to spend on domestic goods, moving consumption away from imports to domestic goods. In the case of South Africa, this macroeconomic impact has a positive effect on growth and job creation.[69] In other countries – depending on the structure of demand and production – the macroeconomic effects may be very different.

The increasing evidence of social transfers on economic growth and employment helps to address one of the most debilitating concerns of policymakers: that cash grants to poor households may foster dependency. The evidence base offers no substantiation for this concern. Particularly in middle-income countries, the emerging evidence base suggests positive impacts on economic growth through a number of transmission mechanisms. However, there is a need to more rigorously test the economic impacts, particularly in low-income countries where the greatest evidence gaps exist. In particular, the assessments should focus more broadly on livelihoods strategies, which are often more important than formal employment in low-income countries.

Evidence gaps and unanswered questions

Given the critical priority of food in supporting basic needs, it is not surprising to find consistently positive impacts of social transfers on food security and nutritional outcomes. Most studies of social transfers that measure their impact on nutrition, hunger or food security identify a positive impact – although the studies employ a wide variety of methodologies that make more specific generalisations difficult. While these impacts are generally positive, they are particularly pronounced in low-income countries relative to the scale of the programmes – largely because programmes in low-income countries tend to focus on food security more than those in middle-income countries.

The major unanswered questions involve the supply side. Under what circumstances do market failures in the supply of goods undermine the impacts of social transfers? Is any resulting inflation transient or persistent? How can appropriate complementary measures foster improved food production, stabilising inflation and promoting local economic activity?

Other open questions suggest the need for more structural studies that analyse how social transfers affect health and education conditions and outcomes – not just inputs such as access to services. While there is significant evidence that social transfers increase the effective demand for health services in many countries, further evidence is required on more substantial health outcomes.

While strong evidence documents the role of social transfers in promoting household inputs into education (school enrolment and attendance), there is little consistent evidence on outcomes. Evaluations of conditional programmes in Ecuador, Mexico and Nicaragua, for example, failed to demonstrate improvements in the academic performance of participating children.[70] Do programme design or implementation features explain this failure, or does this result from insufficient complementary interventions, such as improving educational quality?

Similar questions exist for health and nutrition. In cases where social transfers resulted in weak or unmeasured impacts, a number of confounding factors might be at work. Programmes generate the strongest health and nutrition impacts when regular and adequately sized social transfers reach children before birth and in the first years of life. Complementary interventions that improve the supply and quality of services also strengthen impact. Examples in Honduras and Ecuador demonstrate that programmes that do not meet these criteria are unlikely to yield significant impacts.

Emerging evidence suggests that cash transfers are far less effective when accessible, good quality social services are absent, and that both interventions can work together to reinforce each other's positive outcomes. If services are of poor quality, even enforcing uptake through conditionalities will not improve outcomes for children. Investing in increased demand for social services through conditional or unconditional cash transfers will fail if this investment is not matched by investment in improved supply. However, middle-income countries provide the most rigorous evidence of interactions between social transfers and social services.

Unanswered questions revolve around access, quality and the interaction of these two factors. What role do social transfers play in overcoming cost-related access barriers? Do social transfers enable households to improve the effective quality of the social services they receive? A morning or mid-day meal may not affect the quality of educational inputs, but will likely improve a child's ability to process these into more successful outcomes.

Another persistently provocative question centres around the incremental contribution to impact of programme penalties for non-compliance with requirements for child immunisation, school attendance and other human capital investment activities ("conditionalities"). In March 2010, the World Bank released the results of the first randomised experiment testing this question, which evaluated similar cash transfer interventions in Malawi with and without human capital conditionalities. As hypothesised by critics of conditionality at the World Bank's Conditional Cash Transfer conference in Istanbul in 2006, the unconditional social transfers proved as effective as conditional ones in promoting developmental impacts. (See chapter 9 for more on the history of this debate.) A single study will not resolve this question. Given the ideological motivations for conditionalities and the high potential costs of unnecessary and perhaps counter-productive design features, more convincing evidence in different country contexts is required to reshape social transfer programmes around the world.

Conclusions

Well-designed and well-implemented social transfer programmes generally have substantial impacts on poverty, inequality, nutrition and education – with the main determinant the government's commitment of resources to the programme. South Africa's commitment of nearly four percent of national income halves the country's poverty gap and contributes to important developmental outcomes. Brazil's substantial investment reduces inequality significantly (lowering the Gini coefficient by one-and-a-half percentage points). Both conditional cash transfers and unconditional cash transfers generate significant improvements in educational outcomes, helping to break the intergenerational transmission of poverty. The main barriers to more substantial impacts are limited resources and corruption and inefficiency in delivery mechanisms in some countries, as well as a few contested design questions that sap resources and undermine effectiveness.

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 experiments and quasi-experimental approaches that rely on propensity score matching and other credible methodologies. Rigorous African studies are more likely to rely on instrumental variables approaches or to draw inferences from less rigorous programme evaluations or micro-simulation models. However, a wave of rigorous African evaluations is on the horizon. Quantitative impact assessments for programmes in Asia are less commonly available, although a number of important ones are currently in progress.

One important component of the evolving evidence base illuminates the impact of social transfers on economic growth. A recent OECD report detailed the links between social protection (particularly social transfers) and pro-poor and inclusive economic growth.[71] The studies cited above for Brazil, Mexico and South Africa find positive employment and productive asset accumulation impacts associated with social transfers. Anecdotal and less rigorous evidence from Kenya, Lesotho and Zambia suggests that the documented middle-income evidence may generalise to lower income countries.

Given the importance of political support to initiate, scale up and sustain effective social transfer programmes, the main gap may be the relative scarcity of rigorous and credible evidence on the pro-poor and inclusive economic growth impact of these interventions. The required studies should employ appropriate experimental and quasi-experimental approaches in order to provide the most robust attribution of impact. This under-researched area may hold great potential to influence Ministries of Finance, National Planning Commissions and key development partners, particularly during challenging economic times.

Endnotes

1 For a completely elaborated framework on the linkages between social protection and pro-poor and inclusive economic growth and development, see the OECD Povnet's policy statement and guidance note on social protection (OECD 2009).

2 This discussion sidesteps the problem of defining poverty. For example, the World Bank's definition as "unacceptable deprivation in well-being" (World Bank 2001) implies an operationally political judgment.

3 The World Bank sometimes refers to this incidence of poverty indicator as the "P0" measure – the percentage of individuals below a given poverty line, relative to the population (World Bank 1995, page 24).

4 Ravallion (1996), page 2.

5 Sen (1976).

6 The World Bank sometimes refers to this depth of poverty indicator as the "P1" measure – "the percentage of the poverty line income which is needed to bring everyone below the poverty line up to the poverty line" (World Bank 1995, page 24).

7 Duclos (2002), page 23 and Foster et al. (1984).

8 Foster et al. (1984).

9 The World Bank sometimes refers to this severity of poverty indicator as the "P2" measure – it "weighs the shortfall of a household's income more heavily, the further it falls below the

poverty line, suggesting the severity of poverty for the poorest of the poor" (World Bank 1995, page 20).

10 Ravallion (1996), page 2.

11 Ibid., page 18.

12 Ibid., page 20.

13 Asian Development Bank (2003), page 34.

14 For a World Bank toolkit on poverty and social impact analysis, see World Bank (2003a).

15 For example, see Coudouel et al. (2002).

16 Alinovi et al. (forthcoming).

17 Samson et al. (2005).

18 Gopee (2006).

19 IPC (2007).

20 Samson et al. (2004).

21 Maitra and Ray (2003).

22 Oxfam (2005), Devereux (2007), Slater et al. (2006), Croome et al. (2007), Kugel (2007), Samson et al. (2004), Sedlacek et al. (2000).

23 Samson et al. (2004).

24 Duflo (2003).

25 MCDSS/GTZ (2007).

26 de la Brière and Rawlings (2006).

27 Ayala (2006).

28 Devereux et al. (2006).

29 Szekely (2001) and Britto (2005).

30 Devereux (2007).

31 Lindert (2005).

32 Britto (2007).

33 World Bank (2005a).

34 Croome et al. (2007)

35 World Bank (2005a).

36 Devereux et al. (2007), Slater et al. (2006).

37 Braine (2006), Britto (2006), Szekely (2001), Sedlacek et al. (2000), Gertler et al. (2005), Pauw and Mncube (2007), Schady (2006).

38 Veras et al. (2007), IPC (2007).

39 Samson et al. (2004).

40 Ibid.

41 Samson et al. (2010).

42 Devereux et al. (2006).

43 Devereux et al. (2007).

44 Ibid.

45 Lomeli (2008).

46 Veras (2007), IPC (2007).

47 Olinto (2004), Lindert (2005), Schady (2006).

48 Ahmed et al. (2003), Molla (2005), Reimers et al. (2006), Devereux et al. (2007).

49 Slater et al. (2006).

50 Croome et al. (2007).

51 Samson et al. (2004).

52 IMF (2006).

53 MCDSS/GTZ (2007).

54 Barrientos and Sabates-Wheeler (2006).

55 Gertler et al. (2005).

56 Harnett and Cromwell (2000).

57 See Davies and Davey (2007), which estimates multipliers ranging from 2.02 to 2.45.

58 Samson et al. (2000), (2001), (2002) and (2004).

59 Samson et al. (2004), Samson et al. (2008), Williams (2007), Samson and Williams (2007).

60 Dinkelman (2004).

61 Posel et al. (2006).

62 Veras (2007), IPC (2007).

63 Wittenberg (2002).

64 Keswell (2004).

65 Lund (2002), Ardington and Lund (1995), Cross and Luckin (1993).

66 DFID (2006).

67 Adamchak (1999).

68 Devereux and Pelham (2005).

69 Samson et al. (2004).

70 For Ecuador's Bono de Desarollo Humano, see Ponce (2006); for Mexico's Progresa, see Behrman et al. (2000); for Nicaragua's Red de Protección Social, see Bradshaw and Víquez (2008).

71 OECD (2009).

Chapter 4

The institutional framework for social transfers

The objective of this chapter is to establish the institutional framework within which social transfer programmes can be designed and implemented. This chapter will also describe and provide examples of co-ordination efforts and models made by various governments and ministries.

The success of social transfer programmes depends critically on the institutional arrangements within which they are established. Global experience documents a range of models, and the appropriate framework depends on the policy environment and the historical evolution of institutional arrangements within the country.

The identification, design and implementation of social transfer programmes within larger social protection strategies usually involves policy instruments that fall under the domain of different government ministries. Effective interventions usually require the involvement of several ministries, often including the relevant social welfare ministry; the ministry or ministries responsible for gender, women, children, older people and people with disabilities; the labour ministry; and ministries responsible for human capital services such as health and education. Other ministries may also be relevant depending on the country's social and policy context. The finance ministry and, increasingly, the planning function within government also play a critical role.

The design of appropriate institutional arrangements requires three key elements:

- An overall policy coordination process that ensures coherence and appropriate integration, and includes a strong monitoring and evaluation function. The coordination process also plays an important role in harmonising development partner support.

- Policy design and implementation functions within the relevant ministries and other government institutions.
- Cross-cutting delivery institutions, mechanisms or structures that ensure efficiency and effectiveness.

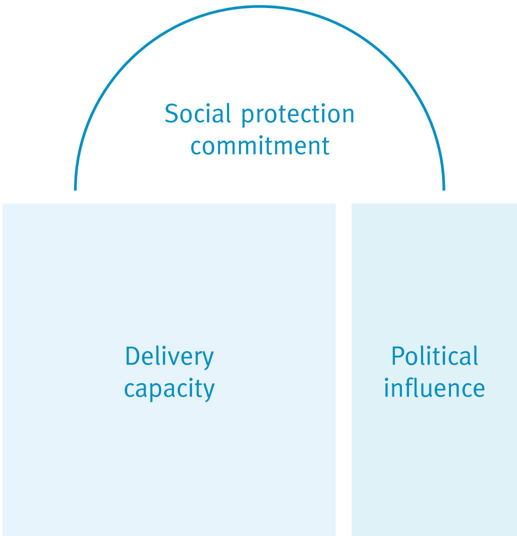


Figure 4.1 Three key elements for appropriate policy coordination

Addressing the first element, an overall policy coordination process, involves identifying the institution within government that will manage the overall coordination of the policy process. Countries around the world have adopted a plethora of models; responsible institutions include the relevant social development ministry, other ministries or institutions within government that have important social protection responsibilities, and key leadership offices up to the Office of the President. Each model has advantages and disadvantages, but the design of the appropriate institutional structure consistently involves leadership with the following characteristics:

- A sincere and durable political commitment to social protection;
- The political influence to secure resources, negotiate trade-offs and defend the framework's priority; and
- The institutional capacity to manage the framework of the development process.

The second element – political influence – involves identifying and developing the policy and implementation roles within each relevant ministry. This often requires a progressive process, since political will and capacity may develop at different paces in various ministries. The institution responsible for overall co-ordination can help to manage the process, which will unfold with the development of government priorities. For example, social protection strategies that make human capital development a priority will likely require greater roles for education and health ministries. Strategies that aim to tackle the risks faced by vulnerable groups will involve greater responsibilities from ministries responsible for social welfare and these specific groups.

Internationally, the responsibility for social protection is often shared across ministries, with responsibility for key interventions sometimes shifting over time. Bangladesh's Widowed and Deserted Women Scheme was originally managed by the Ministry of Social Welfare, but responsibility shifted in 2003 to the Ministry of Women and Children Affairs.[1] Similarly, the Ministry of Labour recently assumed management of Namibia's social pensions from the Ministry of Health and Social Services. In other countries, responsibility is shared – oversight and implementation duties may be divided between various ministries. In India, for example, the Ministry of Labour supervises pensions and the National Family Benefit Scheme administers the grants.[2] The fluid nature of social protection responsibilities requires effective central co-ordination.

The third element requires identifying the cross-cutting delivery responsibilities and building efficient and effective capacity. Increasingly countries that adopt large-scale programmes are recognizing the benefits of a centralised "single registry" management information system, similar to that pioneered by Brazil's Bolsa Familia cash transfer programme. Brazil also centralises key payment functions through a national bank. Centralisation involves a national set of policies, procedures and systems but decentralised delivery capabilities, with an operational presence close to each beneficiary. In Ghana, there is also a strong national system which includes a single registry and coordinating committee. Zambia and Pakistan have also adopted the use of a single registry system with their social cash transfer programmes and conditional cash transfers to children programmes, respectively.[3]

A number of countries have reformed their delivery systems or planned their design around this model where key delivery functions are managed centrally. For example, South Africa restructured delivery systems from provincial responsibilities to national co-ordination by a centralised agency after ten years of experience with a more decentralised approach. The World Food Programme (WFP) in Burundi is in the process of transferring control over to the central government with respect to food aid programmes. Lesotho is also said to have a strong, centralised cash transfer and food aid program with solid government investment.[4] Centralisation enables economies of scale and better harmonisation of policies and practices across provinces. It also helps maintain controls on fraud and inefficiency. An operationally and financially independent agency implements Mexico's Oportunidades cash transfer programme, with a reporting structure that includes the Ministry of Social Assistance, the Ministry of Education and the Ministry of Health. In Colombia an executing office reporting to the Office of the President implements the country's cash transfer programme.

Box 4.1: Institutional arrangements for Nepal

Nepal has effectively delivered important elements of a social protection framework, supporting some of the most effective social transfer programmes in a low-income country. In 1994, Nepal implemented a universal old age pension for all people 75 years of age or older. More recently, the government has announced the extension and expansion of the system of social grants, which are implemented by the Ministry of Local Development. Various ministries – including the Ministry of Education, the Ministry of Health and Population, the Ministry of Peace and Reconciliation and the Ministry of Labour – implement programmes that involve social transfer delivery. The growing role of social transfers in the government's national development framework increases demand for a more comprehensive social protection framework and policy. This section describes a possible model based on the lessons discussed above and consultations with key government stakeholders within Nepal.

Nepal's National Planning Commission (NPC) carries overall responsibility for policy planning and coherence, and executes co-ordination functions with all the ministries related to social protection. The NPC is responsible for overall social policy planning, and implements broad monitoring and evaluation functions across government. The NPC has convening authority and the policy authority to integrate policies across government ministries. The NPC is well-positioned to co-ordinate an overall social protection framework and policy development process. Furthermore, this model has worked successfully in Nepal.

When the International Labour Organisation (ILO) started providing technical assistance to the Government on the formulation of a National Plan of Action on Youth Employment (NPA), the NPC vice chair established a task force which was chaired by a joint secretary and consisted of all concerned line ministries, including finance. After the NPC

Information on existing programmes

Existing transfer programmes represent social contracts and frame the context into which new programmes must fit. In addition, they provide important information about public priorities for social protection (at the time of their implementation, government administrative capacity, the cost of implementation and potential pitfalls and bottlenecks that may be encountered. Nevertheless, existing programmes may lack adequate scale and require substantial expansion in order to meet the demands for social protection. Some types of programmes, however, may not be well-suited to scaling up. While policymakers must pay careful attention to the existing institutional environment, innovative approaches may more effectively provide social protection.

Understanding how existing programmes reduce social risks and vulnerabilities is the foundation for identifying the gaps that need to be addressed with reformed or new instruments.[5] Discussions with programme managers will usually illuminate the successes. Some of the potential shortcomings – information not often volunteered – include limited coverage (often excluding the informal sector and the poorest), inadequate and misallocated finance, unsuitable instruments (sometimes inappropriately imported from an upper-income country), and barriers to access (including discrimination, statutory exclusions, bureaucratic impediments and others.)[6]

Objective and rigorous programme evaluations can provide important insight and serve as leverage, particularly when country circumstances succeeded in developing the model, it handed over the implementation to relevant line ministries with coordination by the Youth Ministry.

The various ministries responsible for social protection elements play critical roles in the development and implementation of specific policies. The Ministry of Women, Children and Social Welfare (MWCSW) is responsible for core elements of social protection, particularly in terms of vulnerability and social exclusion. The Ministry of Labour holds responsibility for other important and distinct social protection areas, particularly in terms of labour market protection. The Ministry of Education and the Ministry of Health and Population both deliver programmes to make human capital services more accessible. The Ministry of Finance plays several important roles in the areas of policy formulation, resource allocation and coordination.

These various ministries have certain implementation responsibilities for which harmonised delivery systems may improve effectiveness and efficiency. For example, the old age pension, maternity incentive scheme, school scholarships and public works programmes involve cash payments across the country. The Ministry of Local Development (MLD) is responsible for the social pension scheme and delivers these cash payments through Village Development Committees (VDCs). Building a harmonised and well-functioning capacity for cash payments lowers the administrative costs to government and the private costs to beneficiaries while improving overall delivery. Other key delivery systems include registration systems, targeting systems, management information systems, monitoring and evaluation systems and appeals systems.

SOURCE: DFID/Nepal (2009).

have changed significantly since the institutionalisation of the existing programmes. Evaluations of the regressive impact of general food subsidies in Mexico, for example, supported the mobilisation of political support for the implementation of Progresa.

When programmes already exist in a country, they can both facilitate and impede reform. It is often easier to reform and extend an existing, moderately successful programme than to build a new one from scratch. Ineffective programmes, however, often assume an inertia that makes reform difficult. The existing beneficiaries and bureaucrats can make formidable opponents, particularly if the programme reduces benefits to poor and near-poor groups (even if the purpose is to redistribute resources to the very poor.)

Brazil's Bolsa Familia successfully faced the logistical and political challenge of consolidating four different cash transfer programmes; and the new consolidated programme effectively addressed the weaknesses and capitalised on the best features of the programmes it replaced.[7] (This example is discussed further in Box 4.2). Jamaica achieved similar success, unifying inefficient and independently-operating programmes with different target groups and high administrative costs. The resulting Programme for Advancement through Health and Education (PATH) provides appropriate benefits to different family members through a unified administration.[8]

Box 4.2: Brazil consolidates existing programmes into Bolsa Familia

In the mid-1990s, Brazilian municipalities began providing cash transfers to poor households on the condition that caregivers ensure children attend school. By 1998, sixty local programmes covered approximately 200,000 families. In 2001, the Education Ministry consolidated the local projects into a national Bolsa Escola programme. The Health Ministry established a parallel programme – Bolsa Alimentação – which targeted the same beneficiaries, but used separate administrative, delivery and reporting systems. Similar programmes were set up independently by the Zero Hunger initiative (Cartão Alimentação) and the Ministry of Mines and Energy (Auxílio Gas) with complementary social protection objectives – but with redundant administrations.

In 2003, the newly-elected government of Luiz Ignacio Lula da Silva launched a comprehensive programme to stimulate rapid growth and social progress. On the social side, the centrepiece of this effort was known as Bolsa Familia, a sweeping reform of Brazil's social safety programmes that consolidated these four federal cash transfer programmes and coordinated them with other social programmes and policies.

Bolsa Familia integrated the four programmes into a single conditional cash transfer programme under the umbrella of a new Ministry of Social Development. Integration of the four programmes made better use of public resources by reducing administrative costs and improving the system for targeting the beneficiary population. The programme and methodology were extended vertically to integrate the federal programme with the state and municipal safety net programmes, further extending and

Government capacity

Government capacity consists of the institutions, human resources, leadership, experiences, systems and other public resources that support the delivery of policy objectives. Policies ideal in theory will nonetheless fail in practice if the government's ability to deliver is too weak. Some programmes (such as those that rely on verified means tests) require substantially greater bureaucratic resources per unit of benefit than do others (such as universal programmes). Government capacity is not static, and the potential to build capacity is an important factor affecting the selection of the appropriate programme.

Conditional cash transfers and public works programmes require a much greater administrative capacity than unconditional programmes.[9] More complex programmes that include targeting or conditionalities increase the need to develop the necessary capacity if it does not already exist – or to shift towards a simpler form of programme.

If existing government capacity is inadequate, policymakers face the choice of either fortifying public institutions or relying on non-state actors, such as market-based agents or non-governmental organisations. However, private sector companies often face disincentives to serve the poor effectively.[10] Private contractors who implement public works programmes may choose a profit-maximising, capital-intensive approach instead of more labour intensive techniques that provide greater social protection but less profit. Contractors implementing private payment for social grants might not find it profitable to serve the most remote recipients of social transfers – even though the social cost of their exclusion exceeds the cost of servicing them. Careful attention must be paid when structuring contracts with the private sector to ensure there are incentives for including the poor and vulnerable.

consolidating (or coordinating) the overall safety net. By standardising results indicators and administrative procedures under a single programme (rather than four separate programmes), bureaucratic complexity was reduced. Finally, integration of the programme as a concept – that is, as a way of thinking about, discussing, and planning, as well as administering social protection – encouraged natural "synergy opportunities" for larger-scale actions related to education, health and nutrition for the poor.

This consolidation also helped facilitate a dramatic scale-up of the programme. In terms of numbers of beneficiaries, the Bolsa Familia Programme is by far the largest conditional cash transfer in the developing world. The scheme, which covered 6.6 million families in January 2005, was reaching 12.4 million families in June 2010, with the expectation of covering 12.9 million by the end of the year. In those 12.4 million families, approximately 49 million people benefit from the programme, 56% of whom are under 17 years of age. The government expects to expand the program to some 50,000 homeless people living in the cities.

Beneficiary families on average have a per capita income of 48.69 Brazilian reais (26.54 USD) without the help of Bolsa Familia. With the assistance of Bolsa Familia, that income rises almost 50% to 72.42 reais (38.48 USD) per month. The 'extreme poverty line' in Brazil is around 70 reais (38.16 USD) per month. Work remains to be done, however: although families in the South, Southeast and Central West have all benefited from Bolsa Familia, people in the North, on average, still remain below the poverty line.

Non-governmental organisations can sometimes provide support that effectively supplements government capacity. International organisations are familiar with appropriate practices and bring important knowledge about programme delivery. Local organisations are familiar with the country context and often rooted in the political environment. Partnerships between international and local non-governmental organisations can provide an important complement to existing government capacity.

Different strategies for implementing programmes require varying levels of government capacity. Donor funding through general budget support requires greater government capacity than direct project finance, since project budgets often are associated with technical assistance.

Government capacity requirements also depend on financing arrangements, particularly when donors are involved. Fragmented funding – particularly when recipients must comply with uncoordinated conditions – places a greater stress on administrative capacity resources, absorbing attention and resources from core government responsibilities.[11]

In these circumstances, investments in government capacity can have multiplier effects if donor requirements are sufficiently harmonised. They generate direct implementation benefits, but also encourage donors to shift towards greater reliance on sectoral and general budget support – which economises further on government capacity resources.

Capacity-building requirements in many low- and middle-income countries involve several elements, including:

- Increased capacity for data gathering and analysis for making evidence-based policy decisions;
- Design and implementation capacity at a national level; and
- Delivery capacity at a local level.

Box 4.3: How to deal with pre-existing social protection institutions

"Where social protection programmes already exist, conscious decisions will have to be made about whether reform efforts should build on the existing institutions or whether new institutions should be created. Societies almost always have at least some form of formal social protection institutions, but the institutions that exist may be very weak or cover only an extremely small fraction of the population. Where the existing institutions are neither very large nor very important, they may not impose serious constraints on the reform process. Where they are large, however, their influence cannot be ignored.

"Existing institutions influence policies about the structure and philosophy of social protection in several ways. They form a point of reference for comparing alternatives. Where the current approaches are generally viewed favourably among the population, the political path of least resistance will be to build on and extend them. The country's institutional history, including the relative

In many countries social protection initiatives fail to make it though the policymaking process, in large part because many policymakers do not appreciate the broadly developmental impact of these types of programmes. Initiatives to build capacity at a policy level – particularly through sharing lessons of global experience – can build political will and enable support for social protection. The more policymakers understand social protection, the more likely they are to champion important interventions. Policymakers also require technical support in making decisions at a policy level. Understanding the advantages and disadvantages of cash transfers, public works, school feeding, contributory programmes and other types of social protection interventions informs better policy decisions – a prudence that is particularly important when fiscal resources are stretched by the impact of the global downturn. In addition, governments may require support for the interministerial co-operation often required to build appropriate social protection systems.

Governments also require capacity-building support to strengthen national systems for targeting, delivery, fiduciary risk management and monitoring and evaluation. Targeting represents one of the most challenging activities associated with social protection. Sharing global lessons and building an evidence base of what works under different circumstances increases the likelihood of programme success. Efficient delivery systems may also require once-off capital investments to achieve cost-effective levels of performance, and internationally available technologies are rapidly lowering costs while interlinking more developmental services, including financial and communications services. Development partners also often support systems for managing fiduciary risk and effective monitoring and evaluation (M&E). Increasingly, rigorous evaluations constitute a global public good, contributing to an international evidence base supporting good practices.

Local governments also require capacity building, since the main implementation activities for social protection usually take place at a local level. Particularly in low-income countries, infrastructure for social service delivery requires significant capital investment. Frequently, local social protection-related government offices lack adequate staff, office equipment, information and communications technology and vehicles. Building capacity credibility of the public and private sectors and the extent of previous government social protection commitments, inevitably affects the scope and character of any new intervention. Given that existing institutions have staff and stakeholders who are likely to protect themselves, large government bureaucracies are not dismantled easily and private concerns that are profiting from the existing arrangements will resist change.

"A good stakeholder analysis of old and new providers and recipients of social protection may facilitate discussions during country programming and project design, by making the trade-offs transparent. Reforming social protection policies is likely to be easier – and the odds of success are correspondingly higher – if the new approach preserves an important role for the existing institutions."

SOURCE: Asian Development Bank (2003), page 36.

involves not only increasing the number of staff members at local level, but also training them in the key elements of social protection – a subject that is still new in many developing countries.

Building capacity for evidence-based policymaking

- Inter-regional evidence and lesson sharing
- Technical expertise in policy analysis
- Within-country cross-ministerial linkages

National-level design and implementation capacity

- Targeting mechanisms
- Delivery systems
- Fiduciary risk management
- Monitoring and evaluation systems (M&E)

Local-level delivery capacity

- Delivery infrastructure
- Human resources
- Training
- Communications

Figure 4.2 Building capacity for social protection

Endnotes

1 Centre for Policy Dialogue (2004), page 81.
2 International Social Security Administration (2004), page 75.
3 Centre for Social Protection (2009).
4 Ibid.
5 Shepherd et al. (2005).
6 Asian Development Bank (2003).
7 See Lindert (2005).
8 Ayala Consulting (2003), page 6.
9 Sedlacek et al. (2000), page 22.
10 Asian Development Bank (2003), page 37.
11 Overseas Development Institute (2005), page 2.

Chapter 5

Gender

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The objective of this chapter is to explore a gender perspective of social transfers. The chapter explores why gender matters and how to take gender into account via analytical perspectives and good practices.

Rationale

Gender is so fundamental to the poverty of countries and individuals that it often appears invisible. To date, women have occupied a marginal place in the design and implementation of social transfers. The male breadwinner attitude is still common in the mindset of policymakers. They persist in thinking of men as breadwinners and overlook the dynamic ways in which women are also economic agents.[1]

There are two basic reasons to take gender into account in social transfers: addressing gender inequalities is both (a) an aim in itself and (b) instrumental to other social transfer aims. It is an aim in itself based on empowerment, because social transfers should reduce women's dependence on men to increase women's agency; based on equity, because social transfers should mitigate gender disparities; and based on rights, because social transfers should recognise that human rights include women's rights.[2]

Taking gender into account is also instrumental to other social transfer aims. For example, generating pro-poor growth intersects with gender in impacting investment in human capital, labour market participation, asset accumulation, risk management, intrahousehold resource allocation, credit, savings, and the intergenerational transmission of poverty.[3]

Despite some lingering misconceptions that development is "gender

Box 5.1: Indicators of empowerment

There are various concrete indicators of empowerment. For example, the Human Development Report's Gender Empowerment Measure measures participation in economic and political life and share of national income. Alternatively, Bangladeshi Villages measured the degree to which women were involved in major household decisions, mobile, economically secure, relatively freed from domination in the family, and politically and legally aware.

SOURCES: UNDP (1995); Hashmi et al. (1996); Reeves and Baden (2000), page 5.

neutral",[4] over the last decade gender awareness in social transfers has been on the rise. National and international policy machineries are increasingly taking gender into account. Several programmes include explicit provisions to address gender inequalities, donors are requiring gender appraisals with more frequency, and the process of "gender mainstreaming" is gaining traction.[5]

Analytical perspectives

What difference would it make for social transfers if gender were central to development goals? Analytical perspectives frame the scope of what addressing gender encompasses.

Conceptual starting points

Several mutually consistent conceptual frameworks underlie gender awareness in social transfers. The following examples provide starting points for terms and approaches.

Social construction. Gender is socially constructed.For example, although some traditional gender roles cast men as workers who dominate the public sphere and women as dependents responsible for reproductive labour in the private sphere, these roles are not static. Rather, gender norms are mutable and change in response to individuals and broader social structures, both consciously and unconsciously.[6]

Institutions. An institutional framework emphasises that gender inequalities operate on an institutional level in addition to an individual level. It is important to keep in mind that longstanding structures of power perpetuate gender inequalities both explicitly and implicitly. Social hierarchies mediate women's search for survival and security, and these hierarchies are entrenched by institutions, including family, civil society, markets, and states.[7]

Empowerment. Empowerment is a contested term.[8] Eyben et al. (2008) define empowerment as the process whereby individuals and groups are able to imagine their world differently and change the relations of power that have been keeping them in poverty.[9] The authors point out issues of reversibility and distinct political, social, and economic facets of empowerment: for example, it is possible that legal rights may not translate to economic change and vice versa. See Box 5.1.

Transformation. A transformative approach builds on the concept of

Box 5.2: Labour trends

Kabeer describes three labour trends, which have been referred to as the "feminisation of work":

(a) Women's labour force participation has increased across different age groups in much of the world.

(b) Women's areas of available paid work have expanded. While previously limited to unpaid work in family farms and family enterprises, women are increasingly carrying out paid work in the nonagricultural sector, and migrating without male partners in pursuit of employment.

(c) Women continue to be confined to certain sectors and occupations – and often to the informal labour market – in spite of their rising education levels and decreasing fertility rates.

SOURCE: Kabeer (2008), pages 52-53.

empowerment by seeking to change the structures that underlie women's vulnerabilities. Immediate impacts of social transfers protect and promote livelihoods, while transformative impacts address the sources of vulnerabilities. Three core questions underlie a transformative approach: How do social transfers: (a) reach women, (b) address their vulnerabilities, and (c) address the underlying causes of these vulnerabilities?[10] Although social transfers may need to work within existing norms as an entry point to reach women, programmes should not preclude the possibility of challenging gender hierarchies.[11]

Bargaining power. Mainstream economics has a history of treating households as unified entities, which conceals intrahousehold gender relations.[12] However, as a cooperative conflict perspective points out, household members are individual economic agents with different levels of bargaining power. They may cooperate around shared goals, but they also have conflicting interests. Individuals' relative levels of bargaining power determine the extent to which decision-making outcomes reflect their interests. Women tend to have less bargaining power than men due to gender-related constraints (e.g., they tend to own fewer assets, invest less in human capital, and carry out less socially valued work).[13] As a result, household decisions are less likely to reflect women's interests.

Intersectionality. Gender inequalities intersect with other forms of inequality. Gender inequalities vary by location, between countries and within countries, and from urban to rural areas; they depend on lifecycle stage, e.g. the gender-related constraints faced in childhood differ from those faced in late adulthood;[14] they intersect with inequalities between groups in society, including class, race, and ethnicity; and they intersect with inequalities within the household, including age and marital status.[15] Overall, women's lives are interconnected, but there is no universal female experience.[16]

Feminisation of poverty. The term "feminisation of poverty" has been used to refer to three distinct patterns: (a) women have a higher incidence of poverty then men, (b) women's poverty is more severe than men's poverty, and (c) there is a trend of greater poverty among women, particularly associated with rising rates of female heads of households. Although women are not always poorer than men, women are generally more vulnerable, and once poor they have fewer options due to the weaker basis of their entitlements. The disparity suggests that interventions to address women's poverty require gender-specific sets of policy responses.[17]

Feminisation of work. The term "feminisation of work" can also refer to distinct trends. See Box 5.2.

Men. People often conflate gender with women – to discuss gender means to discuss women.[18] However, both men and women are gendered,[19] and although gender roles tend to favour men, men face gender-specific vulnerabilities as well. This chapter recognises that gender awareness does not automatically mean a singular focus on women, but looks at gender inequalities with women's disadvantages at the forefront of analysis.[20]

Results of gender inequalities

The conceptual frameworks above help to reveal a wide array of gender-related constraints. Women and men (a) face different risks and (b) experience the same risk differently.[21] Women experience gender-specific risks in relation to:

Unpaid care labour. Women disproportionately carry out unpaid care labour. Their allocation of time and income tends to reflect their primary responsibility for social reproduction.

Paid work. Women tend to have lower labour force participation than men; be segmented in the labour market, particularly the informal economy; earn less; receive less on-the-job training; wield less bargaining power; have work histories interrupted by childbearing and unpaid care labour; may retire earlier; and encounter the male breadwinner attitude, which assumes men are breadwinners and overlooks the dynamic ways in which women are also economic agents.

Education. Women tend to have lower rates of school enrolment, school achievement, literacy and returns to education.

Health. Females may have higher rates of child morbidity and malnutrition; face the risk of maternal mortality; may lack knowledge or control of contraception; may disproportionately encounter some diseases due to care labour, labour market segmentation and biology; and tend to have less access to healthcare.

Assets. Women tend to have fewer assets. They may lack property rights, inheritance rights, access to credit and access to some technologies[22].

Mobility. Women tend to have less mobility to seek job opportunities due to their responsibility for social reproduction, benefit less from transportation infrastructure that ignores unpaid care labour, and may face limitations due to norms of female seclusion.[23]

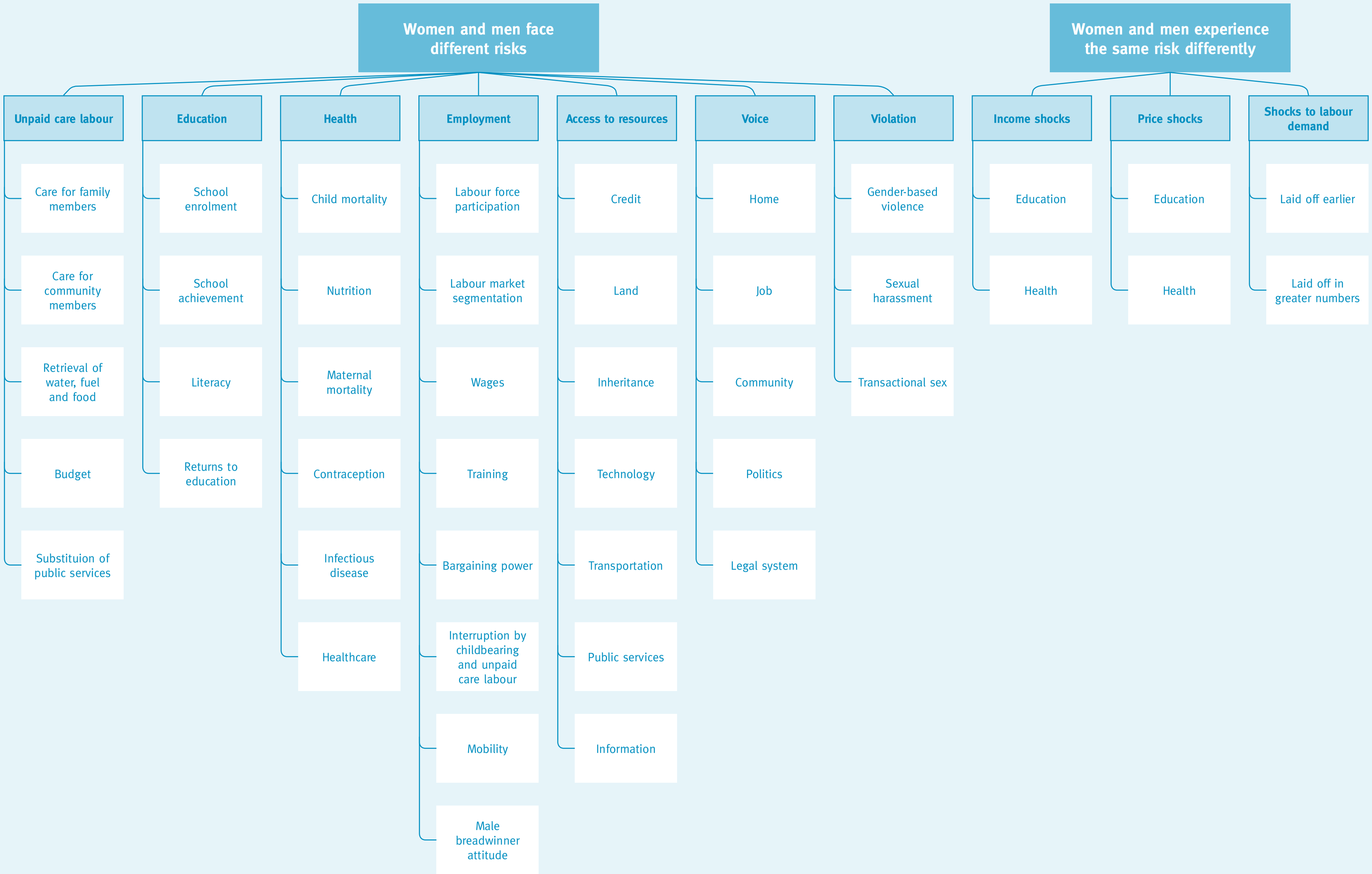
Voice. Females tend to have less voice in the home, workplace, community, politics and legal system.

Violation. Females face risks of gender-based violence, sexual harassment and forced transactional sex.

Women and men also experience the same risks differently. As a result of income and price shocks, female's education and health are more likely to deteriorate[24]. As a result of shocks to labour demand, women tend to be laid off earlier and in greater numbers[25].

Many of the risks shown are crosscutting. For instance, women's unpaid

Box 5.3: Gender-related risks



Sources: Luttrell and Moser (2004), Kabeer (2008), Mason (2003), World Bank (2003b), and Bertranou (2006).

Box 5.4: Accountability

Ethiopia's Productive Safety Nets Programme (PSNP) established a framework for gender mainstreaming that requires continued leadership support and offers lessons for other government sectors. Mexico's Oportunidades includes evaluations by gender advocacy organisations. In terms of institutions, the World Bank's (2006) Gender Action Plan sets tangible targets with timeframes. The European Commission (2008) has developed a "Manual for Gender Mainstreaming, Social Inclusion and Social Protection Policies", which outlines gender-related strategies.

SOURCES: Thakur et al. (2009), page 9; Garsonnin (2005); Molyneux (2007), page 24.

care labour impacts their labour market segmentation, and their education level impacts the extent to which they have a voice in many domains. Box 5.3 summarises the spectrum of gender-related constraints that women face.

Good practices for all social transfers

Although some gender-related constraints are not within the direct control of social transfers, social transfers are not therefore powerless. If innovative, they can reshape even entrenched norms.[26] Although needs vary, some reccurring threads make up good practices for all social transfers: commitment, accountability, analysis, targeting, measurement and coordination.

Commitment

A clear commitment to gender awareness helps to ensure that it is part of the basic architecture of social transfers, instead of a last-minute amendment.[27] It is important to set tangible targets and yardsticks.[28] Espousing generalities surrounding gender is not sufficient. The commitment should be explicit, specific, and relevant to the social transfer programme.[29] Moreover, the process of cultivating high-level political will is often necessary in order to integrate gender into policies, strategies and budgeting.[30]

Accountability

A commitment to gender awareness without accountability mechanisms is unlikely to be successful. Social transfers need to hold people and programmes accountable to commitments. Success requires building ownership and defining roles in social transfers.[31] In the process of gender mainstreaming, "everyone's responsibility" can become "no one's responsibility".[32] See Box 5.4.

Analysis

Gender analysis should be part of the design stage of all social transfers. When creating a poverty profile, gender should be a primary category of economic and political analysis, rather than a peripheral consideration. A gender analysis can predict gender-related impacts of social transfers, select appropriate indicators,[33] assess unintended effects, and identify potential mitigation approaches.[34] Gender impact assessments, gender appraisals and gender audits carry out integral functions.

There is a spectrum of ways to approach relevant areas of inquiry. It is important not only that gender analysis consider whether programmes are "gender aware", but also (a) what gender impacts they have, (b) what kind of gender relations they promote, and (c) whether evidence supports claims of empowering women.[35]

In the design process, key questions concerning household dynamics include: (a) how will household members use cash, (b) should a programme distribute cash specifically to women? and (c) how do household members control resources?

Some delivery systems are more likely than others to support empowerment. It is important to consider:

(a) Dignity (Who delivers the transfers? Is the delivery itself a site of exclusion? Is the payment stigmatising? Is it made in a public place? How are recipients treated?);
(b) Risks (such as robbery, corruption, leakage or coercion);
(c) Actual and opportunity costs (such as transport, childcare, waiting in line and loss of capital);
(d) Synergies; and
(e) Convenience (Does payment take into account access at that time in that place?).

Key questions concerning wider dynamics include: How will social transfers impact existing social and political divisions in communities?Are there risks of exclusion of particular groups based on gender?

See Box 5.5 for details on a life-course analysis.

Targeting

All programmes should also be aware of the gender impactsof targeting mechanisms. Recruitment procedures that claim to be gender neutral assume that men and women respond in the same way, but that cannot be taken for granted.[36] For example, the failure of programmes to inform those who are eligible to participate is a common cause of their exclusion of women.[37] For instance, social funds have "a significant and fairly universal problem with the lack of information and/or misunderstanding on the part of the beneficiaries about the roles and rules of the game of the social funds".[38] Women face several gender-related constraints in obtaining information:

(a) They are usually not as physically mobile as men;
(b) Their time poverty may limit their ability to apply or reach distribution sites;
(c) They are often less literate than men;
(d) They do not tend to frequent administrative centers; and
(e) They cannot rely on family members to pass on information if family members are not in favour of women's empowerment.[39]

Reaching women can require creative strategies. When Bangladesh first began its Rural Maintenance Programme (RMP), it employed loudspeakers in villages to announce recruitment, and India's Employment Guarantee Scheme (EGS) sent drummers out to different villages to announce the opening of

Box 5.5: Life course analysis for women

Stage in life course	Gender-related risk or vulnerability	Social protection response
Childhood	Left alone or with unreliable carer. Do not attend school due to income-earning or domestic responsibilities. Experience double burden of work and school.	Cash transfers. School feeding programmes. After-school training programmes. Secondary school scholarships or additional stipends. Childcare support programmes.
Adolescence	Withdraw from school for wage work or domestic tasks. Experience double burden of work and school. Enter high-risk employment.	Cash transfers. School feeding programmes. After-school training programmes. Secondary school scholarships or additional stipends. Childcare support programmes.
Early adulthood	Possess limited marketable credentials and endowments. Confined to precarious segments of the labour market. Discriminated against by employers. Lose employment due to pregnancy or childcare. Lack access to trade unions. Experience sexual harrassment.	Public works programmes. Social funds to promote skills upgrading and community participation. Translation of discretionary provision to employment guarantee. Childcare support programmes. Trade unions. New forms of unionism.
Middle adulthood	Discriminated against in access to captial and social networks to build own enterprise. Have limited and insecure employment options due to childcare and family responsibilities. Discriminated against by employers. Lack access to trade unions. Experience decline into poverty if marriage breaks down.	Financial services including savings, credit and insurance. Combination of financial services with other forms of livelihood support.
Late adulthood	Experience cost of retiring from work without benefits in informal economy. Burdened by childcare, especially as a result of the HIV/AIDS pandemic. Lose assets to late husband's family when husband dies.	Pensions. Unconditional cash transfers.

new work sites.[40] Some programmes also institute gender quotas to strive for a minimum level of participation by women. Another strategy is to build on the presence of civil society organisations and women's groups that have already established contacts with poor sections of the community and to work with particular female members.[41]

Targeting women has the potential for unintended negative impacts. If men feel threatened by women's participation in social transfers, they may take their anger out on women, and domestic violence may increase.[42] For

Box 5.6: Targeting

Targeting women can clearly enormously benefit women. However, for conditional cash transfers, Molyneux (2008: 64) mentions that although women are "available" to meet conditionalities due to their primary responsibility for social reproduction and their precarious relationship to the wage economy, programmes such as Oportunidades leave unanalysed and unquestioned the reasons behind women's "availability," taking it for granted and even reinforcing it.

SOURCE: Molyneux (2008).

Malawi's Dowa Emergency Cash Transfer Project (DECT), Concern Worldwide attempted to mitigate the risk of inducing domestic violence against beneficiary women through an awareness programme that urged beneficiary women to be respectful and engage their spouses in allocating the cash transfer. Evaluations reported "no direct evidence of gender-based violence."[43] See Box 5.6.

Targeting women has become increasingly popular in social transfer programmes. However, gender awareness involves more than adding women to existing programmes. Gender relations are likely to impact not only the type of risk that a programme tackles, but also the effect of the programme based on preexisting intrahousehold and community gender dynamics.[44]

Measurement

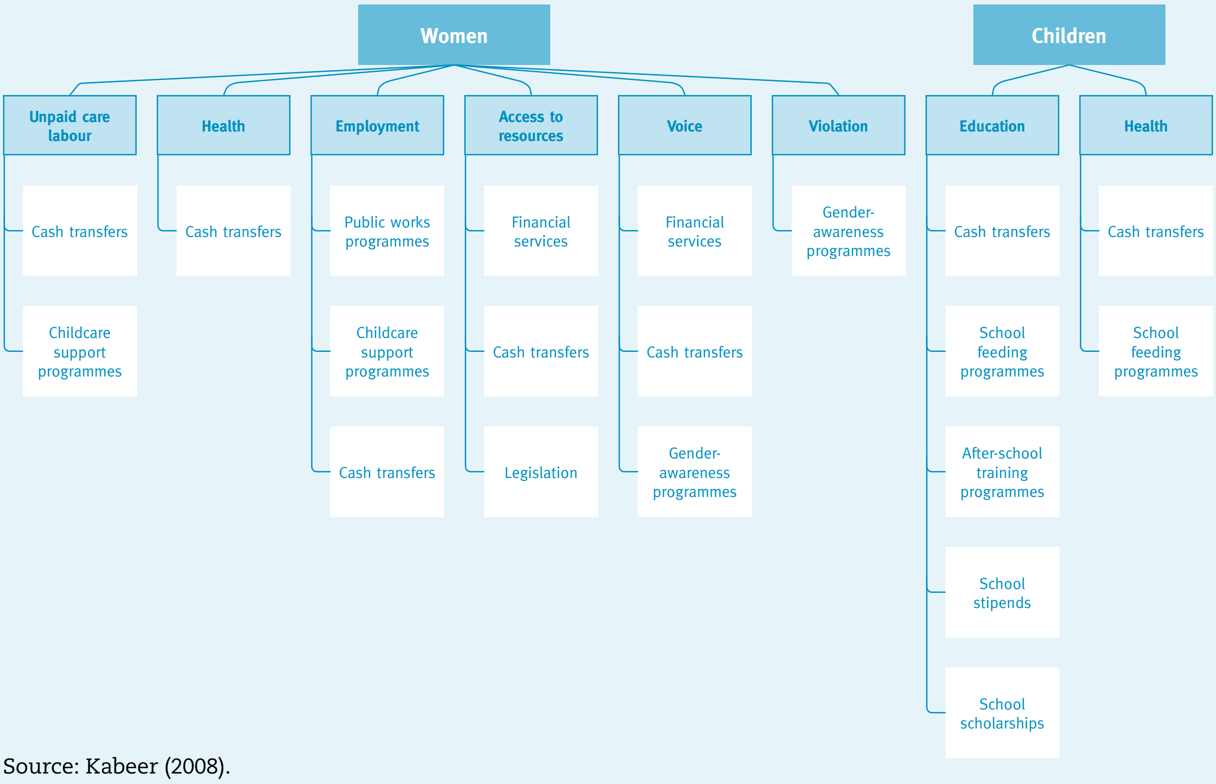
A key challenge in promoting gender equality and women's empowerment is the poor quality and limited availability of gender-disaggregated information and statistics.[45] Adequate monitoring and evaluation systems of both qualitative and quantitative data are crucial in order to (a) assess differential impacts of social protection measures on women and men, (b) inform evidence-based policy options, (c) improve programme design, and (d) reinforce accountability.[46]

However, programmes face several challenges to measurement. It can be difficult to pinpoint tracking mechanisms for the relative contributions that a particular project makes on differential goals. For example, in a sanitation project, how much of the project budget responds to the needs of women? In addition, social change can be difficult to capture, and measuring the intangibles at the root of social change requires creative tracking mechanisms.[47] Also, unfortunately, gender mainstreaming often neglects the need for better monitoring and associated gender-specific indicators.[48] For conditional cash transfers in particular, the "overwhelming majority of evaluations" centre on children and fail to adequately capture intrahousehold dynamics.[49]

Coordination

It is also important to build institutional coordination between stakeholders. Targeting women should build on the presence of civil society organisations and women's groups that have already established contacts with poor sections of the community, particularly female members. Social transfers should ensure linkages and synergies with complementary sectors and service providers.[50] For example, if a microfinance programme brings together women regularly for project-related meetings, the programme might consider expanding the scope

Box 5.7: Choosing a programme



Source: Kabeer (2008).

of meetings to skills training or health-related education. A conditional cash transfer programme also ideally acts a hub for activities, including health clinic visits and organisational meetings.[51]

A communication function is likewise necessary in programmes in order to ensure transparency to potential beneficiaries, and report to civil society and political actors. Appeals processes can also empower women, enabling them to voice otherwise overlooked gender-specific issues.

Single instruments of social policy cannot be expected on their own to dismantle the underlying causes of the problems that gave rise to them. Social transfer instruments are not a substitute for a coherent strategy for social protection that makes the connections between the different ways in which vulnerability is experienced and reproduced over time.[52]

Good practices for specific social transfers

While the previous section discusses good practices for all social transfers, this section elabourates on specific dimensions.

Choosing a programme

Although all social transfer instruments can generate cross-cutting effects, some may be better suited than others to address specific types of gender inequalities. See Box 5.7.

Box 5.8: Gender impacts of programmes

	Cash transfers	Childcare support	Financial services	Public works	School feeding	School scholarships
Impact on women	Increase investment in health. Can increase bargaining power in the home and community. Can act as recognition of unpaid work. Can increase economic activity.	Expand livelihood options. Increase participation in public life. Recognise unpaid care labour.	Redress glaring gender disparities in access to finance. Allow consumption smoothing. Facilitate increase of asset base. Increase options for self-employment. Build associational networks. Offer synergies with other social services. Can increase political participation.	Generate employment. Can create infrastructure that may enable mobility or reduce workloads. Can increase bargaining power of women in the programmes. Can increase bargaining power and wages of workers not in the programmes.	Can directly generate employment. Can indirectly expand employment by freeing women from preparing lunch for children.	
Impact on children	Increase investment in health. Increase school enrolment, which promotes employability and productivity of next generation of workers and can delay girls' marriage.	Reduce adverse effects of insecure care arrangements. Improve access to education for girls who would otherwise take on care burden.	Produce knock-on effects of schooling and health.		Increase school enrolment, which promotes employability and productivity of next generation of workers and can delay girls' marriage. Promote children's nutrition, in long-term improving development and in short-term improving attention span and learning abilities.	Increase school enrolment, which promotes employability and productivity of next generation of workers and can delay girls' marriage.
Impact on community	Can produce micro-Keynesian spillover effects on local economy. Can bring excluded groups into circle of citizenship. Can send message that girls are worth human capital investment.			Can help kick start local economy.	Can generate jobs for members of a socially excluded group. Can send message that girls are worth human capital investment.	Can send message that girls are worth human capital investment.

Source: Kabeer (2008), pp. 118, 120, 243, 245, 274, 347.

Added versus mainstreamed. On the one hand, addressing gender inequalities should not be limited to peripheral women-only projects; it should also part of social transfer programmes holistically. However, there may be negative consequences if funding for women-centred transfers disappears.

Conditional versus unconditional. There is a case for "good conditionalities" that could support behavior change, address power relationships in the household or community, and empower communities to claim and receive better services delivery. Cash changes behavior, whether it is conditioned or not, and some behaviors are so entrenched that dangling the big carrot – cash – may be the best and fastest way to achieve better outcomes for vulnerable and disadvantaged groups.

Box 5.9: Mexico's Oportunidades

Oportunidades is widely praised for its gender awareness, but according to Molyneux (2007), whether or not it actually transforms gender divisions is questionable. She argues that the state actively reinforces gender inequality through Oportunidades. The puzzle is not why cash transfers should allocate scarce resources for children. The puzzle is whether and how cash transfers displace risk and vulnerability experienced by children onto mothers. Oportunidades generates positive gender impacts, for example, by increasing girls' access to school and increasing women's bargaining power, yet it also generates negative gender impacts by exacerbating women's time burden and regulating motherhood. In a way, Oportunidades may police gender boundaries by institutionalising gender differences to the disadvantage of women.

However, the extent to which Oportunidades acknowledges gender difference signifies a feat in itself. Traditional gender roles are not unequivocally and uniformly oppressive. Women can and do draw strength, creativity and satisfaction from their identities as mothers. There may also be a divide in distinct forms of feminism at play. While middle-class white first-world feminists may perceive an urgent need to claim the right not to be mothers, poor minority third-world feminists may perceive an additional need to claim the right to be mothers in the first place.

SOURCE: Molyneux (2007).

Cash versus food. The form of the transfer also matters in targeting.[53] In most cases, the benefits of cash over food are compelling, but in some circumstances, food may be more gender-equitable because women may have greater control over its distribution.[54] 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. For example, in Lesotho and Zambia, paying half the programme wage in food succeeded in attracting more women than men.[55] In Malawi, men dominate the Social Action Fund's cash-for-work programme, while women predominate in the World Food Programme's Food-for-Work initiative.[56] Women also carry out Peru's Comedores Populares, a grassroots food transfer programme.[57]

See Box 5.8 for distinct impacts of programmes.

Social transfers for children

Gender enters the analysis of social transfers for children in many ways. Increasing school enrolment involves closing disparities in educational attainment between boys and girls. Discouraging child labour involves recognising that girls' labour in particular tends to free women from household chores when they take up paid work. Moreover, social protection measures are likely to call upon women as mothers.[58] At present women's incorporation into social protection is often tied to motherhood.[59] The link between women and children poses both opportunities and challenges for programmes.

The link poses opportunities because social protection programmes can reach children via women both directly and indirectly. Directly, programmes can distribute cash transfers to women in order to improve children's wellbeing. A substantial body of evidence documents the importance of paying attention to who in the household receives cash transfers. While some research

Box 5.10: Programmes for children

India's mid-day meal scheme addresses multiple gender-related concerns: (a) children's interests – children's nutrition and school attendance; (b) women's interests – directly, it hires primarily women to prepare food, and indirectly, it frees time for women who would otherwise have to prepare children's lunch; and (c) the intersection of gender and ethnicity – some states specify that members of marginalised castes have priority in jobs as cooks. The popularity of cash transfers in the current social protection agenda has meant that less research examines childcare provision. Childcare support programmes include India's Mobile Crèches and South Africa's Flagship Programme. Based on studies in Guatemala and Ghana, the provision of childcare may not be as critical an intervention to increase mothers' labour force participation rates in cities where the informal sector dominates.

SOURCES: Kabeer (2008); Quisumbing et al. (2003), page ii.

has indicated that the gender of the grant recipient does not affect resource allocation within the household,[60] increasingly more refined studies find significant differences when women receive the transfers. They suggest that cash in women's hands leads to greater improvements in children's wellbeing.[61] Indirectly, programmes that improve women's employment opportunities and wellbeing can generate spillover benefits for children.

However, the link between women and children also poses challenges for social transfers because women's responsibility for childcare makes up a pivotal source of gender inequality. See Box 5.9.

The power of ideologies surrounding motherhood explains the restricted nature of women's choices as much as the actual burden that childcare responsibilities represent for individual women.[62] Childcare translates to tasks such as meal preparation, but also means that employers may perceive women as less reliable workers and therefore bar them from jobs. In addition, although mothers' interests may be closely intertwined with children's, they are not identical.[63] Since grants to children are politically more popular than grants to mothers, social transfers often prioritise children's interests, sometimes at the expenses of the mother.

There are also questions about impacts of social transfers on fertility rates. A study of South Africa's Child Support Grant (CSG) found a common perception among officials, beneficiaries and the public that the CSG caused teen pregnancy and young mothers abused the grant.[64] However, the study found no evidence that suggests a link between teen pregnancy and the CSG, and in fact the social blaming surrounding the CSG undermines both the mothers collecting the grants and the grants themselves.See Box 5.10 for examples of other programmes.

Social transfers for older people

Although older people are often among the poorest, formalised provision is largely absent or uneven in low-income countries, where many people make provisions for old age through private insurance arrangements or rely on their families to look after them.[65] However, family-based arrangements for caring for older people are under severe strain in many parts of the world

Box 5.11: Programmes for older people

In Bangladesh, the Old Age Allowance Scheme (OAAS) sets quotas of five men and five women– the oldest and poorest residents of each ward. Gender equity is further addressed by the Assistance Programme for Widowed and Destitute Women (APWDW), which provides an additional five pensions in each ward for poor widows and destitute women. In Bolivia, gender-specific obstacles to the universal pension Renta Dignidad include language, literacy and documentation.

SOURCE: Skinner (2007).

due to population growth, decline in extended family forms, and prolonged conditions of economic stress.[66]

Women in old age are particularly vulnerable because they (a) are more likely than men to live alone,[67] (b) tend to live longer,[68] (c) may retire earlier, (d) are overrepresented in the informal economy, and (e) tend to have work histories interrupted by childbirth and unpaid care labour. Men in old age are particularly vulnerable based on their identities as breadwinners and their lesser propensity to develop support networks.[69]

Gender disadvantage in contributory pensions may be lessened when there is scope for voluntary contributions to state-regulated schemes, provisions guarantee some pension to those falling below a minimum level of contribution,[70] eligibility in a means test is not linked to a spouse's income, and benefits recognise care labour performed at home.

However, Kidd (2009) makes a strong case for universal pension coverage. Universal pensions are more gender equitable in that women and men receive equal pensions regardless of their work histories and women as a group benefit for longer since there are older women than men. Universal pensions are also likely to be politically popular among women, which ties to questions of affordability.[71] In terms of individual impact, in Nepal and India older women commented that receiving a pension gave them self-worth and increased their status in the household.[72] In terms of spillover effects, pensions particularly received by women are often spent on school fees and food for the household, and may also have multiplier effects for the local economy.[73] See Box 5.11.

Public works

There are two basic ways to think about public works programmes from a gender perspective. From the perspective of access to wage employment benefits: Do women have the same access to wage employment as men? What prevents women from equal access? How can public works programmes overcome barriers? From the perspective of benefits from assets created by public works: Do the choice and design of infrastructure take women's interests into account? What prevents consideration of women's interests? How can programmes overcome barriers? How do women participate in the decision-making process, if at all?[74]

The factors that determine women's access to wage employment are dynamic.[75] It is expected that particular groups of women respond to public works programmes: younger women, especially without children, and extremely poor women and female primary breadwinners regardless of age, marital status,

Box 5.12: Public works

South Africa's Zibambele programme is a successful example of addressing gender bias. A survey in 2003 demonstrated that 93 percent of the participants were female. Gender equitable features of this programme include: providing employment contracts to the household rather than the individual to enable job sharing, focusing recruitment efforts on female household heads, locating work sites close to the homes of women, and facilitating the integration of childcare and other domestic responsibilities with work responsibilities. India's National Employment Guarantee Scheme also incorporates gender equitable features, including non-discrimination provisions, access to on-site childcare, and work sites close to the home of workers. Programmes might also provide childcare support. Examples include India's Employment Guarantee Scheme (EGS), Bangladesh's Food for Work, and India's Rural Maintenance Programme (RMP).

SOURCE: Kabeer (2008), pages 155-186.

or number of children.[76] However, the proportion of women among workers in public works programmes varies not only between programmes and regions, but also from one village to another and from one type of infrastructure to another within the same programme and within the same region or province.[77]

Women face several challenges. In addition to those outlined in Section 5.3.4, recruitment done on the same day as the start of construction work does not give women the chance to ask prior permission from their husbands or fathers, or to reorganise their household tasks. Also, public works programmes are not easily reconciled with maternal responsibilities or domestic work. Due to the male breadwinner attitude, it may be largely women from poor and asset-less households who cannot afford to observe gender norms who are likely to be found working in public works programmes.

Construction jobs that generally correspond with the traditional gender division of labour in agriculture and in the household provide women the best entry point into construction. These jobs are more likely to obtain social acceptability than radically non-traditional ones. In addition, women already possess the relevant experience and can immediately start working. Programmes should therefore maximise women's employment benefits in these jobs but without precluding future entry into new areas.[78]

Programme implementers and technicians often set limits to women's operations on the basis of their own perceptions that women themselves do not hold or would readily put aside. Implementers and technicians might therefore leave to women the choice of which operation to undertake. Social norms surrounding the gender division of labour are not as rigid as people sometimes assume. The numbers of women in non-traditional, male-dominated operations are not always impressive. However, the first step is often the most difficult to achieve.[79] See Box 5.12.

Endnotes

1 Kabeer (2008), page 323; PREM (2009).
2 Luttrell and Moser (2004), page 3.
3 Thakur et al. (2009), pages 3-4.
4 EC (2008), page 3.
5 Kabeer (2008), page 323; Holmes and Jones (2009); EC (2008); Rao and Kelleher (2005); Dawson (2005); Zuckerman (2002).
6 Glenn (2000).
7 Kabeer (2008), pages 55-57.
8 Molyneux (2008).
9 Eyben et al. (2008), page 2.
10 Kabeer (2008), page 323.
11 Dejardin (1996), page 20.
12 Elson (1997).
13 Kabeer (2008), pages 63-64; Sen (1990).
14 Kabeer (2008), pages 67-72.
15 Luttrell and Moser (2004), page 3.
16 Glenn (2000).
17 Reeves and Baden (2000), page 8.
18 Tallis (2000), page 59.
19 Cleaver (2002).
20 Jolly (2000), page 8.
21 Luttrell and Moser (2004), page 4.
22 Khasiani (1994), cited in Kabeer (2008), page 250.
23 Potgieter et al. (2006).
24 Mason (2003).
25 Luttrell and Moser (2004), page 8.
26 Dejardin (1996).
27 EC (2008).
28 Lund and Srinivas (2000), cited in Luttrell and Moser (2004), page 25.
29 EC (2008), page 3.
30 Thakur et al. (2009), page 9.
31 EC (2008), page 3.
32 Reeves and Baden (2000), page 10.
33 CIDA (1997), Moser (2007).
34 Thakur et al. (2009), page 9.
35 Molyneux (2008), page 28.
36 Dejardin (1996), page 18.
37 ILO (2000), cited in Kabeer (2008), page 324.
38 Owen and van Domelen (1998), page 26.
39 Kabeer (2008), page 324; Dejardin (1996); Mukagatare (1989), pages 65-68; Correze (1989), page 17; Tomoda (1987), pages 43-46; Guichaoua (1987), page 93.
40 Kabeer (2008), page 188.
41 Thakur et al. (2009), page 11; Kabeer (2008), page 188.
42 Kabeer (1998), cited in Luttrell and Moser (2004), page 23.

43 Devereux et al. (2007), page 49.

44 Holmes and Jones (2009) and Kabeer (2008), cited in Jones and Holmes (2009).

45 Grown, Gupta, and Khan (2003), cited in World Bank (2006), page 15.

46 Thakur et al. (2009), page 11.

47 Rao and Kelleher (2005), pages 62-64.

48 Luttrell and Moser (2004), page 25.

49 Molyneux (2008), page 26.

50 Thakur et al. (2009), pages 11-12; Kabeer (2008), page 188.

51 Molyneux (2008), page 14.

52 Kabeer (2008), pages 148, 150.

53 Luttrell and Moser (2004), page 24.

54 Harvey (2005).

55 Subbarao (2003), Subbarao et al. (1997).

56 Devereux (2002a), page 7.

57 Molyneux (2007).

58 Kabeer (2008), pages 109-110.

59 Kabeer (2008), page 145; Molyneux (2007).

60 Case and Deaton (1998).

61 Research has taken place in many regions (Kabeer 2008, pages 66-68). These include Brazil (Thomas 1990), Nicaragua (Lamontagne et al. 1998), Egypt (Kishor 2000), Cote d'lvoire (Hoddinott and Haddad 1995), Gambia (von Brau et al. 1989), Kenya and Malawi (Kennedy and Peters 1992), Ethiopia (Girma and Genebo 2002), the Philippines (Senauer et al. 1988; Bisgrove and Popkin 1996), Bangladesh and Pakistan (Montgomery et al. 1996; Sathar and Lloyd 1994), Malaysia (Anderson et al. 2003), and West Bengal (Kambhampati and Pal 2001).

62 Kabeer (2008), page 53.

63 Ibid., page 145.

64 Goldblatt (2005), pages 251-252.

65 Kabeer (2008), page 249.

66 Skinner (2006), cited in Kabeer (2008), page 250; Kidd (2009); UNFPA (2007).

67 UN/DESA (2007), cited in Kidd (2009), page 2.

68 Heslop (1999); Khasiani (1994); Kidd (2009), page 2; Beales (2000), page 10.

69 HAI (2002), pages 6, 13.

70 Kabeer (2008), page 273.

71 Kidd (2009), pages 7-9.

72 HAI (2004), page 27.

73 HAI (2004), pages 31-32; Kabeer (2008), page 261.

74 Dejardin (1996), page 13.

75 Ibid., page 14.

76 Kabeer (2008), page 151.

77 Dejardin (1996), page 14.

78 Ibid., page 20.

79 Ibid.

Chapter 6

Selecting social transfer instruments

The objective of this chapter is to describe a framework for selecting an appropriate set of social transfer instruments for a country.

Introduction: What are the appropriate social transfer instruments?

The information identified in the previous chapters – on political priorities, gender, evidence on poverty, institutional arrangements and financing – provides the evidence base for selecting an appropriate set of social transfer instruments for a country. Four central decisions define the social transfer instruments:

- Who benefits from the social transfers?
- What size of a social transfer is provided to the beneficiaries?
- Are targeting mechanisms employed to reach the poor?
- What conditionalities (if any) are imposed for eligibility?

The process of making these decisions may identify information gaps that require additional research. It may be useful to establish a consultative group of policymakers, social transfer champions and even those opposed to a more expansive strategy of social protection. This group might also include donors and civil society representatives. The following discussion provides a structured framework for understanding the key questions that must be answered in order to define a specific programme.

Who benefits from the social transfers?

Social transfer programmes generally target either household units or groups of vulnerable individuals. For example, the Zambian Kalomo pilot explicitly targets households rather than individuals and structures benefits accordingly. Most public works programmes target individuals who can supply labour, with the expectation that the transferred resources will support the worker's household. Conditional cash transfer programmes focus primarily on children, with a broader intention of family support, but rarely include the more extended household. Brazil's *Bolsa Familia* is inclusive enough to protect poor households without children. Targeted unconditional programmes generally focus on members of vulnerable groups – young children, people with disabilities, pensioners – without consideration of the needs of other household members. The issues pertaining to targeting are discussed in greater detail in chapter 7.

To protect vulnerable individuals requires dispelling a myth – that the benefits provided will exclusively support the targeted beneficiaries. Vulnerable individuals often live in poor households, where the resources from transfers are usually shared among all the members. As a result, even a perfect targeting mechanism that reaches poor children with complete accuracy will effectively provide some children with fewer resources than others. For example, a child grant recipient living in a large destitute household with no other grant beneficiaries will likely benefit less than a similar child living alone with her caregiver. This problem is referred to as "benefit dilution".

One can avoid the dilution problem by linking benefit levels to the size of households. When resources are limited, however, covering households may place greater stress on the targeting mechanism, since this approach does not limit the programme's scope solely to vulnerable groups. When poverty is widespread, the focus on households may require greater fiscal commitment – and provide a more comprehensive response.

The practical implementation of targeting involves errors: some of the poor will be excluded, and some of the non-poor will access benefits. The challenges of targeting multiply when one vulnerable group is targeted indirectly through another. For example, numerous studies of old-age pensions have documented their substantial positive impact on children's development.[1] However, the benefits to children from pensions can be haphazard. Children living with pensioners benefit, but those whose grandparents died too young to receive the pension are deprived.

The targeting process inevitably involves these types of errors and distortions, which can only be eliminated through universal provision of social transfers. When the lack of political will and resource constraints preclude universalism, policymakers must make compromises that weigh available resources, access to information and political concerns.

In practice, countries frequently adopt one of two basic approaches: (1) Many programmes identify vulnerable categories of individuals and introduce transfers into the household by targeting these groups – children, widows, people with disabilities and pensioners. These programmes can be universal

Box 6.1 Examples of answers to "Who benefits from the social transfers?"

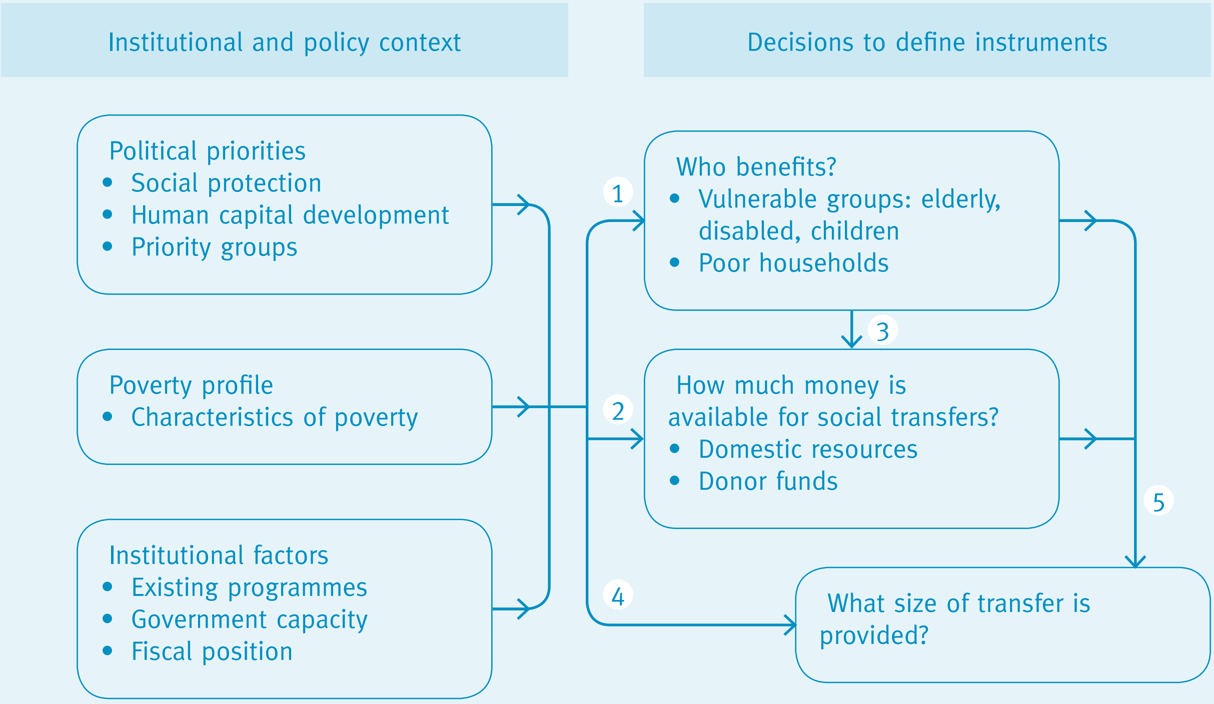
Programme	Who benefits?	Main advantages	Main disadvantages
Zambia's Kalomo Pilot	The poorest households (lowest decile)	• Comprehensive approach to poverty affecting households • Effectively reaches the poorest	• Requires expensive community targeting • Many severely poor households are excluded
Brazil's *Bolsa Familia*	Poor families, particularly children	• Benefits a vulnerable group with an effective instrument • Gaps in coverage are offset by other instruments targeting vulnerable groups	• Take-up rates still relatively low • High cost to deliver benefits
India's Employment Guarantee Scheme in Maharashtra	Households with unemployed workers	• Indirectly targets households • Gaps in coverage are offset by other instruments targeting vulnerable groups	• Low wage undermines social protection • High cost to deliver benefits
South Africa's social grants	Vulnerable groups: children, the elderly, those with disabilities	• Rights-based approach benefiting some of the most vulnerable groups in the country • Relatively high take-up rates	• Large gaps in coverage • Benefits to vulnerable individuals are diluted if households are large

or targeted to the poor. (2) Some programmes explicitly focus on households and aim to transfer resources for the benefit of all members. Since the scope of these programmes is not limited to vulnerable groups, they usually rely on more sophisticated targeting mechanisms to reach the poor.[2]

There is no consensus among policymakers or social policy analysts on how to address this issue. The problem is as much political as it is technical. Some policy analysts conclude that the best targeting relies on easily identified categories linked to poverty and vulnerability – such as age, location and degree of exclusion – and provides transfers universally to these targeted groups.[3] Others are confident that the challenges of more sophisticated targeting can be surmounted, so that resources can be more efficiently allocated to the poor.[4]

The starting point for the selection of the appropriate social transfer instrument is the determination of the scope. Will the programme target older people, children, those with disabilities, and/or another vulnerable group? Alternatively, will the programme encompass all members of the household? Ideally, the answer to the question "Who benefits from the social

Box 6.2: Decision-making that defines social transfer instruments



This diagram illustrates some of the key decisions required to define social transfer instruments. The evidence base for the decisions is the institutional and policy context – the political priorities, the profile of poverty in the country, and institutional factors such as existing programmes, government capacity and fiscal resources. These factors influence the decision of who benefits from the social transfers (arrow 1). These institutional and policy factors also influence the allocation of resources to social transfers (arrow 2). In addition, the choice of beneficiaries may influence the resources available since policymakers and donors may be more likely to fund priority groups (arrow 3).

The institutional and policy context influences the size of the transfer: depending on the depth of poverty, policy objectives and the needs of different types of households in various circumstances (arrow 4). The choices of beneficiaries and resources allocated defines a budget constraint that influences the size of the transfer – the average size of the transfer multiplied by the number of beneficiaries cannot exceed the resources allocated (arrow 5).

transfers?" is "All those who are poor and vulnerable". Usually, however, resources are limited and it is difficult to identify this group. Sometimes there is greater political will to target specific groups, in particular the poorest and most vulnerable. The answer to this question should reflect the policy and institutional context – the political objectives, the poverty profile and the other institutional factors affecting the decision-making process. Box 6.1 summarises some of the key advantages and disadvantages of various approaches to answering this question.

Options assessment and identification of instrument(s)

The identification of appropriate instruments builds on the forward-looking vulnerability analysis and an assessment of options, weighing key contextual factors and any pre-existing social protection programmes, in order to select the most appropriate instrument(s). Box 6.2 illustrates several of the key factors that affect the choice of instrument. A wide range of social protection instruments are available for building a social protection system, but only a subset can be implemented rapidly enough to serve as effective responses to crises such as the economic downturn.

The choice of appropriate instruments depends on each specific country's social, economic, governance, cultural and institutional context. Countries with largely formal labour markets or mostly urban populations will likely select different instruments than those with informal labour markets or primarily rural populations. The country's fiscal space and administrative capacity also affect the feasibility and effectiveness of different interventions. The poverty profile – and particularly poverty dynamics – will also play a role in identifying the most appropriate instruments. The country's governance context influences the available options. For example, fragile states will face substantial challenges in implementing national-scale programmes. Countries with greater capacity may find opportunities in crisis to improve and refine any existing social protection programmes and systems. Options include tackling fiduciary risk, rationalising programmes and social expenditure, and strengthening registration, payments and monitoring systems.

In many cases, unconditional cash transfers provide the most appropriate short- to medium-term response. The World Bank describes this choice as the "mainstay of safety net programmes and the standard against which other programmes are judged... cash transfers of adequate coverage, generosity and quality are the best option".[5] If a country possesses limited fiscal space and aims to deliver as much benefit as possible to the poor per unit expenditure, an unconditional cash transfer is one of the most efficient instruments available.[6] Countries with greater fiscal resources and substantial administrative capacity have more choices, such as employment guarantee schemes, linkages to job training and unemployment insurance, as the following diagrams illustrate.

Figure 6.1 depicts how country characteristics affect the relative appropriateness of alternative instrument choices. Figure 6.2 organises these principles into a decision tree, mapping the thought process countries might consider in choosing appropriate social protection interventions.

Conclusions

This chapter has identified issues informing the selection of an appropriate social transfer programme for a country. The ultimate choice will be subjective, political and hopefully informed by the policy evidence. Each country's decision-making process will be different, and rarely will all the information

Determinants	Indicator value	Appropriate instruments
Fiscal space	Low	Unconditional cash transfers
	High	Employment guarantee programmes, cash transfers, unemployment insurance, training programmes
Administrative capacity	Low	Cash transfers
	High	Employment guarantee programmes, cash transfers, unemployment insurance, training programmes
Geographic regions	Rural	Employment guarantee programmes, cash transfers
	Urban	Cash transfers
Labour markets	Formal	Unemployment insurance, training programmes
	Informal	Unconditional cash transfers
Dynamics of poverty	Chronic	Unconditional and conditional cash transfers
	Transitory	Employment guarantee programmes, cash transfers, unemployment insurance, training programmes

Figure 6.1 How the social, policy and institutional context affects choice of instrument

identified in this chapter be available. How does a policymaker go about the process of choosing the most appropriate kind of programme to meet the needs of a particular group? The following five-step outline summarises the key issues raised in this chapter, providing a starting point for making the necessary decisions. Box 6.3 applies these five steps to the case of Lesotho's old age pension. The subsequent chapters provide additional information to further illuminate these considerations and inform this selection.

Steps to selecting a social transfer instrument:

- Identify the priority groups of households or individuals that will participate in the programme. Adopt a household focus that targets social transfers to the poorest in the country. Alternatively, identify priority groups based on poverty, vulnerability and policy objectives (e.g. the elderly, young children, people with disabilities).
- Quantify the available long-term sustainable funding based on secure domestic resources (which may require raising taxes or permanently reallocating expenditure) and verify long-term donor support. Keep in

Labour markets	Formal				Informal			
Administrative capacity	Low		High		Low		High	
Poverty dynamics	Chronic	Transitory	Chronic	Transitory	Chronic	Transitory	Chronic	Transitory
Appropriate instrument	Unconditional cash transfer	Cash transfer	Conditional and unconditional cash transfers	Guaranteed work scheme, unemployment insurance, training programmes	Unconditional cash transfer	Unconditional cash transfer	Conditional and unconditional cash transfers	Guaranteed work scheme
Justification	Relatively easy to implement Spurs domestic consumption Helps households meet critical needs	Relatively easy to implement Benefits those who move rapidly in and out of poverty Helps households meet critical needs	Builds human capital Helps households meet critical needs	Creates infrastructure Income support to vulnerable Allows for high-risk, high-reward job searches Builds marketable skills	Relatively easy to implement Spurs domestic consumption Helps households meet critical needs	Relatively easy to implement Benefits those who move rapidly in and out of poverty Helps households meet critical needs	Builds human capital Helps households meet critical needs	Creates infrastructure that yields long-term benefits Income support to those temporarily affected

Figure 6.2 Decision tree: social protection determinants and appropriate policy interventions

Box 6.3. Revisiting Lesotho

Consider a hypothetical illustration of how the five-step process would apply to Lesotho.

- Policy-makers evaluate the profile of poverty in Lesotho and identify the elderly as the top priority. First, compared to other groups, their poverty has increased significantly over the past decade due to eroding support networks and their increasing responsibility for orphans and vulnerable children. Politically, the recent election campaign focused on addressing poverty among the elderly, and the government appreciates its mandate. It would be possible to identify secondary priority groups, but even this modest proposal has earned dubious looks from international advisors, and the government prefers to proceed cautiously.
- Perhaps due to multilateral organisation scepticism, no long-term substantial donor funding is forthcoming. Government estimates potential sustainable resources ranging between M100 – M200 million (approximately 1-2% of national income, 5-10% of government spending). Proceeding cautiously, the government allocates an amount from the lower end of the range.
- The minimum transfer threshold is estimated, based on living standards analysis and comparisons with social pension systems in Namibia, Botswana and South Africa, with adjustments for differences in per capita incomes and living costs. The minimum is set at M150 (US$25). Debates over the optimal level languish in indecision until a policymaker's back-of-the-envelope calculations demonstrate that for now, the minimum threshold is the most they are willing to spend. The tentative allocation finances the extension of the minimum pension transfer to all elderly 70 years of age and older. The choice between 68 and 72 was fuzzy, but policymakers apparently found the round number appealing. The selection fully utilised the funding policymakers were willing to commit, but they discussed reconsidering extensions after two years of experience. A major priority was not over-committing in establishing this new social contract.
- Policymakers and social policy analysts applied the targeting tests, but given the distribution of poverty in the country, the reduction of inclusion errors from even perfect targeting was relatively small. The costs of targeting, on the other hand, were very high – due to the difficulty in verifying the assessment information, the potential loss of political support and the unnecessary social exclusion created by the resulting stigma.
- No conditionalities were relevant for the target group, so the conditionalities test was not applied.

Based on the application of the five-step process, policymakers might reasonably have selected a universal pension targeted to people 70 years and older.

SOURCE: Authors.

mind that available resources may depend on the type of programme being proposed, so this amount may be adjusted during the programme selection process.

- Determine the sizes of the social transfers for each beneficiary. First, estimate the range of possible transfer sizes, from the minimum to the optimal levels. The transfer amount would not necessarily be the same for every household or individual, but the rule needs to be clearly specified. Calculate the cost of the transfers in the absence of mechanisms to target the poor, and without conditionalities (i.e. human capital or labour supply).
- If funding is inadequate, apply the targeting test to determine whether

Short term

- Low-income countries with limited fiscal space and administrative capacity may find cash transfers the simplest and most cost-effective instrument for social protection. Countries in other circumstances may have additional options, including employment guarantee schemes, unemployment insurance programmes and job training initiatives.
- Low- and middle-income countries without social protection programmes may benefit from an immediate implementation of initial scale interventions. While these will not provide an adequate response to the crisis, they will provide evidence of what works and build national capacity to scale up. Beginning now with an initial scale intervention is a low-risk step that will expedite a more deliberately selected strategy for scaling up.
- Low- and middle-income countries with existing programmes, even pilots, may benefit by building on these to expand the scale and scope of coverage and increase benefits. Given the time required to build new interventions from scratch and the imminent threat of the economic downturn, existing programmes are likely to provide the most effective immediate response in most countries.
- Development partners and regional and international financial institutions may provide vital resources – both financial and technical, particularly for those countries with no existing interventions.

Medium term

- Immediate interventions – such as cash transfers and other easily implementable social protection interventions – provides a rapid and effective initial response. Over time, these interventions can develop into more socially protective instruments reaching those most affected by the crisis. Initial pilots can be scaled up to protect the most vulnerable. Existing interventions can evolve into more effective and developmental programmes. In particular, by incorporating complementary social and economic interventions, the longer term developmental impact can be maximised.

Long term

- Appropriate social protection interventions for addressing the economic downturn may also help inoculate against future economic shocks. Many industrialised countries developed social security systems as a coping response to the Great Depression in the 1930s, and then retained them as they recognised their substantial social value. Later, economists realised they served as effective automatic stabilisers, countering some of the negative impacts of future economic downturns. Over the longer horizon, governments in low- and middle-income countries can benefit by institutionalising effective social protection interventions rather than scaling them down after the global economy recovers.

Figure 6.3 Short-, medium- and long-term actions supporting appropriate policy responses a targeted approach will generate the same social protection at a lower cost (or a better outcome for the same cost).

- Apply the conditionality tests to determine whether conditionalities will provide a greater level of long term social protection.

Endnotes

1 Barrientos (2004), Case and Deaton (1998), Duflo (2003), Samson et al. (2004).

2 The alternative – embraced by civil society coalitions in Namibia, South Africa and other countries – involves a universal grant to everyone in the nation.

3 Shepherd, Marcus and Barrientos (2005), page 4.

4 Coady, Grosh and Hoddinott (2004).

5 World Bank (2008a), pages 12, 30.

6 Grosh (2009).

Chapter 7

Programme design

The objective of this chapter is to discuss the major policy issues affecting the design of a social transfer programme. The main questions addressed include:

- What institution should manage the programme?
- How are payments made to the recipients?
- Under what circumstances do beneficiaries exit the programme?
- What steps must be taken in the design phase to ensure effective monitoring and evaluation?

Overview

The design of a social transfer programme requires decisions on management, payment arrangements, exit policies and the foundation for monitoring and evaluation. In addition, the question of targeting is a major design issue, which is addressed in the next chapter. Management decisions involve identifying the agency, ministry or department responsible for the administration of the programme, as well as making arrangements to organise and supervise implementation. Beneficiary selection depends on the social and political choices discussed in chapter 2, as well as the technical design of targeting and conditionalities. The type of benefit chosen may vary by method of distribution and other logistics. Exit policies range from life-long, rights-based models (e.g. social pensions) to ambitious programmes aimed at lifting people out of poverty (e.g. targeted child allowance). Effective monitoring, evaluation and impact assessment requires careful planning and preparations that precede the distribution of the first transfer.

Programme management

Positioning the programme in the appropriate institution

One of the first questions that must be addressed upon adoption of the identified programme is who, at an institutional level, will manage the design, implementation and ongoing operation of the social transfers. Countries adopt a diverse range of models, with responsible institutions including the relevant social development ministry or the ministry responsible for finance. Alternatively, a separate agency may be used which reports to a committee of related ministries. Each model has advantages and disadvantages, and the design of the appropriate management structure involves trading off key ingredients of successful programme management. In particular, the best arrangement will involve leadership with the following characteristics:

- a sincere and durable political commitment to social protection
- the political influence to secure resources and defend the programme's priority
- the institutional capacity to deliver an administration-intensive programme

Frequently, the managing institution has only one or two of these critical ingredients. Ministries of Finance have abundant authority and often some of the best institutional capacity in government, but the working culture in finance is often at odds with the priorities of social transfers. Ministries of social development (welfare) are often more politically committed but may lack political influence and adequate resources to deliver the transfers. Failure in the early stages compounds start-up problems and may lead to management reorganisations that further delay delivery.

The simpler the social transfer programme is, the less complicated the management process will be. Lesotho's universal non-contributory social pension, for example, can be effectively managed by the Commissioner of Pensions. There is no means test or targeting mechanism to administer – the process is primarily one of registration and cash delivery. Broadly targeted but unconditional programmes can likewise be managed in a straightforward manner – but a greater investment in bureaucratic resources is required to effectively apply the targeting mechanism. During South Africa's first ten years of democracy, provincial governments played the central role in the management and implementation of the country's comprehensive system of social grants. Problems with fiduciary risk and management inefficiency led to a shift of responsibility to a national social security agency with substantial expected savings and efficiencies. The centralisation of responsibility ensured more uniform protection of people's right to social security.

Box 7.1 provides further information about South Africa's Social Security Agency.

Box 7.1: South Africa's Social Security Agency

South Africa's social security priority in the first ten years of democracy was the de-racialising of existing social grants. The government's initial strategy tasked provinces with the challenge of managing implementation, administering grant applications and making payments. With independently elected provincial governments overseeing this process, priorities and policies varied geographically and the national government did not have the control necessary to ensure efficient and equitable delivery. A government committee's review of the existing social security system and other evaluations identified a number of problems associated with provincial administration. Estimates of fraudulent grants reached R1.5 billion (on a base of R35 billion – approximately 4%). In addition, excessive delays in approving grant applications and difficulties in accessing payment once approved undermined the effectiveness of the system. The decentralised private payment contracting system weakened opportunities to take advantage of economies of scale and government negotiating power. Further, the decentralised systems undermined effective management information.

Legislation in 2004, the South African Social Security Agency Act, established a national government agency to implement the system of social grants. This agency – the South African Social Security Agency (SASSA) – has a national office and the provincial structures are currently under development. While the national Department for Social Development remains accountable for social security, the agency has become the implementing provider, managing and administering grant delivery, while the department acts as the assuror. As assuror, the Department's main focus is to develop and implement policies, norms and standards, and to monitor and evaluate the impact and quality of the Agency's service delivery. The agency's plan is to work in co-operation with civil society structures (including non-governmental, community-based and faith-based organisations), organised labour, the private sector and other role players. This is consistent with the vision articulated in South Africa's White Paper on Social Development:

> "Government will facilitate the development of an inclusive and effective partnership with all the role-players in civil society… The resources and the unique characteristics of each of the partners will be harnessed to maximum effect. Underpinning the partnership is the recognition of the role of organisations of civil society as essentially developmental and as strengthening democracy."

A high priority is the development of an effective national information management system and other essential infrastructure in order to improve effective delivery. The Department of Social Development projects that the resulting reduction in fraud, together with the pooling of buying power to contract for the grant payments, could save a billion rand per year. The most important benefits are two-fold: improved delivery to social grant recipients, and a reduced administrative burden for provinces to enable them to focus on delivering social services. This has been accomplished: as of 2010, the Agency has been able to create an effective organisation using a four-tiered system with a head office of operations, regional operations, district operations and local office operations. Together, this system allows the Agency to effectively deliver aid to 13 million of the country's poorest.

SOURCES: Samson et al. (2006), SASSA (2010).

Other countries have undergone similar reassignments of responsibility. Bangladesh's Widowed and Deserted Women Scheme was originally managed by the Ministry of Social Welfare, but responsibility shifted in 2003 to the Ministry of Women and Children Affairs.[1] Similarly, the Ministry of Labour recently assumed management of Namibia's social pensions from the Ministry of Health and Social Services. In other countries, responsibility is shared, with a division between oversight and implementation duties. In India, for example, the Ministry of Labour supervises pensions and the National Family Benefit Scheme administers the grants.[2]

Institutional arrangements for conditional transfers are more complex. For example, public works programmes in Ethiopia have a steering committee in every district that provides a multi-agency co-ordination structure, with representatives from appropriate departments and agencies. Responsibility for each local project is flexibly assigned to the most relevant organisation, depending on the nature of the project – for example, to the Office of Agriculture, the Rural Road Office or the Water Desk. The programme places a special emphasis on capacity building, with regular assessments and human resource development initiatives.[3] Specific issues with management arrangements for public works are discussed in greater detail in chapter 10.

An operationally and financially independent agency implements Mexico's Oportunidades conditional cash transfer programme. The unit reports to the Ministry of Social Assistance, with responsibility shared by the Ministry of Education and the Ministry of Health. In Colombia, an executing office implements the programme and reports to the Office of the President, while in Paraguay the programme falls under the Ministry of Education. The Ministry of Labour and Social Security coordinates Jamaica's programme, with compliance responsibility shared by the Ministry of Education and the Health and Planning Institute.[4] More detail on management arrangements for conditional cash transfers is provided in chapter 9.

Organisational fit[5]

When identifying the appropriate institution responsible for the social transfer programme, a key consideration is the question of organisational "fit". Does the mission of implementing a social transfer programme fit with the ethos and internal culture of the identified institution?[6] For example, if the Ministry of Finance expresses strong concerns about dependency and sees its mission as enforcing fiscal discipline, will it sincerely commit itself to investing substantial resources in rights-based social protection? Box 7.2 provides an example of the importance of organisational fit.

Before Lesotho's universal social pension was implemented in 2004, the Commissioner of Pensions shouldered responsibility for managing government pensions. The roll-out of social pensions involved a similar mission to the distribution of the public pensions – both were rights-based and operations-intensive. The simplicity of the programme also contributed to its placement within an existing institution that provided a good organisational fit.

Politics across organisations can also affect the appropriate choice of an implementing agency. Locating the managing agency within the Office of the Presidency can potentially elevate its influence and ability to overcome bureaucratic obstacles while positioning the President to realise maximum political benefits from the programme's impact.[7] Effective social transfers are a product of good governance and in turn support better governance – politicians

Box 7.2: Indonesia's labour-intensive public works programme and the issue of organisational fit

In the face of Indonesia's economic crisis of the late 1990s, the government tasked the Ministry of Public Works with responsibility for a labour-intensive employment programme in mid-1998. As the crisis unfolded, the ministry repeatedly failed to roll out an effective programme. It became apparent that the required mission contradicted the ethos and culture of the organisation.

The public works ministry was organised to mobilise staff and contractors in order to deliver high-quality projects. The ethos of the organisation revolved around the pride of building the product. To subordinate this to the objective of employing low-wage unskilled labour clashed with the organisational culture. Planners feared that low wages aimed at self-targeting would fail to attract the skilled labour required for high-quality delivery. Labour-intensity conflicted with the engineering mentality prevalent in the organisation.

The economic crisis had nearly ended when a revised programme was implemented. In the face of ongoing disagreements about the appropriate design elements, the government phased out the programme.

SOURCE: Pritchett (2005), page 30.

need incentives to implement good policies and deserve the electoral rewards that result. Begrudging the positive impact on the careers of the political champions of social transfers who have the vision to comprehend this simply undermines the democratic process. Nevertheless, it is important to ensure the implementation of social transfers does not become unduly politicised.

Centralisation and decentralisation

An important dimension of management arrangements is the degree to which the programme will be managed in a centralized or decentralized manner. The trade-offs are substantial, and vary with country context. The appropriate degree of decentralisation depends in part on the existing level of decentralisation of spending, finance, administration and political structures. It also depends on the capacity of central government – strong government structures in Latin America mean that programmes tend to be highly centralised, but this may not be possible in parts of Africa, for example, where central government is weak and decentralised government is more democratic and linked into local political structures. Chile and Brazil both centralised the design of targeting rules and procedures and maintain a centralised database. Colombia has worked with a more decentralised system but aims to establish a central database. Costa Rica and Mexico have both implemented far more centralised systems.

Decentralisation of the design process allows greater involvement of local authorities in the formulation of social policy, enabling the system to reflect local preferences and circumstances. Centralisation can provide greater transparency and support a variety of efficiencies and economies – based on common monitoring and evaluation, software and survey instruments.[8] Box 7.3 outlines an example of the distribution of responsibilities across federal, state (or provincial) and local levels for a targeted programme.

Box 7.3: An example of division of responsibility across federal, state and local levels

First, the federal government determines whether targeting is desirable and designs the targeting system if applicable. If the targeting mechanism involves proxy means testing, this will include a questionnaire, weightings for the appropriate variables and a manual of operation and procedures.

Second, municipalities collect the data for the initial registration process – either using an on-demand approach or with a census-type survey – depending on policies established at a national level, and following the rules and procedures established in step 1 above. It is important that the process include appropriate financial provisions and technical assistance as required so that municipalities can effectively collect the required information.

Third, the state or provincial governments check the information and provide any required validation and reporting on irregularities, compiling a state or provincial level database that will be consolidated into the federal system.

Fourth, the federal government checks the databases provided by the states or provinces, and verifies this against any available federal databases – for example, tax registries, financial and property records – in order to construct a Single Registry. This is then encrypted for security and privacy purposes and transmitted to state or provincial and local governments for use in implementing the programme. The Single Registry can be shared with federal agencies and research institutions (with appropriate provisions to protect privacy) for regular evaluations.

Fifth, the federal government conducts random audits and quality control reviews in fulfillment of its federal oversight responsibilities for local data collection.

SOURCE: Castañeda et al. (2005), page 30.

It is important to recognise that centralisation at a national level does not rule out effective community participation. Many centralised administrations bypass state- or provincial-level administrations but nevertheless incorporate a vital role for community-level organisations. For example, beneficiaries of Mexico's centrally-administered Progresa (now Oportunidades) programme elected a local promotora (community promoter) to serve as a liaison between beneficiaries and programme officials. The promotora's role included informing participants of their responsibilities and rights, arranging meetings with beneficiaries and facilitating lines of communication with programme officials. Similarly, in the RPS programme in Nicaragua and PRAF in Honduras, the central government works directly at the community level with beneficiary households. In Brazil, however, with a more decentralised political structure, large municipalities have greater direct control over the programme. In Bangladesh's Food For Education programme, community structures have greater flexibility regarding the determination of eligibility.[9]

When determining the degree of decentralisation of social transfer programme management and implementation, financing is a fundamental issue to consider. For example, Brazil's Bolsa Escola was not only implemented at a local level; the required financing was also raised from municipalities. This approach to decentralisation poses the risk, however, that areas with the greatest need for social protection (due to high poverty rates) have the least capacity to afford them (due to low tax revenue).[10]

There is some evidence that suggests that decentralisation, when it

Box 7.4: Distributing responsibilities across federal and local levels

A model for balanced decentralisation

National (federal) level:
- Policy design, planning and finance
- Impact assessment

Local level:
- Implementation
- Monitoring and evaluation

enhances the participation of municipalities, can promote programme success.[11] In these circumstances, the national government can provide grants that help to equalise (or even make progressive) the fiscal burden. This is particularly important for conditional cash transfer programmes, which must improve the quality of health and education services delivered. It may be useful for local levels of government to pay a share of the costs in order to maintain participatory ownership.[12]

One strategy for balancing the advantages and disadvantages is to assign responsibilities based on relative strengths. The national (federal) level can take advantage of economies of scale in policy design and planning, and address externalities by mobilising finance. A national approach to policy design is more efficient and provides for more uniform standards of delivery, protecting marginalised groups from local elites. Central government responsibility for finance ensures equity across richer and poorer regions and reduces the risk of a "race to the bottom".[13]

Local governments can take advantage of their capacity to better mobilise local information. This gives them an edge with implementation responsibilities, since they will better reflect local needs and priorities. Shorter-run monitoring and evaluation is tied to implementation at a decentralised level, while the national level assesses the longer term impact. This strategy is sketched in Box 7.4.

Payment arrangements

Payment arrangements involve designing mechanisms to ensure regular delivery of the most appropriate resource to the recipient within the household who will most effectively allocate it to the social protection objectives. Effective payment arrangements depend on a sufficient benefit level to achieve meaningful poverty reduction. Issues relating to the determination of the appropriate benefit levels are discussed in chapter 11. Regularity and reliability maximise the value of the payment by providing greater security, supporting long term developmental choices. Payment arrangements also involve deciding whom to pay, and in what form – cash or in kind benefits – to make the payment. This section discusses key concerns in addressing these issues.

Benefit regularity and duration

Regular and reliable payments provide recipients with the security and choice that provide the greatest flexibility and developmental impact, maximising benefits and value to the beneficiaries.[14] Regularity facilitates more effective planning.[15] Late or irregular payments can foster a reliance on informal credit, often at high interest rates, which erodes benefits and can create debt traps.[16] Unconditional programmes usually target individuals in vulnerable groups – often, social transfers are the only regular sources of income for these beneficiaries. The regularity of payments provides a critical element of the social protection delivered by the transfers.

The appropriate duration of the social transfer depends on the circumstances of the beneficiary. Social protection implies that the duration of the transfer extends as long as the underlying condition that justifies the cash transfer. The appropriate duration of a social pension is for a lifetime; for a disability grant, the duration of the disability. The implementation of a social transfer programme can change the power dynamics and dependency relationships within a community. Temporary social transfer programmes may operate just long enough to disrupt the established relationships that enable the poor to cope, but not long enough to achieve longer-term developmental objectives. The most effective social transfer programmes will endure as long as the conditions of poverty they address. Section 5 addresses some of these issues in the context of programme exit, and chapters 4 and 5 discuss the importance of regularity and duration with respect to specific types of conditional programmes.

Who should receive the social transfer?

Much analysis by economists and social policy researchers assumes that it does not matter which beneficiary in the household is paid the transfers. However, a substantial body of evidence documents the importance of paying attention to who receives grants within the household. Should the social transfer be paid to a caregiver, a head-of-household or directly to the targeted individuals? Does the gender of the recipient matter for social outcomes?

While some research has shown that the gender of the grant recipient does not affect the distribution of resources within the household,[17] increasingly more refined studies are finding significant differences when women receive the transfers. In South Africa, households that receive social grants spend more on education and food than households with comparable living standards but a different composition of income.[18] Children, particularly girls, in households with grandmothers (and other female caregivers) receiving social pensions are more likely be healthier and to attend school than if a male receives the grant.[19]

Evidence for conditional cash transfer programmes in Brazil, Honduras, Mexico and Nicaragua documents how increasing cash resources to women leads to greater improvements in the well-being of children, largely due to mothers' preferences for investing in children: "children thrive with empowered mothers."[20] In Brazil, while school enrolments for both boys and girls has improved significantly with the extension and increase of the social pension, the impact has been more significant for girls. Analysis suggests a more striking gender disparity: when the pensioner is a male, school enrolment for boys increases more, while when a female receives the pension, enrolment for girls rises more.[21]

Requirements that beneficiaries be adults may seem like a logical condition for ensuring prudent utilisation of the social transfer. However, the HIV/AIDS pandemic has created a wave of child-headed households struggling with chronic destitution. Existing institutions in many countries are unable to cope – and the presumption of institutional arrangements for orphans is giving way to a recognition that grants can assist community-supported child-headed households. In cases where orphans are living with adults, administrative requirements that compel the new caregiver to reapply every time the child relocates to a different household (as is the case with South Africa's Child Support Grant) deprive the most vulnerable of critical resources.

When is cash not the best option?

International experience demonstrates that cash (or in some cases electronic money) is in most instances the best way to deliver social transfers, as long as markets are functioning normally and essential commodities are available. 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. Physical control over food is more expensive and more difficult to audit, so corruption and leakage problems tend to be greater. In Bangladesh's Food-for- Education Programme, teachers were required to physically distribute the food commodities, distracting them from pedagogical responsibilities.[22] The multiple levels of physical transfer required for food distribution increase the opportunities for misappropriation. The switch from food to cash in Ethiopia was associated with a decline in corruption, theft and wastage.[23]

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. 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.[24] Policy researchers frequently encounter active secondary markets in the commodities provided through in-kind transfer programmes, documenting the deadweight losses caused by providing poor households with goods that do not meet their most basic needs.

In-kind delivery of food also destabilises local markets, particularly when the transfers are international donations. Frequently, local economies can provide food and other necessities, but the poor simply lack the income necessary to access these resources. Providing cash stimulates local economies and provides a multiplier impact with broader benefits. Providing food directly, however, can serve as a form of predatory competition that undermines local supply channels.

However, under some circumstances, when food is not readily available in the local market, cash might not be the best option. 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 be preferable.[25] Particularly under circumstances of hyperinflation and food shortages, direct delivery of food may provide more reliable social protection.[26] In addition, in some limited circumstances, food may be more gender-equitable, as women may have greater control over its distribution.[27] Paying half the programme wage in food in Lesotho and Zambia succeeded in attracting more women than men.[28] 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.[29] In general, the circumstances under which in-kind delivery of food is superior to cash are conditions which require reform more far-reaching than what social transfers alone can deliver.

In most cases, the benefits of cash over food are compelling. The preference for food is often a symptom of greater socio-economic problems or market failures that need to be addressed as part of a broader social protection or economic development programme.

How can exit policies improve the developmental impact of social transfers?

Social transfer strategies require mechanisms that identify whether and how participants exit the programme. In some cases – such as with a universal social pension – this is simply a recognition that beneficiaries will participate for life. In cases of targeted programmes, exit policies may involve involuntary termination of benefits because an individual or household no longer conforms to the eligibility criteria. The consequences of involuntary termination can undermine the social protection provided by the transfer programme. In other cases, the participant may attain an independent means of livelihood and no longer need the social transfer – and exit the programme voluntarily.

Some programmes impose "hard" exit policies – time limits on the receipt of benefits, programmed reductions in benefit levels over time, or formulas that reduce benefits as households increase their earned income. Practical issues complicate the imposition of "hard" exit policies – enforcement is often difficult,

Box 7.5: Key lessons on payment arrangements

Payment arrangement	Key lessons
Regularity and duration	• Beneficiaries depend critically on regular payments. • The duration of the programme should endure as long as the conditions of poverty.
Who receives the benefit?	• Women caregivers on average allocate resources in a more developmental manner. • Providing transfers directly to child-headed households may complement community support.
Cash versus in-kind	• Cash is the preferred vehicle for social transfers: it is cost-effective, provides developmental choice and supports local economies. • Under conditions of severe market failure, direct food transfers may be necessary.

and equitable and efficient implementation policies require an information base that is often unattainable.[30] Arbitrary exit policies can undermine the social protection objectives of transfer programmes. Incentive-distorting mechanisms, such as income-based formulas, can create poverty traps by reducing the benefits from engaging in productive activities. Box 7.6 discusses the perverse incentives that can arise from a "hard" exit strategy – the linking of successful anti-retroviral treatment to the loss of a disability grant.

Increasingly, social protection strategies aim to address the possibility that household reliance on social transfers is not permanent, and that developmental social security may be able to provide a ladder out of poverty and chronic food insecurity, improving livelihoods independently of the social protection system. Programmes that aspire to include these strategies include Mexico's Oportunidades (previously Progresa), the Ethiopian Productive Safety Net Programme, Afghanistan's Livelihoods and Social Protection Public Investment Programme, Malawi's Joint Integrated Safety Net Programme and Ecuador's social protection strategy.[31]

Few programmes have yet formulated developmental exit strategies; these require the realisation of successful long-term impacts that depend on the cumulative impact of sufficiently high transfer levels that address immediate poverty while allowing accumulation and productive investment. This developmental impact often requires supplemental interventions outside of the social protection sphere, such as agricultural extension, micro-credit, infrastructure investment, human capital services and other productive inputs. Direct support to households which exit social transfer schemes – including eligibility for other developmental programmes – is rare, but greater attention to this design feature may improve the long-term social protection impact.[32]

Zambia's Kalomo cash pilot scheme recognises the low likelihood that many of the poorest households in one of the world's poorest countries will improve their livelihoods to such an extent that they would no longer benefit from a social transfer programme. However, over the medium term,

Box 7.6: Anti-retroviral treatment as an exit strategy for the disability grant

South Africa's social protection system provides about 10 million social transfers per month through several programmes targeting vulnerable groups, and the disability grant has been one of its fastest-growing components, increasing from about 600,000 grants in 2000 to almost 1.3 million in 2004 before stabilising at just over 1.4 million in 2007/08. With one of the world's highest rates of HIV infection, the disability grant provides one of the government's most important coping mechanisms for the half a million South Africans who develop AIDS each year. Unemployment is the main driver of poverty and inequality in South Africa, and the country's dual crisis of unemployment and AIDS largely explains the dramatic increase in disability grants over the past five years.

Anti-retroviral (ARV) treatment provides a peculiar exit strategy for reducing the number of disability grant beneficiaries. Government policy regarding eligibility for the grant increasingly restricts payment to those in the final stages of the illness – usually when a patient's CD4 cell count drops below 200 cells per millilitre of blood. ARV treatment restores the beneficiary's immune system and increases the CD4 cell count, leading to an improvement in health and exit from the disability grant programme. As South Africa extends access to ARVs throughout the country, increasing numbers of people will benefit from treatment but lose their disability grants. In 2010, the number of disability grants paid actually started to fall, at a rate of -1.68 percent during the first quarter, as more people lose their eligibility through restored health compared to those who become eligible.

This exit strategy can lead to perverse incentives. A member of the National Association of People with Aids (NAPWA) reported that some HIV-positive people would start 'neglecting themselves' in order to 'qualify for government grants to put bread on the table'. Evidence indicates that some AIDS-sick patients are refusing ARV treatment – at least temporarily – in order to reduce their CD4 cell counts and re-qualify for the disability grant. A recent AIDS Consortium meeting in South Africa confirmed that patients were refusing treatment "because they are scared that their CD4 count will improve and they will lose the grant". The medical model of disability in this case fails to recognise the social reality of crushing poverty – and undermines its own effectiveness, since ARV medication taken with an empty stomach leads to adverse side effects, and malnutrition undermines the ARVs' health benefits.

SOURCES: Nattrass (2006); Buhlungu et al. (2007), page 186.

children attending school acquire human capital and at some point will enter the labour market free from poverty. Successful social protection breaks the intergenerational transmission of deprivation – although a decade or two may be required. More immediately, working adults join households, or incapacitated adults recover and are able to find employment. While certain individuals or households may voluntarily exit as household circumstances improve, the programme will have a purpose as long as there are destitute people in the country.

The Ethiopian Productive Safety Net Programme more explicitly aims to raise people up the ladder of productivity, while recognising that people with disabilities, widow-headed and orphan-headed households and other most vulnerable groups may require permanent social protection. For those who can participate in income-generating activities, the safety net aims to promote the kind of asset accumulation that reduces vulnerability. Predictable transfers and access to economic opportunities – such as improved technologies and farming practices, loans for livestock, beekeeping, off-farm income-generation skills, and household micro-ponds for rainwater harvesting – are central to this objective of permanently lifting participants out of poverty.[33] Chapter 5 discusses additional exit strategies particularly relevant to public works.

Design issues for monitoring and evaluation

The political sustainability of social transfer programmes often depends on how the impacts are monitored and evaluated. Programmes with demonstrable positive impacts are frequently scaled up and even replicated in other countries. Rigorously proving a positive impact, however, is often difficult – particularly when monitoring and evaluation provisions are not incorporated into the design phase of the programme. Once households begin to receive social transfers, it is difficult to determine whether any measurable improvements in well-being are due to the benefits, or whether they are the result of other policies, changes in the economy, or external forces. More fundamentally, improvements cannot be measured unless the initial circumstances of the beneficiary households have been documented. This section outlines some of the key considerations for the design phase that will support effective monitoring and evaluation. Chapter 15 provides a more detailed exposition of these issues.

It is important to design monitoring and evaluation frameworks before social transfer programmes are implemented. This allows for the collection of baseline data as well as application of more sophisticated evaluation techniques. Evidence of impact assessment is best achieved by selecting a control group who do not receive benefits and a treatment group (households and individuals) who do, from the pre-implementation phase through to programme maturity.

The starting point for quantifying programme impacts is a baseline survey of the target population prior to the delivery of social transfers. Usually, the primary instrument for collecting baseline information is a household survey with questions that capture information about household income, expenditure, education, employment, health and nutrition measures and other dimensions of welfare. In addition, a community questionnaire may efficiently provide information about relevant factors affecting an entire area. Surveys should cover the actual beneficiaries, the control group and the broader communities.

It is difficult to measure the impact of potentially important but unobservable factors that may affect whether some households participate in the programme while others do not. In order to address this problem, social policy analysts are often attracted to a design methodology that incorporates a randomising process that determines whether a household participates in the programme (the "treatment group") or is denied the social transfer but nevertheless included in the study (the "control group"). Randomly assigning households into treatment and control groups, combined with the collection

Box 7.7: Randomised experiments and Nicaragua's Red de Protección

Nicaragua's Red de Protección Social (RPS) provides social transfers aimed at reducing current and future poverty in rural households. The transfers are conditional on school attendance and preventive health-care visits. In implementing the programme, the designers randomly selected the communities who would benefit, while randomly selecting other similar communities to not participate in the programme but rather serve as a comparison group in order to more effectively evaluate the impact of the conditionalities.

The programme's design involved a combination of geographic targeting and proxy means testing. Nicaragua's 1995 National Population and Housing Census provided the basis for the construction of a "marginality index" reflecting proxies for poverty – household size, illiteracy, access to safe water and sanitation. The index indicated the intensity of poverty of rural areas (comarcas); with the highest priority comarcas (group 1) associated with a score between 85 and 100, and the second highest priority comarcas (group 2) with scores between 70 and 85. The programme selected the 42 comarcas falling into these two highest priority groups. Once these poorest and next poorest groups of communities were identified, 21 comarcas were randomly selected to receive benefits (the "treatment group"), and the other 21 were relegated to the "control group".

A 2004 impact evaluation of the RPS explored the ethical issues surrounding randomised experiments and social protection:

> "Including a control was ethical because the effectiveness of the intervention was unknown. In addition, there was not sufficient capacity to implement the intervention everywhere" (page 12).

However, the evaluation went on to point out,

> "There are important ethical concerns about withholding treatment from the control group of an intervention known to have positive effects. In RPS, the randomized design was justified as it had not been shown to have positive effects and because of the infeasibility, given the fixed budget, of extending the program to all potential beneficiaries in a short period of time. In this case, random selection would appear to be as fair as any other arbitrary criterion for selecting the first set of beneficiaries" (page 17).

SOURCE: Maluccio and Flores (2004).

of baseline and follow-up data, allows sophisticated, statistical estimation that improves the measurement of programme impact.[34]

However, the process of constructing a control group may involve denying people their rights to social protection, which raises important ethical issues.[35] Box 7.7 discusses some of these issues in the context of Nicaragua's Red de Protección Social programme.

Random experiments of this type can also produce practical problems. Changes in the operation of the social transfer programme due to the requirements of the random experiment can lead to "*randomisation bias*". This bias makes it difficult to draw conclusions about the impact of a full-scale non-experimental programme.[36] For example, if some participants are told – as in the case of Mexico's Progresa – that the selection process is a lottery, then risk-averse individuals may be less likely to participate.[37] The concept of a lottery may be useful in explaining the apparent randomness of selection, but if the poorest are least able to afford risk, the "randomisation bias" may tend to exclude those who need the programme the most.

"*Contamination bias*" occurs when members of the control group are able to access other programmes that provide social transfers. In this case, the comparison of the treatment group to the control group does not reflect the pure impact of the social transfer programme, but rather the impact of the evaluated social transfer relative to other alternatives.[38] However, preserving the control group from "contamination bias" is tantamount to denying them their rights to social protection, and raises critical ethical issues.

"Quasi-experimental" methods use non-random techniques to evaluate a programme's impact without the need for a pre-selected control group. These methodologies are appropriate when ethical issues preclude an experimental design, or when the evaluation process begins after the social transfer programme has been implemented. The "quasi-experimental" methodology employs econometric techniques to construct a "control" group that possesses as closely as possible the same observable characteristics as the programme beneficiaries. It is also possible to apply this technique prior to the implementation of the programme, better supporting the collection of baseline information on both the "treatment" and the "control"groups. Chapter 15 discusses these methodologies in greater detail.

Endnotes

1 Centre for Policy Dialogue (2004), page 81.

2 Social Security Administration and International Social Security Administration (2004), page 75.

3 Sandford (2005), page 10.

4 Ayala (2005), page 64.

5 This section draws heavily from the fundamental ideas in Pritchett (2005), pages 29-31.

6 Pritchett (2005), page 29.

7 Pritchett (2005), page 31.

8 Castañeda et al (2005), pages 28–29.

9 Morley and Coady (2003), page 3.

10 Sedlacek et al., (2000), page 4.

11 Ayala Consulting (2003), page 33.

12 Sedlacek et al., (2000), pages 19-20.

13 Pritchett (2005), page 27.

14 Devereux (2002b), page 29.

15 Jenden (2002), page 4.

16 Gorman (2004), page 43.

17 See Case and Deaton (1998), for example, which finds that "a rand is a rand" for the South African social pension, regardless of who in the household receives it. The impact on the composition of household expenditure does not significantly change.

18 For example, see Maitra and Ray (2003), Samson et al. (2004).

19 For example, see Duflo (2000), Samson et al. (2004).

20 Inter-American Development Bank (2003), page 8.

21 Carvalho (2000), cited in Barrientos and DeJong (2004), pages 15–16.

22 Tietjen (2003), page 9.

23 Wilding and Ayalew (2001).

24 Tietjen (2003), page 9.

25 DFID (2005), page 9.

26 McCord (2005c), pages 50-51.

27 Harvey (2005).

28 Subbarao (2003), Subbarao et al. (1997).

29 Devereux (2002a), page 7.

30 See Lindert (2005) for further elaboration on these issues.

31 Gentilini (2005), page 22.

32 Lindert (2005).

33 Shepherd et al. (2005), page 42.

34 Rawlings and Rubio (2003), pages 8-9.

35 Maluccio and Flores (2004), page 17.

36 Behrman and Todd (1999), page 2.

37 Adato et al. (2000), page 19.

38 Behrman and Todd (1999), page 3.

Chapter 8

Targeting social transfer instruments

The objective of this chapter is to explain how social transfer targets should be determined. The first part of the chapter outlines the potential benefits and costs of targeting. The rest of the chapter explains different types of targeting and examines their effectiveness, drawing upon an international evidence base.

Benefits of targeting

Cash-based social transfers can either be universal, where everyone within a category – such as children or the elderly – is eligible or they can be explicitly targeted to people who are identified as poor or vulnerable. The main benefit of targeting the poor is that it potentially saves money by reducing the "inclusion error" of universal programmes – the distribution of transfers to people who are not poor. Effective targeting makes sure scarce resources go to those who need them most.[1] Box 8.1 provides an example of how targeting can reduce the cost of transfers.

Economists often argue that the real cost of targeting is what the same resources could achieve in a universal programme. The standard against which targeting should be evaluated, therefore, is the impact of a comparably funded universal programme.[2] What option will reduce poverty more, social transfers targeted to the poor or transfers provided universally? The answer depends on the cost of targeting, which in turn is determined by the political, social, administrative and economic factors discussed above. For example, the universal approach may be particularly relevant for low income countries. A recent study of fifteen African countries found little difference between universal provision and perfect targeting.[3]

In addition to the potential fiscal savings offered by targeting, there are

Box 8.1. Effective targeting can potentially reduce the cost of social transfers

Targeting potentially reduces the cost of social transfers. Consider a programme that aims to deliver the equivalent of $30 per month to each poor individual. In a population of 20 million people, of which 60% are poor, the cost of a transfer delivered to everyone (universalism) would be $600 million dollars per month. If it were possible to exactly identify the poor and deliver the transfers only to them (perfect targeting), the cost of the transfers would fall to $360 million dollars – a savings of $240 million.

The approximate gross savings from targeting are proportional to the percentage of the population that is not poor. In this example, with a 60% poverty rate, the savings equal 40% of the cost of a universal grant.

This simple calculation, however, ignores the costs of targeting. Targeting saves on the cost of transfers but imposes other types of costs – administrative, economic, political, social – which are discussed below. The decision to target is informed by weighing the benefits against the costs.

two other possible indirect benefits. First, the perceptions by policy-makers and the public's perceptions of the targeting mechanism may improve political acceptance of the programme. Second, when the conditions are used to target they may be socially productive. For example, requiring that children attend school and that caregivers complete health visits may reduce the number of beneficiaries while potentially improving the human capital of the targeted group. Politically, a requirements that poor households ensure their children's school attendance can satisfy the mindset some policy-makers hold of the "deserving poor". Economically, the improvements in education and health help break poverty traps. Conditional cash transfer programmes recognise these benefits and they are critical contributors to the success of these types of initiatives. (However, it is important to note that even unconditional transfer programmes have been found to improve human capital accumulation.[4])

On the other hand, targeting involves direct and indirect costs, which vary from country to country and depend on the targeting method chosen. The direct cost is the administrative expense incurred by implementing and complying with the targeting mechanisms, both by the government, the beneficiaries and third parties. Indirect costs include political, economic, and social losses. The following sections discuss the important costs of targeting.

Costs of targeting

Exclusion error

No targeting process is perfect – any attempt to direct social transfers to the poor will likely entail two types of error.[5] Inclusion error, as mentioned above, is the mistake of providing the social transfer to someone in a household that is not poor. Exclusion error is the failure to provide a transfer to a targeted household that is poor. The reduction of inclusion error is the potential benefit of targeting, exclusion error is part of the cost. Inclusion and exclusion errors are not easily comparable. An unwarranted social transfer (inclusion error) is at best an inadvertent tax rebate (with the associated costs[6]), and at worst a waste of money. On the other hand, depriving poor households of a source of social investment (exclusion error) can trap generations in poverty, with a social cost many times the unutilised fiscal expenditure. Some social policy analysts have suggested weighting exclusion errors several times that of inclusion errors.[7]

International evidence indicates that poverty targeting in developing countries always has high errors, and it is common for over half of eligible beneficiaries to be excluded from programmes. Exclusion error can nearly completely negate the potential social protection benefits of transfers. Only about six out of a hundred of the poorest (bottom fifth) eligible households in Bangladesh receive the government's social pension.[8] During the early years of South Africa's Child Support Grant, when targeting mechanisms were rigidly applied, only one in ten poor households with qualifying children was able to access the transfer.[9]

More intensive targeting can actually backfire and increase exclusion error, particularly when it aims to ration diminishing resources. If non-poor but well-connected individuals can more easily defend their share of the benefits, the residual remaining for the poor will shrink. This happened when the Malawi Starter Pack programme (free seeds and fertiliser) introduced community-based targeting, which caused the benefits to the poor to erode.[10]

Administrative costs

There are many ways of targeting benefits, but they all require people, skill, time and money. A means test, for example, will require the repeated verification of the income or assets of households in order to decide whether they should receive benefits. The dynamics of poverty in many countries significantly increases the cost of targeting. When people move in and out of poverty frequently, appropriate targeting requires regular assessment of the targeting criteria: "Targeting 'the poor' is an attempt to hit a moving target."[11]

Private costs

Potential beneficiaries incur direct costs in order to demonstrate their eligibility. Private costs include expenses for transportation to apply for benefits, time expended in transit and in queues (with the associated loss of income or other foregone opportunities), and the fees for obtaining necessary documentation (including "informal" fees in some cases). Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments to obtain and fill in appropriate forms, submitting them to the correct officials and enlist the attention of the social services committee.[12]

Indirect costs

Indirect costs may arise when beneficiaries change their behaviour in order to become eligible for the grant. There is evidence that poverty targeting can create disincentives to work, particularly if the targeting test is blunt, because an increase in income may disqualify beneficiaries from receiving the grant. If a person earning less than the equivalent of $20 per month is entitled to a monthly transfer of $80, the individual is unlikely to face incentives that support increased work effort. Targeting transfers to those residing in specific areas may lead to increased migration – which can be costly for the beneficiary but is nevertheless preferable to destitution.

Social costs

Social costs from targeting can 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, policy stances that reinforce negative stereotypes can exacerbate the psychological costs of the programmes. Policy makers in Armenia initiated a cash transfer programme by emphasising that it was only for the poor – aiming to employ stigma to promote self-targeting.[13] 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.[14]

"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.[15]" The poor often depend on social networks that change when a beneficiary receives transfers. In some cases the beneficiary shares the added income, in other cases remittances to the grant recipient decline.[16] Universal programmes, where benefits are regarded not as stigmatising but as entitlements to citizens, are more likely to build social cohesion. Further, poverty targeting can lead to increased social conflict, particularly within rural communities.

Political costs

Targeting the poor also imposes political costs – primarily by eliminating middle class beneficiaries who could lend their support to social transfers. Poverty-targeted programmes tend to have less support from the middle class and taxpayers – who are excluded from them – and a such tend to have smaller budgets. In contrast, universal programmes have broader-based support and larger budgets. As a result, universal programmes may be more likely to provide the poor with better and higher benefits. 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.[17] 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, policy makers neglected to adjust the nominal value of transfers for the relatively powerless poor beneficiaries. As a result, the real value of the benefit was cut in half, and poverty and malnutrition increased. The old, untargeted subsidy scheme had allied the middle classes with the poor – and provided more substantial social protection.[18] Similarly, in Colombia, the shift of food subsidies to a poverty-targeted food stamp programme led to an erosion of political support, and the target programme was eliminated.[19] 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."[20]

The political vulnerability of well-targeted programmes is greatest when the pressure to cut budgets is fiercest – particularly in times of economic crisis. Argentina's fiscal adjustment in the 1980s and 1990s placed pressure on all areas of the budget – but targeted social transfers and public works (Trabajar) were disproportionately hit. Expansions of the Trabajar programme more than proportionally benefited the poor, but economic contractions fell disproportionately on the most vulnerable while non-poor areas were protected. Targeting's greater allocation to the poor is a mixed blessing – particularly when benefits are cut just at the time they are needed the most.[21]

Particularly in very low income countries, policy-makers and their constituencies are reluctant to support programmes that target the poorest, lending support instead to universal programmes.[22] Namibia and Lesotho both operate universal pensions, with age as the only targeting mechanism. (However, Namibia has moved more towards a targeted approach in recent years.) In a Latin American poll that included upper income groups, more than 80% of the respondents supported increases in broadly targeted social transfer programmes.[23]

The substantial nature of these political costs suggests that social transfer inclusion errors are not entirely wasteful. First of all, they potentially generate important support for social transfers. Second, they cost significantly less than their face value. The real cost of inclusion errors for grants paid to taxpayers is not the value of the transfer, but rather the social costs of the taxation process employed to raise the necessary funds. For many inclusion errors, taxpayers give with one hand (through tax) and receive with the other (from the universal benefits). The social cost of the tax process is often significantly less than the value of the transfers.

The targeting test

To formally answer the question of whether or not to target the poor, it is necessary to compare the net costs and benefits of targeting with the reference point of universal provision to the identified group. For example, for a pension programme categorically targeted to those 70 years and older, the universal reference point is the calculated cost of providing the transfer amount to all people in this age group.

The next step is to assess the benefit of targeting under ideal and realistic scenarios. Perfect targeting means the cost of the transfer is the poverty rate among the target group, multiplied times the cost of the universal transfer. For example, if the elderly face an 80% poverty rate, and a universal pension costs $20 million, a transfer perfectly targeted to the poor would cost only $16 million. The savings of $4 million represents the amount of pensions not paid to those who are not poor. The savings under the realistic scenario would be an amount less than the full $4 million – perhaps estimated based on comparable international experiences or with the aid of a micro-simulation model. This analysis approximates the benefits of targeting.

The third step quantifies the costs of targeting. As discussed above, targeting imposes many costs on government, beneficiaries and society in general. Some of these can be relatively easily quantified, such as the direct administrative costs of implementing the targeting mechanism. Other costs can be estimated in theory, but precise measures are difficult in practice. For instance, the private costs of potential beneficiaries documenting their household income could be calculated with some accuracy, but in practice it's probably more appropriate to estimate this cost based on surveying a sample of older people and making a few reasonable assumptions. Other costs might not be possible to reliably estimate. For example, targeting can produce social stigma, which intensifies social exclusion. The cost is real, but quantifying it raises contentious issues that are difficult to resolve.

As a result, the application of the targeting test is subjective and normative, and requires policy maker participation. In spite of the complexities, through rigorous quantitative analysis of some costs, and objective qualitative analysis of other costs, the full information set can be provided to policy makers for application of the test. The result of the test is the policy decision of whether the benefits in terms of cost savings from targeting outweigh the net costs, or whether universal delivery would be a less expensive option. Key principles from the test are summarised in Box 8.2.

Targeting the beneficiary

Poverty targeting

In the cases where policy makers adopt a targeted approach in the programme identification phase, the technical design will require the specification of concrete targeting mechanisms. The following discussion provides background on some of the key options for targeting, with the associated benefits and costs.

Policy makers can target the poor individually or collectively, or they can delegate the task – to communities, or to the poor themselves.[24] Individual (or household) targeting involves evaluating the incomes, expenditures, assets or personal characteristics of individuals and households. Categorical targeting involves establishing easily-identifiable attributes that characterise poor households and providing benefits to those who share those traits, such as children, older people, or people who live in low-income areas. Self-targeting attempts to target the poor by making the resource provided relatively unattractive, so that only the poorest will want it, however this mechanism (self-targeting) is often costly and inefficient. Community targeting can involve any of these mechanisms, but the benficiaries are determined at a community level, employing what may be seen as a more subjective approach that drawns on local knowledge harvested by community representatives.

Box 8.2: The targeting test

The targeting test involves both subjective and political judgements and cannot be easily quantified. However, the framework provides some general principles for judging when targeting is more or less costly than universal provision. The following table discusses some of the main factors.

Country characteristic	Factors that suggest targeting will **reduce** the cost of social transfers	Factors that suggest targeting will **increase** the cost of social transfers
Government administrative capacity	If **government capacity is strong**, then it is more likely to succeed in implementing targeting.	If **government capacity is weak**, then targeting may over-tax the government's limited administrative resources – and may potentially prove counter- productive.
Poverty profile	If **poverty rates are low**, then targeting can potentially generate significant savings – and is more likely to reduce the cost of social transfers.	If **poverty rates are high**, then targeting has little potential to generate significant savings – and is less likely to reduce the cost of social transfers.
Social solidarity	If **social solidarity is strong**, the middle class is more likely to accept the need to allocate resources to the poor, and targeting will incur lower political costs.	**If social solidarity is weak,** the middle class is more likely to resent their exclusion from social transfer programmes – and the political backlash may compromise the success of the programme.
Formalisation	If the **poor are well integrated into the formal economy**, their economic status will be easier to verify – targeting will be less costly and more likely to succeed. In addition, the costs of complying with documentation requests and other private costs will likely be lower.	If the **poor subsist in the informal economy**, their economic status will be difficult to verify – targeting will be more costly and less likely to succeed. In particular, documentation to meet targeting requirements will likely be costlier.
Stigma	If **the poor suffer little discrimination**, stigma created by overt targeting mechanisms is likely to be less costly and targeting is more likely to reduce the costs of transfers.	If the **poor suffer from significant social exclusion**, targeting may highlight their plight and increase the psychological costs of poverty.

NOTE: The term "government" is used in the table to denote the agent responsible for the programme. This is not necessarily the national government – it may even be a private agent, development institution or donor.

Individual and household assessment

Individual (or household) assessment involves testing a person's or household's means for survival, a process often referred to as "means testing". Usually this involves interviewing an applicant for a social transfer, and requesting information, and sometimes documentation, on income, assets and family relationships. Verifying this information is expensive, but so is the failure to do so: unverified means testing is susceptible to substantial under-reporting of incomes and assets. Proxy means testing provides an alternative form of individual assessment: instead of targeting based on income, it employs more easily observed indicators associated with poverty, such as household demographics, characteristics of the household, durable goods and productive assets. Another type of individual (or household) assessment involves community participation in identifying beneficiaries, employing what may be seen as a more subjective approach that draws on the local knowledge harvested by community representatives.

Verified means testing provides a potentially accurate but often costly mechanism for targeting the poor. The prospective grant recipient must document individual or household income or assets, or any other variables the means test depends upon to demonstrate livelihoods. The formal evidence can be costly for the beneficiary – and can create significant costs as the government verifies the information. In particular, when the poor rely heavily on informal sector sources of income, the practicalities of verifying livelihoods substantially increase the cost of the means test. Because of these costs, this choice of targeting mechanism is rare in developing countries.[25]

In 2000 in South Africa – two years after the implementation of the Child Support Grant – only 10% of eligible households received the social transfer. In the poorest provinces of the country, the take-up rates were the lowest. The poorest households were unable to navigate the bureaucracy and successfully qualify for the grant. Five years later – after the Department of Social Development effectively relaxed the means test and reduced the evidentiary burden (effectively moving closer to an unverified means test) – the take-up rate had increased by 500%. Take-up rates in the poorest provinces rose above the national average. Surprisingly, both inclusion and exclusion error rates fell.[26] Not surprisingly, unverified (simple) means tests are more common in developing countries.[27]

The choice of means testing involves a decision about how important it is to the success of the programme to target accurately. The costs of improving targeting increase rapidly as one aspire to greater and greater accuracy. A programme can reach a point where it spends more on the administrative costs of excluding a beneficiary than it would spend on the benefit itself.[28]

Proxy means tests

Instead of directly evaluating household earnings and expenditure, which is difficult and expensive to measure accurately, the proxy means test methodology uses assets or other variables such as "proxies" for income or wealth, to establish household well-being. Chile pioneered proxy means testing in 1980 with its Ficha CAS programme, and Colombia and Mexico subsequently adopted the technique for programmes involving public works and conditional cash transfers (as well as health insurance and skills training). Various forms of proxy means tests operate (in programmes or pilots) in Argentina, Armenia, Costa Rica, Ecuador, Egypt, Indonesia, Jamaica, Honduras, Nicaragua, Russia, Sri Lanka, Turkey, the West Bank and Gaza and Zimbabwe.[29]

This targeting method generally uses national household surveys as its basis. To design a proxy means test, one must identify a manageable number of easily-observed or measured indicators associated with poverty – but indicators that households cannot easily manipulate to qualify for the social transfer. Typical indicators can cover a range of areas, including demographic characteristics (such as age of household members and size of household), characteristics of the house (such as type of roof or floor), durable goods (such as refrigerators, televisions or cars) and productive assets (such as land or animals).[30] For example, World Bank consultants designing the Social Safety Net Reform Project in the West Bank and Gaza statistically analysed data from the Palestinian Housing Expenditure and Consumption Survey (PHECS) in order to construct a proxy means test formula involving a limited number of variables. They then conducted a targeting pilot (initiated in January 2004) to fine-tune the targeting instrument, testing and revising the formula to achieve a balance of inclusion and exclusion errors.[31]

While any one proxy may be relatively weakly correlated with welfare, correlations improve if multiple proxies are used. The proxy means test aims to find the set of proxies that best explain welfare, usually between ten and thirty proxies in total. Each variable is given a weight based on its estimated impact on household expenditure, and a statistical equation is used to calculate a "score" for each household using these weights. Households that score below a certain cut-off point are eligible for the programme.[32] In constructing these formulas, national surveys can provide the breadth of coverage, while pilots provide the in depth information and dynamic feedback required to refine the formula in order to reduce inclusion and exclusion errors.

Proxy means tests pose some difficult practical challenges relating to the frequency of updating the formula, the degree of transparency, the requirements for strong administrative capacity and the importance of outreach. When household incomes fluctuate a great deal over time, the proxy means test tends to target poorly because it relies on static indicators.[33] Updating the formula and re-testing the population (referred to as "recertifying") tends to be expensive, and is usually conducted on a three-year cycle or less frequently on an ad hoc basis.[34] Further, Paradoxically, transparency can undermine a proxy means test: by definition, the indicators are only proxies for living standards – so adequate knowledge of the formula can sometimes enable a household to manipulate their circumstances to qualify for the social transfer. [35] On the other hand, transparency can ensure that people are able to exercise their rights and can provide a greater sense of equity. Proxy means testing also calls for considerable administrative capacity: it requires both a technically proficient expert team to statistically determine the scoring formula and literate corps of enumerators who support the collection of data from poor applicants.[36] Effective outreach policies are critical to minimise exclusion errors but this management arrangement frequently fails to receive the necessary attention.[37]

Proxy means tests work best when the easily observed proxy variables predict living standards well. One measure of the efficiency of a proxy means test formula is the variability in household expenditure levels that the formula explains. In theory, a "perfect" formula would explain 100% of the variability in expenditure across households – in other words, that formula would accurately identify poor households. In practice, however, these formulas often perform very poorly. One formula used for a programme in Egypt explained only 43% of variability in consumption (compared to only 62% in the most data-intensive model tested), while proposed equations for a programme in Armenia explained only 25%. Frequently the formulae only explain about 50% of the variability in the identified measure of livelihoods.[38] Many factors help explain the large errors associated with proxy means testing. A key concern, however, is the use of the household survey as the basis of the targeting methodology. Household surveys themselves include inaccuracies and should never be regarded as more than an approximation of reality. While they are useful tools for measuring poverty, it is questionable whether they are reliable enough to be used as the foundation of a sophisticated targeting methodology.[39] Further, in-built into the proxy means test methodology is an error derived from the weakness of the correlation of the proxies with household income (or expenditure). The regressions used in proxy means tests rarely explain more than half of household income.[40] Consequently, even the initial weightings of the multiple proxies, when tested against the household surveys from which they were derived, have significant errors. Further, many households may never be surveyed and assessed; there is good evidence from Pakistan, Mexico and Nicaragua that even when all households are meant to be visited, some can be missed out.[41]

As such, the methodology incorporates significant errors even before it is implemented on the ground. International evidence indicates that further errors are incorporated during implementation. This can translate to high exclusion error, even among programmes that are highly regarded by advocates of proxy means testing: in Mexico's Oportunidades programme, around 70% of the poor are excluded, while 30% of the non-poor are beneficiaries,[42] and in Jamaica's PATH programme, the exclusion and inclusion errors are around 50 percent, meaning that around half of intended beneficiaries are unable to access the programme.[43] There has also been an example of a proxy means test resulting in a regressive outcome – in Armenia – with more of the benefits going to the non-poor.[44]

In sum, while proxy means testing generally reduces inclusion errors, it often leads to significant exclusion errors – particularly when the costs of application are high.[45] This pattern lowers their fiscal cost – but also substantially undermines their contribution to social protection.

Categorical targeting

Since obtaining information on income and assets can be costly, categorical targeting relies on easily observed traits that are associated with poverty. While this mechanism reduces the cost of implementing the targeting process, it can increase both inclusion and exclusion errors. Two kinds of traits are most commonly used: geographic and demographic. Geographic indicators aim to target the poor of a particular region, and are commonly used with conditional cash transfer programmes and in response to national disasters. Demographic indicators, such as age, sex, marital status, or disability, are more

Box 8.3: Depth of poverty across different types of households: income shortfall from the poverty threshold for different household types, as % of average income shortfall (poverty gap) for the country

	No elderly persons	Elderly persons pnly	Elderly & children only	Not headed by elderly	Headed by elderly	All persons
Burundi	100	154	143	100	100	100
Burkina Faso	100	113	116	100	99	100
Côte d'Ivoire	93	213	224	95	121	100
Cameroon	99	151	107	97	112	100
Ethiopia	98	168	120	97	117	100
Ghana	92	119	155	95	123	100
Guinea	88	181	208	92	123	100
Gambia	87	163	59	93	118	100
Kenya	96	128	136	96	124	100
Madagascar	101	96	99	101	93	100
Mozambique	101	92	122	99	105	100
Malawi	98	131	131	98	115	100
Nigeria	96	57	97	98	112	100
Uganda	99	185	151	98	109	100
Zambia	95	171	189	95	135	100

SOURCE: Schwarz (2003)

common with unconditional transfers – for example, age as the basis for child allowances and pensions.

In order to identify appropriate categories, it is useful to construct a typology of households and quantify the intensity of poverty for each type. The construction of these typologies depends on household survey data that is representative of a country's entire population, with information collected on income, expenditure, other measures of well-being, and household characteristics that identify the group categories. An example for fifteen African countries is presented in Box 8.3. Households are categorised by whether they include older people, children or others in various combinations. The reported statistics in the table reflect the relative poverty gap of each household type in each country, expressed as a percentage of the national poverty gap. For example, households in Burundi made up only of older persons have on average a poverty gap equal to 154% of the national average that is, 54% higher than the national average.

Box 8.3 shows that in most countries, households which include older people are poorer than households that exclude them, particularly when an older person is the household head. Households with only older people are even poorer on average, with the poorest types of households usually those that include just older people and children. While the targeting value of this

Box 8.4: Categorical targeting and the analysis of social impact

"In Burundi, Burkina Faso, Cote d'Ivoire, Ghana, and Guinea, the probability of female children not attending school increases when they shift into households headed by older people. The opposite is the case in Cameroon, Nigeria, Uganda and Zambia. In other words, in these four countries, female children living in older people's homes do not suffer from schooling disadvantage. The policy conclusion of this very limited exercise is very simple and straightforward: it is important to be aware of gender differences in schooling outcomes when children are looked after by households headed by older people. While our study does not offer conclusive proof, a social pension *targeted* to poor households headed by older people may have the potential for reducing the female disadvantage in schooling. More work is needed for understanding the gender impacts of a social pension program."

SOURCE: Schwarz (2003)

information is crude, the data provides a guide if categorical targeting is to be pursued.

Further analysis of the poverty profile is required to better understand the nature of poverty and effectively design appropriate policy responses. For example, the high degree of poverty in households made up only of older people and children may reflect the AIDS pandemic – grandparents and other older people have become primary caregivers, often after a household has become impoverished coping with AIDS.[46]

This type of data also enables one to calculate the cost of alternative social transfer programmes constructed on a categorical basis. For example, providing a pension equal to 70% of the poverty threshold to all individuals in Zambia aged 60 years and older would cost approximately 1.68% of national income, whereas perfectly targeting the benefit to the poor would cost 1.33% – a savings of only about 20%.[47] Does the cost of targeting the poorest rather than a category of individuals regardless of their poverty status – in terms of additional administration, incentive effects, private costs, stigmatisation, political and other costs – outweigh the fiscal savings from not paying the benefit to the non-poor? The benefit-cost calculation may vary from country to country. The policy implication may be different for a country like Ethiopia, where the cost of universal transfers is more than twice the value of benefits perfectly targeted to the poor. Box 8.4 illustrates how this categorical analysis can provide insight into the social impact of transfers.

Targeting older people

Targeting older people through a non-contributory pension is an important social transfer instrument in many developing countries. While universal pensions often benefit a large proportion of non-poor individuals, they are often more effective at reaching the poor. Box 8.3 shows that for a sample of fifteen low-income African countries, households that include older people are usually poorer than those that do not – and often much poorer. Some more specific categories – like households with only older people and children, households with only older people, or households headed by older people – were often much poorer.

A study of twelve social pension programmes around the world found they reached poor households, on average, significantly more than non-poor households – with some schemes performing extremely well but others yielding regressive outcomes.[48] Categorical targeting to older people can be combined with other mechanisms – Chile's CAS-PASIS achieves a high degree of progressive incidence using a proxy means test, while Costa Rica's non-contributory pension allows social workers wide discretion to make eligibility determinations during an office interview and effectively targets the poor.[49] However, these techniques undermine a rights-based approach and can erode transparency.

Universal pensions can appeal to taxpayers more than other approaches, because most taxpayers will eventually receive the inter-generational transfer. When cash transfers benefit taxpayers as well as the poor, the cost calculations are not directly comparable with those programmes that are effectively targeted to the poor. Some middle-income countries, such as South Africa and Brazil, combine individual assessment with categorical targeting in the form of a means- tested social pension. This model may pose significant challenges in low income countries, where the added complications and costs of means-testing may overwhelm the government's administrative capacity. In addition to the public costs, the compliance requirements of means tests may be expensive for the targeted individuals and exclude many of the poor who cannot afford the private costs of qualifying for the pension.[50]

The need for proof of age complicates categorical targeting to older people. Given the poor registry systems in many developing countries (particularly decades ago), many older people do not possess formal documentation of their age. If the costs of obtaining the documentation are high, many of the poorest are likely to be excluded. Publicising information about how to obtain appropriate information – and streamlining document access – can help improve targeting to the poor. South Africa's experience documents the importance of government offices that respond to the needs of the poor. When people receive poor service at administrative offices and have to make multiple visits, high transportation costs can exclude the poorest[51]. The best practices balance flexibility with the need for fiduciary accountability. For example, Nepal allowed horoscopes and other widely-held documents as substitutes for birth certificates.

Targeting children

Approximately half of the world's poor are children.[52] One form of categorical targeting is the provision of benefits to households with children, particularly when the children are orphaned or otherwise vulnerable. Many of the issues relevant to targeting older people are also pertinent to children, including requirements for proof of age, the need for documentation that uniquely identifies the child, and motivations that stem from the demographic group's association with poverty. In some countries, older people are increasingly responsible for grandchildren, especially in areas most affected by the HIV/AIDS pandemic. Other issues, such as linkages to education, are specific to

Box 8.5: Child poverty in developing countries

Country	Household/family characteristic	Poor	Non-poor	All households
Argentina	Number of children under 15	3.0	0.4	1.3
Bolivia	Number of children under 15	3.4	1.3	2.3
Brazil	Number of children under 15	3.6	0.8	1.8
Cameroon	% households with 6+ members	59	30	45
Chile	Number of children under 15	2.5	0.9	1.5
Costa Rica	Number of children under 15	3.3	1.0	2.0
Ecuador	Number of children under 15	3.4	1.4	2.9
El Salvador	Number of children under 15	3.7	1.1	2.4
Guyana	Number of children under 17	2.6	1.4	1.8
Honduras	Number of children under 15	4.2	1.7	3.1
Indonesia	Number of children under 9	1.7	N/A	1.2
Malawi	Household size	5.4	4.2	5.0
Mali	Household size	11.5	9.2	10.4
Mexico	Number of children under 15	4.0	1.1	2.3
Nepal	Number of children under 14	3.5	2.5	N/A
Nicaragua	Number of children under 15	4.9	1.8	3.3
Panama	Number of children under 15	3.2	0.8	1.9
Paraguay	Number of children under 15	4.3	1.3	2.8
Peru	Number of children under 15	3.7	1.1	2.4
Philippines	Household size	6.0	5.0	N/A
Tanzania	Household size	7.2	5.0	6.0
Uruguay	Number of children under 15	2.8	0.5	1.2

SOURCE: UNICEF (2000).

targeting children – particularly for programmes that impose conditions to ensure that children benefit from investment in human capital.

Social transfer programmes identify children as a vulnerable group for a number of reasons. In many countries, the number of children in poor households significantly exceeds the number of children in non-poor households. For example, in Mexico, Brazil and several other Latin American countries, the average poor household includes four children, while the average non-poor household has only one child. (Box 8.5 compares the composition of poor and non-poor households for a sample of developing countries.) In Africa, the number of orphans has steadily increased from 1990 to present – and forecasts project an increasing trend.[53] Politically, programmes that target children appeal to politicians and electorates because they support the principles of equal opportunity and support longer-term development objectives through their impact on nutrition, health and education.[54]

Programmes that categorically targeting children frequently employ secondary mechanisms to further reduce the number of eligible beneficiaries. On paper South Africa applies a means test to its categorically targeted Child Support Grant programme, although in practice it takes a relaxed approach to implementing this since it found following the means test to the letter was a severe impediment to improving take-up rates.[55] A study of the United Kingdom's categorical programmes for children found the administrative costs of the means-tested "Family Credit" were more than twice as high as the universal child benefit.[56] The relative administrative costs in developing countries are likely to be much higher, since reliable income documentation is more difficult to obtain. The International Labour Organisation has demonstrated the affordability of benefits universally targeted to children in low-income African countries. The cost of providing a benefit equal to approximately $8 a month in purchasing power parity terms ranges from two to four percent of national income in most of the countries – and the estimated cost declines over time as the children's projected share of the population falls.[57]

Targeting people with disabilities

"Disability is both a cause and consequence of poverty." [58] People with disabilities frequently face greater limits in access to education and employment opportunities.[59] Only a small fraction of people with disabilities in developing countries have access to assistance, rehabilitation and other appropriate services.[60] People with disabilities often face a greater likelihood of poverty for several reasons they generally incur greater costs due to medical expenses and coping mechanisms, their caregivers frequently forego alternative earnings, and they sometimes face work limitations.[61] As a result, disability reinforces conditions of poverty, which in turn can exacerbate the debilitative impact of the disability and increase its incidence. For example, poverty fosters conditions like malnutrition that increase the likelihood of disability, and lack of adequate income hampers access to rehabilitative goods and services that mitigate disability.[62] Social transfers can support part of a comprehensive approach to inclusion that addresses this vicious circle, potentially incorporating people with disabilities into mainstream social and economic activities and reducing the future incidence of disability. Figure 8.1 illustrates the forces that tend to perpetuate a vicious cycle of poverty, increased vulnerability, and a greater likelihood and increased debilitative impact of disability – which in turn reinforces poverty.

Different models of addressing disability yield alternative approaches to social protection.[63] The charity model sees people with disabilities as victims of circumstance which require welfare approaches. The medical model views disabilities as directly caused by diseases, injuries or other health impairments, requiring medical treatment and rehabilitation. The social model empowers people with disabilities in order to increase their social and economic participation and contribution, improving overall economic performance while reducing government spending on unnecessary care. This frees resources for

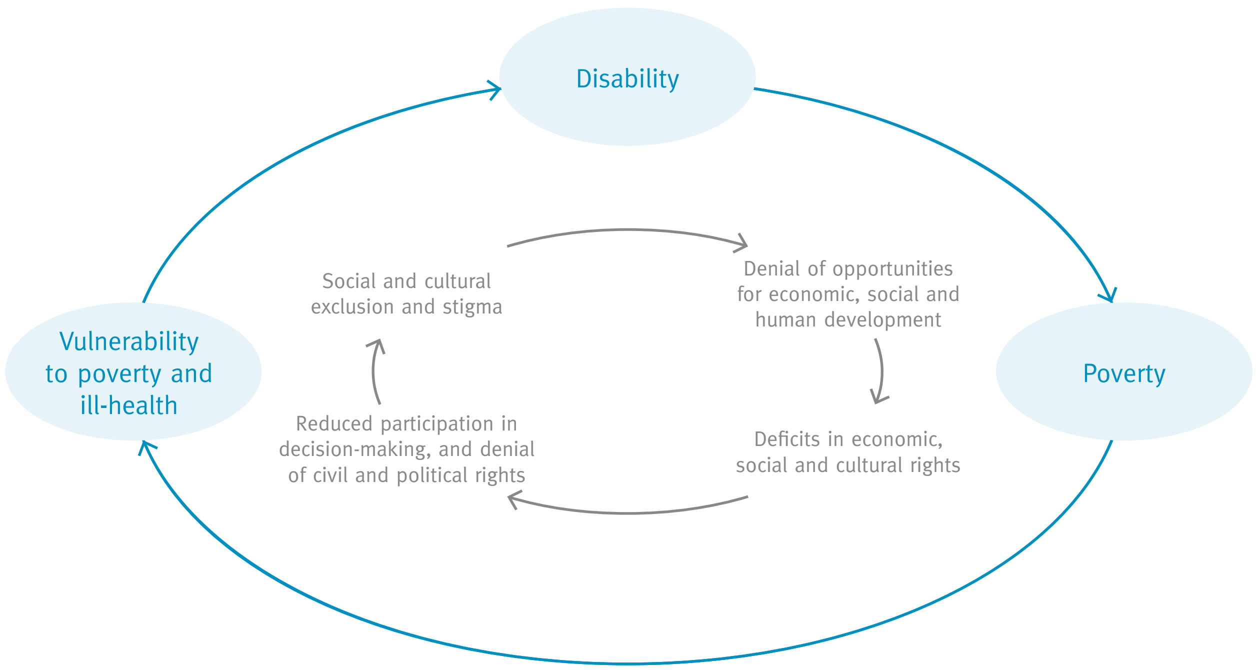


Figure 8.1 The vicious circle of poverty, vulnerability and disability

SOURCE: DFID (2000), page 4.

custodial care approaches that focus better on the minority of people with disabilities who need these services.

A key challenge in the categorical targeting of people with disabilities is the identification of the eligible impairment, limitation or participatory restriction. Most programmes identify beneficiaries through information provided by public entities, from censuses and other search activities, and through efforts to promote self-identification.[64] The typical screen is whether or not an individual faces a physical or mental impairment that leaves him or her unable to work. For example, in South Africa, "according to regulations issued by the national Minister of Social Development, a person is only eligible if the degree of his or her disability makes him or her incapable of entering a labour market."[65] In Namibia, according to the Ministry of Health, a person with a 50 percent disability as determined by a medical doctor would be eligible for the disability grant. For example, "if an individual develops full-blown AIDS and is incapable of working, such a person would qualify for a disability grant by virtue of being incapable of adequately providing for their own maintenance, and not by virtue of being HIV-positive."[66] However, in practice the determination of a person's ability to work is difficult and subjective. Invisible and episodic impairments – such as severe lower back pain or certain mental illnesses – cannot be easily documented. The determination of disability is often a complex individual medical assessment, frequently requiring a visit to

Box 8.6: The disability pension in Namibia

Namibia is one of the few African countries to provide an extensive non-contributory pension to people with disabilities (together with Liberia, Mauritius, Mozambique and South Africa). Nevertheless, in 1995 only about a quarter of the estimated 44,000 people with disabilities received a social transfer – approximately ten thousand received a disability grant and one thousand receiving a pension for the blind. The 2001 Namibian census estimated a much higher incidence of disability, with over 85,000 people affected. In particular, women and those residing in certain rural regions receive disproportionately fewer pensions.

Many of the registered beneficiaries face difficulties in accessing the pension, particularly given the complexity of payment procedures. Persistent fraud poses a challenge, and many eligible people are unaware of registration and payment procedures. Registration procedures can be unduly burdensome for people with disabilities, requiring both birth and citizenship certificates, which many Namibians do not possess. The travel required to obtain the documentation effectively excludes many of those with disabilities. The payment procedures require both an identification document and computer verification, and system failures periodically exclude eligible beneficiaries – who sometimes do not receive payments retroactively once the computer faults are corrected.

Since few rural Namibians have access to bank accounts, beneficiaries carry the pension home in the form of cash, creating vulnerability to theft and misappropriation. When the Department of Social Welfare privatised the pension payment service in the mid-1990s, the private contractor, Cashmaster Payment Service, reduced the number of distribution points, which exacerbates the problem and increased the transport costs incurred by people with disabilities. The privatisation also significantly increased administrative costs one estimate suggested an increase of 400%.

SOURCES: Subbarao (1998),
Barbro-Isabel Bruhns et al. (1995).

a health clinic or doctor. The subjectivity of the process inevitably gives rise to both inclusion and exclusion errors.[67]

Ensuring inclusive social transfers requires providing physically and socially accessible advice centres and delivery mechanisms.[68] Physical accessibility requires appropriate architectural features and adapted mechanisms in the transportation system, but can also include social worker visits to the homes of people with disabilities, as well as their right to a personal family representative for programme application and enrolment, and to receive the social transfer.[69] Namibia's privatisation of social pension payment processes led to the closure of pay points, undermining physical accessibility for beneficiaries.[70] (Box 8.6 provides more details on Namibia's disability pension.)

Social accessibility requires appropriate outreach channels, including media and community publicity, and the management of administrative staff to ensure their attitudes encourage and facilitate access to benefits for people with disabilities.[71] Appropriate programme design can foster the inclusion of people with disabilities.

Much of the debate over how to implement social transfers for people with disabilities revolves around the choice between mainstreaming and categorically targeting people with disabilities. "Mainstreaming" in this case refers to the policy of improving access for people with disabilities to the social transfers available within society. While targeting transfers to people with disabilities provides critical resources and can improve the individual's bargaining power within the household, the targeting process requires substantial administrative capacity and cost and may lead to segregation rather than inclusion.[72] Mainstreaming requires less administration, better promotes inclusion and more broadly reaches the poor, but may require a much longer term commitment to be effective.[73] In addition, mainstreaming social transfers for people with disabilities requires that the needed resources are available to the broader population.

Geographical targeting

Geographical targeting determines eligibility for benefits based, at least in part, on the location of the beneficiary's residence.[74] Disparities in living standards between regions and communities – caused by differences in climate, natural resources, geography and/or public policy – can be found in nearly every country.[75] Social transfer programmes, particularly those with limited resources, frequently adopt mechanisms that restrict their scope to those areas with the highest concentration of poverty. Conditional cash transfer programmes frequently employ poverty maps, surveys and administrative data in order to supplement other mechanisms with geographical targeting. For example, Brazil's Bolsa Familia targets specific poor communities within municipalities, Jamaica's PATH programme relies on collections of annual consumption data to target at a parish level, Mexico's Oportunidades programmes employs a "marginality index" constructed from census data to identify poor communities, and Honduras relies on the "Height Census of First Grade School Children" in order to target poor communities based on the prevalence of malnutrition.[76] Similarly, public works programmes frequently rely on geographical targeting to identify communities that will most benefit from projects. For example, Argentina's Trabajar programme targeted projects based on the geographic distribution of unemployment by province.[77] On the other hand, unconditional transfer programmes – with more of a rights-based orientation – less frequently rely on narrow geographical targeting. For example, social pensions in Botswana, Lesotho, Mauritius, Namibia, and South Africa are available to all who qualify. Brazil, however, has separate social pension programmes for rural and urban areas.

One of the key advantages of geographical targeting is its potential simplicity. Particularly in acute emergencies, geographical targeting provides a mechanism for immediate delivery to the hardest hit areas. However, geographical targeting alone risks generating large errors of both exclusion and inclusion if poverty is not spatially concentrated. Particularly at a regional level where income disparities are usually large, geographical targeting includes many non-poor households while excluding regions which nonetheless contain many of the poor.[78]

In both Nicaragua and Peru, social funds employing geographical mechanisms achieved relative success in identifying extremely poor communities, but proved less successful in targeting the poorest households.[79] A recent study of targeting identified 52 programmes that employed geographical targeting – and all but one of these utilised an additional mechanism to further improve the identification of poor households.[80]

The size of the geographical targeted area, however, can influence exclusion error, particularly in rural areas, where smaller target areas are more likely to host people of a similar poverty level. In many villages the size of landholdings determines income differences between households, but people share agro-climactic and spatial conditions and off-farm employment opportunities. At higher geographical levels, differences in distances to markets, road conditions, access to vital services and other factors usually contribute much greater variability. If detailed socio-economic information at a village level is available, targeting small areas can significantly improve the effectiveness of the geographic approach.[81] However, targeting small areas on a national level requires reliable information in order to assess the prevalence of poverty at a disaggregated level. Many national household surveys include sample sizes large enough to distinguish poverty rates regionally, but lack the number of observations at a sub-regional level to allow significant inferences about differences in living standards at the level of finer geographical areas.[82]

Self-targeting

Self-targeting refers to universal transfer programmes that are designed to be attractive primarily to the poor. The non-poor are supposed to voluntarily choose to forego the potential benefit – either because of the costs of participating, the resulting stigma, or the associated conditionalities (work requirements, access costs, or fulfillment of designated activities such as children attending school, household members visiting clinics or other conditionality requirements). Self-targeting was once considered less expensive than other mechanisms because the psycho-social costs of stigma were generally ignored.[83]

However, in reality, self-targeting also involves significant inclusion and exclusion errors. For example, public works programmes often employ the combination of work requirements and low wages to promote self-targeting by the poor. In some very poor countries, however, members of less poor households may still seek employment at wages that are too low to even provide the very poorest with adequate social protection.[84] At the same time, the work requirement excludes those who are unable to supply labour to the programme – often the most vulnerable in the society.[85] In countries where the poor need transfers the most, the wage rate necessary to effectively self-target the poor is so low that such programmes could not honestly claim to be offering significant levels of social protection.[86]

Community-based targeting

Community-based targeting is a relative newcomer to the tracts of social policy analysts, but its essential principles have supported informal mechanisms of social protection for centuries. Community-based targeting can be defined as "a state policy of contracting with community groups or intermediary agents to have them carry out one or more of the following activities: 1) identify recipients for cash or in-kind benefits, 2) monitor the delivery of those benefits, and/or 3) engage in some part of the delivery process."[87] Community-based targeting has most commonly been used within small-scale or pilot programmes, but there are some examples of its use at a national level, such as in Bangladesh and Indonesia.

The basis of community-based targeting is that communities themselves are best able to know and decide who is poor and deserving of support: community representatives are able to define poverty more appropriately in a local context, and they can more efficiently harvest information about individuals with whom they have personal connections.
Community responsibility for targeting also creates a participatory stake in the programme, providing a role for local ownership and control.[88] This model can also facilitate community mobilisation, empowering disadvantaged groups and legitimising the social transfers programme with positive political consequences.[89]

Community targeting, however, faces its own risks. It is particularly prone to manipulation and capture by more powerful community members and local elites who may distribute resources in ways that deviate from targeting guidelines. Even when the process follows the recommended procedures, the close proximity of beneficiaries (the included), near-beneficiaries (the excluded) and the judges (community representatives) can foster costly social tension and resentment.[90] More frequently, decisions taken within the community tend to benefit as many people as possible, including the non-poor, regardless of targeting guidelines. Employing teachers to target poor children for a social transfer programme may seem technically efficient, but mandating teachers with this additional role may undermine their teaching effectiveness. Will a poor student excluded from a social transfer by a teacher's decision feel resentment, and will this affect the student's success in school?

In addition, since community-based targeting decentralises important policy elements of targeting, it may lead to varying benefit levels for the same groups in different regions. This undermines the objective of horizontal equity and in some cases may induce inefficient population movements. The costs may undermine political support for the programme.[91]

The empirical evidence on community targeting is mixed: the mechanism often yields very attractive outcomes, yet in other cases its performance is poor. Ethiopia's experience with community targeting yielded both positive and negative results that varied from region to region, which apparently depended on the socio-economic and cultural circumstances of each locality.[92] Evidence from Bangladesh suggests that the average impact is to improve targeting to the poor, but a great degree of variability exists across communities. In particular, in communities with the worst distributions of income, the poorest were the most excluded, probably because they tend to lack political power. Interestingly, as coverage increased, the proportion of benefits reaching the poor increased, suggesting that wider coverage will be more inclusive of the poor.[93] Malawi's efforts to employ community targeting in its 'Starter Packs' programme in 2000 failed when community representatives refused to categorise the finer layers of poverty, replying instead: “We are all poor”.[94]

There is no consensus on how to best design a community targeting approach. One alternative provides a hybrid mechanism, where central authorities define and monitor the targeting categories, and community representatives implement the regulated process but with significant discretion. Public meetings, elected community representatives and external audits can improve transparency and accountability.[95]

A similar approach identifies four ingredients that contribute to the effectiveness of community targeting:[96]

1. Members of the community should understand the targeting process;
2. Information about rules and allocations should be available to the community;
3. Community representatives should be accountable, and those denied benefits should have recourse to appeal;
4. An impartial outside authority should audit the process.

Combinations of targeting mechanisms

Each of the mechanisms for poverty targeting has strengths and weaknesses. Appropriate combinations of instruments can provide complementarity, with the different strengths effectively offsetting the weaknesses. For example, Mexico’s Oportunidades conditional cash transfer programme combines geographical targeting, proxy means tests and community participation. Brazil’s Bolsa Escola employed a poverty line approach together with elements of community control. Many old-age pensions – like those in Brazil, India and South Africa – employ categorical targeting (age and sometimes gender) together with means testing. Other pension programmes, however – like those in Lesotho, Namibia, and Nepal – are universal within their categorical age targets.

Endnotes

1 Devereux (2002b), page 2.

2 For a thorough discussion of this framework, see Grosh (1994), chapter 8 (pages 131-149). Ravallion (1999) summarises the point: “One option that is probably feasible everywhere is a uniform distribution of the programme budget to every household (whether poor or not). If the transfer to the poor as a percentage of total spending on the programme is less than the percentage of households that are poor, then the uniform allocation is preferable” (pages 32–33).

3 Kakwani et al. (2005) find that “the values of PPP indices in conditions of perfect targeting show little difference from the values of indices resulted from universal transfers. This suggests that perfect targeting may not be necessary in cases such as these 15 African countries, where poverty is extremely high” (page 5).

4 Case et al. (2003), Duflo (2003), Samson et al. (2004).

5 Ravallion (2003) points out that economists who have tested household surveys with far more information than can effectively be harnessed into a targeting mechanism have usually been able to explain at best only half the variability in consumption or income (page 17).

6 The economic cost of rebating to taxpayers a lump sum amount is usually less than the value of the transfer. The costs (referred to as deadweight losses) include the administration costs and any distortions created by the tax system.

7 Devereux (2002b), page 4; Cornia and Stewart (1993).

8 Barrientos (2004), page 18.

9 Samson et al. (2006).

10 Levy and Barahona (2002), cited in Shepherd et al. (2005).

11 Devereux (2002b), page 14.

12 Pellissery (2005).

13 Coady et al. (2004), Lund (2002).

14 Coady et al. (2004), Grosh (1994).

15 Devereux (2002b).

16 Bush et al. (2001), page 2.

17 Gelbach and Pritchett (1995).

18 Ravallion (1999), page 47; Anand and Kanbur (1987, 1990); van der Walle (1998), page 240; Besley and Kanbur (1990), page 6.

19 Gelbach and Pritchett (1995), page 32; Grosh (1994).

20 Sen (1995), page 14.

21 Ravallion (2002), pages 118–119.

22 Subbarao (2003).

23 Rodrik (1999).

24 For a more detailed discussion, see Shepherd et al. (2005); Devereux (2002b), pages 7-15; Grosh (1994); Coady et al. (2004). For more on community targeting, see Conning and Kevane (2000).

25 Coady et al. (2004), page 13.

26 Samson, Mac Quene and van Niekerk (2005).

27 Coady, Grosh and Hoddinott (2004), page 13.

28 Besley and Kanbur (1993), page 71 and Devereux (2002b), page 7.

29 See Larrañaga (2003), Clert and Wodon (2001); Sancho (1992); Racynzski (1991); Castañeda (1990, 2003), Coady (2001) cited in Coady, Grosh and Hoddinott (2004), page 52.

30 Coady, Grosh and Hoddinott (2004), page 52.

31 World Bank (2004b), pages 2–4.

32 See Coady, Grosh and Hoddinott (2004), page 14, for further discussion of proxy means tests.

33 Coady, Grosh and Hoddinott (2004), page 14.

34 Ibid., page 53.

35 Subbarao et al. (1997), pages 20–21.

36 Coady et al. (2004), page 55.

37 Ibid.

38 Ahmed et al. (2001), Grosh and Glinskaya (1998), cited in Coady et al. (2004), page 54.

39 See Kidd and Wylde (2010) for a more in-depth discussion on the weaknesses of household surveys and their use in proxy means testing.

40 For examples of econometric studies that illustrate this, see Ahmed and Bouis (2002), Alatas et al. (2009), World Bank (2009b).

41 Adato et al. (2000); Adato and Roopnaraine (2004), page 16; Huber et al. (2009), page 46; GHK (2009), pages 107, 155.

42 Veras et al. (2007), page 2.

43 World Bank (2009a).
44 Coady et al. (2004).
45 Klugman (1999), page 11.
46 Subbarao and Coury, (2004).
47 Subbarao (1998), page 22.
48 Coady, Grosh and Hoddinott (2004), page 32.
49 Ibid., pages 69-70.
50 Schwarz (2003), page 19.
51 Samson (2002); Coady et al. (2004), page 70.
52 UNICEF (2000), page 41.
53 UNICEF (2005), page 73.
54 Coady, Grosh and Hoddinott (2004), page 7.
55 Samson et al., (2006).
56 Atkinson (1995) and Coady, Grosh and Hoddinott (2004), page 80.
57 Pal et al., (2005), pages 14–26.
58 DFID 2000, page 1.
59 Ibid.
60 Despouy (1993).
61 Mitra (2005), page 5; Mitra (2004), page 4; Elwan (1999), pages 21–24.
62 Mitra (2005), page 6; Mitra (2004), page 4; Elwan (1999), pages 24–25.
63 This paragraph summarises key ideas from Mitra (2004, 2005) which provide greater detail on these issues.
64 Mitra (2004), page 17.
65 Nattrass (2006), page 3.
66 UN IRIN (2005).
67 Mitra (2004), page 9.
68 Ibid., page 15.
69 Mitra (2005), page 10.
70 Subbarao (1996), page 16.
71 Mitra (2005), page 11.
72 Ibid., page 15.
73 Ibid., page 16.
74 Coady et al. (2004), page 47.
75 Bigman and Fofack (2002), page 129.
76 Rawlings and Rubio (2003), page 3.
77 Coady et al. (2004), pages 22–23.
78 Bigman and Fofack (2002), page 136.
79 Coady et al. (2004), page 29; Paxson and Schady (2002).
80 Coady et al. (2004), page 62.
81 Bigman and Srinivasan (2001), page 3.
82 Bigman and Fofack (2002), page 136.
83 Stigma can be defined as "the feeling of shame that may come from an open admission that one is poor and in need of help" (Grosh 1994). Stigma can also be externally reinforced, increasing the social costs for those affected.
84 Chirwa et al. (2004).
85 Devereux (2002b), pages 8–9; Gebre-Medhin and Swinton (2001).

86 Devereux (2002b), pages 9–10.
87 Conning and Kevane (2000), page 2.
88 Devereux (2002b), pages 9–10.
89 Conning and Kevane (2000), pages 2–3.
90 Devereux (2002b), page 10.
91 Conning and Kevane (2000), page 3.
92 Devereux (2002b), page 10.
93 Subbarao (2003), page 25; Galasso and Ravallion (1999); see also Conning and Kevane (2000).
94 Devereux (2002b), page 11.
95 Conning and Kevane (2000), page 27.
96 Sharp (1998), page 92, in Devereux (2002b), page 11.

Chapter 9

Designing conditional cash transfer schemes

The objective of this chapter is to introduce the rationale for cash transfers and the debates concerning conditional cash transfers. This chapter will also discuss key issues in designing and managing conditionalities that characterise these programmes.

"I think these programmes [conditional cash transfers] are as close as you can come to a magic bullet in development. They are creating an incentive for families to invest in their own children's futures. Every decade or so, we see something that can really make a difference, and this is one of those things." [1]

Dr. Nancy Birdsall

"Development cannot be imposed. It can only be facilitated. It requires ownership, participation and empowerment, not harangues and dictates." [2]

President Benjamin Mkapa

In some countries, social transfer programmes are unconditional, while in other countries, conditionalities are attached to transfers. These human capital conditionalities – which can include such requirements as school attendance or academic achievement by children, clinic visits, meeting nutritional objectives and adult education programmes – aim to actively encourage changes in behaviour, and beneficiaries must fulfil these conditions in order to receive payments. Conditionalities raise specific issues that are not a concern for other types of social transfers. This chapter addresses those matters.

Most conditional cash transfer programmes are currently found in Latin

America and the Caribbean, following Brazil's trail-blazing *Bolsa Escola* initiative at a municipal level and Mexico's *Progresa* (now *Oportunidades*), the first CCT programme implemented at a national level.[3] After Mexico successfully implemented Progresa, international development banks and United Nations agencies heralded the innovation as one of social protection's "best practices", and provided important sources of international finance and technical assistance that have supported CCTs' expansion and replication.[4] Most CCT programmes have been implemented in middle-income Latin American countries. The administrative requirements and health and education delivery prerequisites pose greater challenges in low-income countries, particularly those with weak or fragile states.

Much of the debate between conditional and unconditional transfers centres around whether poor households know how best to employ resources for household well-being, and whether they act accordingly. Studies of CCTs have shown that – when implemented jointly – higher money incomes for households, public funding to improve service delivery and conditionalities requiring school attendance and other forms of compliance can improve social well-being and reduce poverty. However, within the evidence base to date, it is difficult to distinguish whether these impacts are due to the cash transfer, or whether they are due to the conditionality.[5] It is possible that in many instances, unconditional transfers could achieve the same developmental outcomes as (or even greater developmental outcomes than) conditional programmes have yielded. The design of programme conditionalities must balance the appropriate role for household autonomy with the common interest in ensuring that households engage in the development of largely public and intergenerational benefits, such as education, health and employment. This chapter will examine these issues in detail, with a particular focus on the issues that arise when active conditions are imposed for the receipt of social transfers.

Human capital conditionalities

Chapter 1 defines "conditional cash transfers" (CCTs) as regular payments of money (or in some cases in-kind benefits) by government or non-governmental organisations to individuals or households in exchange for active compliance with human capital conditionalities, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability, while at the same time also promoting human capital development.The stated objectives of these types of programmes are two-fold: (1) to reduce current poverty through the provision of the cash transfers, and (2) to leverage these transfers as incentives to promote human capital development, with resulting further reductions in future poverty. The central design element of conditional cash transfers is the targeted provision of social transfers to poor households, conditional on household members investing in education and often health and nutrition.[6]

These programmes are usually both targeted and conditional. The selection process often begins with geographical targeting, followed by household assessment using proxy means tests, social workers, teachers or community screening.[7]

Many programmes include two components of conditionalities – education and health/nutrition. The education grant generally targets primary school children, but encompasses secondary school students in Colombia, Mexico and Jamaica.[8] Additional conditionalities are often included to further change behaviour. Mexico's Oportunidades programme also utilises bonuses for school graduation and health seminar attendance.[9] Brazil's PETI programme required participation in an after-school programme in order to discourage child labour.[10]

The achievement of these conditions is supported by three mechanisms: (1) the cash transfer increases the household's opportunities, making human capital development more attainable; (2) the programmes are accompanied by government initiatives to improve the supply of education, health and other inputs into human capital development; and (3) linking the transfers to compliance with the conditions creates additional incentives for fulfilling programme objectives. In practice, it is difficult to identify how much of the observed benefit in human capital development is attributable to each of the three elements of the programme.

Both providing cash transfers and improving the supply of human capital inputs have demonstrated impacts on human capital development.[11] The conditionalities, however, may have two effects. First, as intended, they may help to achieve programme objectives. Second, they serve as a targeting mechanism. Poor households without children may be excluded, and households who fail to achieve the conditionalities may face cuts in benefits.

Should conditionalities be implemented?

When deciding whether to attach conditionalities to a social transfer, several issues must be taken into account. In theory, there are several reasons why the government might have an interest in providing incentives for caregivers to change their choices about investing in health and education. Sometimes caregivers do not have adequate information to make the most appropriate decisions, and other times they might not act in the best interests of their children, trading off the future returns on human capital investment for the current benefits from the proceeds of child labour. The conditions in these programmes create costs for caregivers but long-term gains for children and society.[12] Even when caregivers act in their children's best interests, greater investments in health and education create important spill-over benefits for the rest of society.

However, the implicit assumption that households would not make the same investment in health and education in the absence of imposed conditions has not been fully tested and cannot be taken as given. Would the combination of unconditional social transfers and substantial investment in health and education deliver the same results without resorting to conditionalities?[13] Evidence for Brazil, Namibia and South Africa documents that old age pensions without education conditionalities significantly increase children's schooling, with a particularly strong benefit for girls.[14] Critical to the imposition of conditionalities is the question of whether the same impact can be achieved through unconditional transfers and improvements in the delivery of education and health services.[15]

Conditional cash transfer schemes often face a trade-off between poverty reduction and human capital development. If low education enrolments are the targeting mechanism, the education impact will be greater but the poverty effects will be compromised by severe undercoverage. As the scope is broadened to more effectively target poverty, the inclusion of households with high enrolment rates will reduce the educational effectiveness.[16] More severe penalties may improve educational outcomes but deprive households of resources vital to poverty reduction. When the objective is reducing poverty, conditionalities may backfire by depriving the poorest households who face severe constraints to complying with the education and health requirements.[17]

In some cases this perverse effect is reduced because conditions are not actively enforced. Interestingly, however, when programmes mature and become well-established, and beneficiaries are fully informed about responsibilities and entitlements, compliance rates are high.[18] These high compliance rates raise the question of whether the additional benefits associated with conditionalities warrant their costs. The benefits of these programmes may largely rest in the provision of cash to households and the public support for developing health and education institutions. The imposition of conditionalities is certainly not necessary to reduce current poverty, and may not always be necessary to reduce future poverty.[19]

Even in the absence of sound social and economic evidence that conditionalities are needed, political factors may weigh in favour of their inclusion.[20] Conditionalities may facilitate political support for cash transfers in several ways. Policymakers view conditional cash transfers as more politically acceptable to voters and taxpayers.[21] The conditionalities dilute the negative (and often misguided) perceptions of dependence with the positive sentiments of the responsibility beneficiaries exercise in promoting human capital investment.[22] The association of social assistance – not always the most popular political agenda – with the more broadly accepted deliverables of health and education enhances the political attractiveness of the programme.[23] The investment nature of human capital development enables policy-makers to help the "deserving poor" free themselves from poverty even while promoting economic growth – a deadlock-busting combination that transcends politics.[24] Conditional cash transfer strategies align the interests of critical social Ministries – education, health and social development – which can help reconcile the inter-ministerial rivalries that make social spending vulnerable to budget cuts. The political benefits of conditionalities weigh heavily in their favour.

The conditionality test evaluates whether a programme will provide more effective social protection if it imposes conditionalities that individuals and

Box 9.1: The human capital conditionality test

The rigorous implementation of the conditionality test presented in the text requires a solid evidence base which is lacking in most countries. However, the framework provides some general principles for judging when conditionalities are more likely to improve or reduce social protection. The following table discusses some of the main factors.

Country characteristic	Factors that suggest conditionalities will **improve** social protection	Factors that suggest conditionalities will **reduce** social protection
Current demand for human capital (for example, school attendance rates, immunisation rates)	If demand for human capital is low, there is greater room for conditionalities to improve. For example, conditional cash transfer programmes have led to significant secondary school attendance rates in Mexico – in large part because these were initially relatively low. When child labour is common, properly designed conditionalities may compensate for the loss of income households face when children attend school.	If demand for human capital is already high, the need for conditionalities is less – and they are less likely to improve social protection. For example, conditional cash transfer programmes improve primary school attendance in Mexico by only about 1%. When unemployment rates are high, child labour tends to be less of a problem and conditionalities are not as essential.
Government's delivery of health and education infrastructure (schools, quality education, clinics, necessary medical supplies)	If government is currently able to deliver the necessary health and education services, conditionalities are more likely to improve social protection. If current delivery is inadequate, but government has the will and resources to improve delivery prior to imposing conditionalities, the likelihood of improvement increases.	If government is unable to effectively deliver high quality health and education services, the conditionalities will drain household resources as they seek to comply, but receive little in return.
Government capacity for administration	If government possesses or can readily acquire the administrative capacity to implement and maintain the systems required for monitoring conditionalities, they are more likely to improve social protection.	If administrative capacity is weak, conditionalities may divert resources from the central objectives of delivering cash and health and education services. For example, payment delays due to system failures compromise the value of social protection.
Bottlenecks facing the poor	If the poor have the resources and circumstances to respond effectively to the incentives created by cash transfers, the conditionalities are more likely to improve social protection.	If the poor do not have the resources and circumstances to respond to incentives, conditionalities may screen out the poorest. In Kenya, for example, three out of four poor individuals live more than 8 kilometres from a clinic.
Government philosophy	A rights-based approach will increase the likelihood of improving social protection.	A mindset that views conditionalities as avoiding "something for nothing" is less likely to improve social protection.
Programme design	A well-designed system of conditionalities can increase the likelihood of improved social protection. For example, in Brazil's Bolsa Escola, failure to meet conditionalities triggers intermediation services that provide additional support. Households are not penalised but rather supported in achieving human capital investment, thus increasing the likelihood of breaking the poverty trap.	Rigidly imposed conditionalities are more likely to exclude the poorest and reduce social protection. For example, automatic cuts in benefits implemented without adequate warning and direct intervention can compound shocks that may have led to the failure to comply. Design is linked to capacity: if the government lacks the capacity to accurately monitor compliance, provide verified warning and offer intermediation services, conditionalities are more likely to reduce social protection.

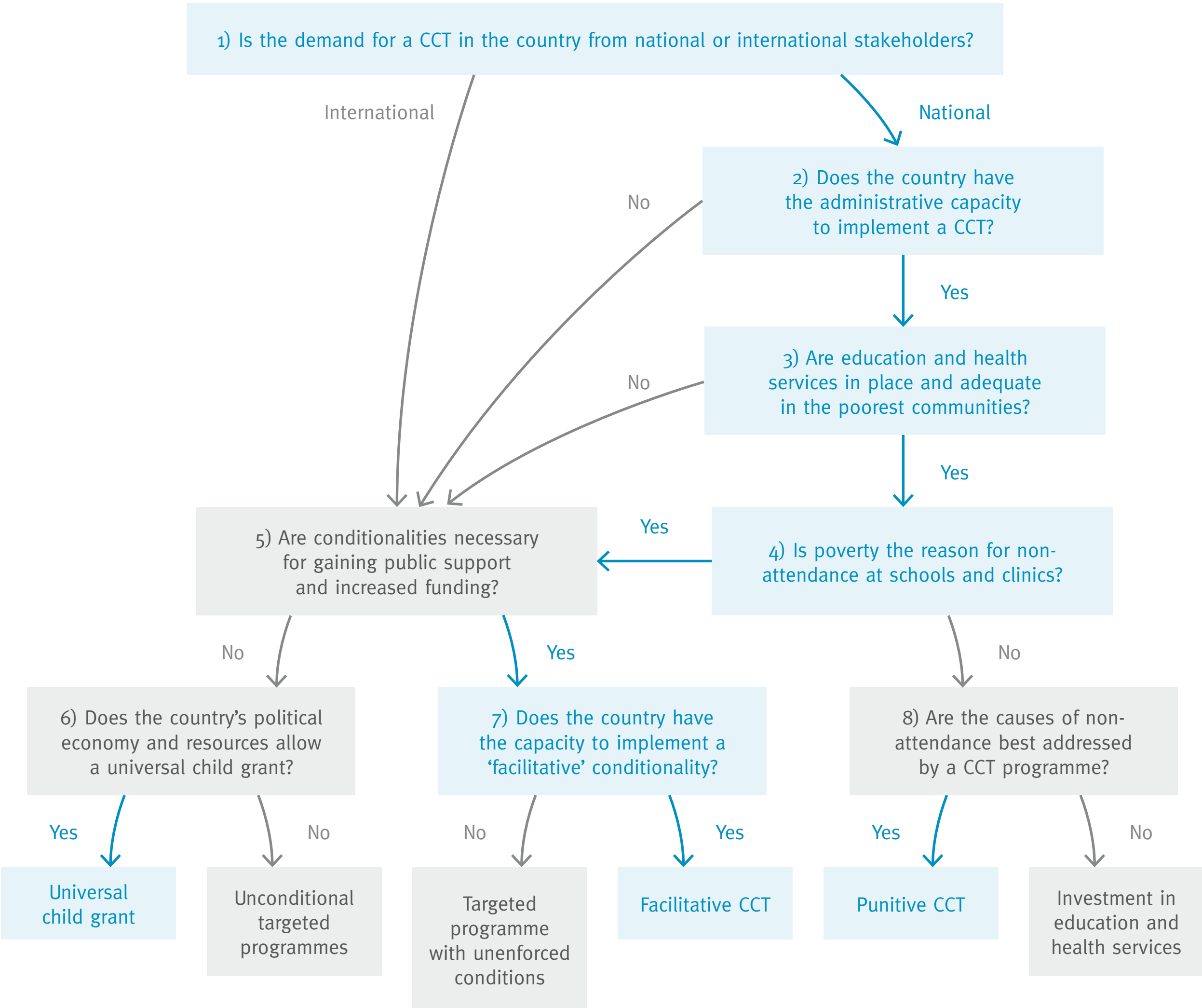


Figure 9.1 A decision tree on CCTs for policymakers

SOURCE: Calder, Kidd and Samson (2010).

households must satisfy to receive the social transfer. In principle, these conditionalities could be imposed for universal grants, although the authors are not aware of any actual example of this.[25] The discussion below develops versions of this test for application to a targeted transfer conditional on either human capital development activities or work requirements.

Ideally, the programme design should include conditionalities only when they improve the social protection capacity of the transfers. In practice, however, conditional cash transfers are sometimes attractive politically in part because they convey the impression that the poor must comply in order to receive support – the beneficiaries are not receiving "something for nothing". While this political mindset is inconsistent with a rights-based approach to social security, it is possible that conditionalities both improve social protection and support political factors that improve the likelihood of programme funding.

The test for human capital development conditionalities takes the unconditional but targeted grant as the baseline for comparison. For example, for a child support grant targeted to children under 14 years of age, and further targeted based on a household assessment, the baseline is the cost of providing the transfer to all children in the group who meet the targeting criteria.

The next step is to assess the impact of imposing high-value conditionalities, such as requirements that children attend school regularly. This will potentially increase both costs and benefits, particularly if the government simultaneously supplies the additional investment in the educational system required to continue to provide the same or higher quality schooling to the increased number of children demanding it.

The conditionalities may also decrease the total cost of the cash transfers, since some children may not be able to comply with the requirements and face benefit reductions. In most cases, the poorest and most vulnerable will find it more costly to comply with conditionalities and bear a disproportionate share of the cuts. For a programme whose objective is social protection, a significant rate of benefit reductions indicates a failure to achieve this objective.

The result is an array of intermediate outcomes – possibly lower fiscal costs of transfers, greater fiscal cost for education, higher administration costs due to the bureaucratic requirements of the conditionalities (including the time teachers must divert from teaching in order to monitor and comply with paperwork), possibly reduced social protection in the short run (as children who fail to comply are excluded), and potentially lower poverty in the long run (if the effect of the education response is greater than the long-run impact of the reduced short-run social protection).

The third step evaluates the same cash transfer programme, but without the conditionalities. The government invests the same additional amount in the educational system. The same group of eligible children receive the transfers but are not required to satisfy the conditionalities. The result is a different array of intermediate outcomes. Compared to the conditionality scenario, the fiscal cost for transfers is expected to be greater, the fiscal cost for education is unchanged (by assumption), administrative costs are lower (because there is no need to monitor conditionalities), social protection in the short run is greater (since there is less exclusion), and the difference in the impact on poverty in the long run is uncertain.

In terms of fiscal impact and current social protection, there are two main possibilities:

- If conditionalities are very burdensome and exclusionary, so that the reduction in current transfers is greater than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be lower than an unconditional programme with the same level of investment in education. This savings, however, will be at the cost of a reduction in social protection.

- If conditionalities are not burdensome, so that the reduction in current transfers is less than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be greater than an unconditional programme with the same level of investment in education. The conditional cash transfer scheme will in this case provide less social protection than the unconditional programme with the same level of investment in education.

The deciding factor may be the net impact on future social protection resulting from the combination of greater human capital investment and reduced short run social protection. If government provides cash transfers to the poor and simultaneously improves the educational system, yet does not impose education conditionalities on the transfers, how much will human capital investment improve?

The conditionality test aims to answer this question. The answer may vary depending on the country context. In Latin American countries with flexible labour markets, child employment may be an attractive alternative to education. Conditionalities may yield significant improvements in educational outcomes.[26] In African countries with high enrolment rates, high unemployment rates and high costs to administration of the conditionalities, the net educational improvement may be small compared to the impact of crowding out current social protection. It is possible that the evidence for Latin America may be only weakly applicable to Africa and other regions.

Social policy analysts do not yet have sufficient information to rigorously execute this test. Conditional cash transfer programmes are a young instrument, and it will take time to evaluate their long-term benefits and impact on future poverty. While many evaluation studies have been conducted on the health and education impact of these programmes, most of these studies are unable to explicitly separate the effect of the conditionalities themselves from the impact of the cash transfers and the investment in health and education. In practice, this test provides a framework for making policy judgments about the usefulness of imposing conditionalities. Box 9.1 provides some general principles about when the conditionality test is likely to be satisfied – and when it is likely to fail. Figure 9.1 illustrates these principles in the form of a decision tree.

The managing institutions

The executing institution for a conditional cash transfer programme is generally public, although the responsible government unit varies. Social security or education ministries (or secretariats) manage the programmes in Brazil, Jamaica, and Mexico. Social investment funds are responsible in Costa Rica, Nicaragua and Turkey; and the Presidency directly oversees the initiatives in Colombia and Honduras. The advantage of autonomy lies in the administrative and financial dimensions of independence, while line ministries provide the advantage of institutionalization and longer-run sustainability.[27]

The choice of managing institutions for conditional cash transfer schemes is more complicated than for unconditional transfers because of the complexity of their administration and the more pressing need to coordinate multiple ministries and government departments. Conditional programmes require not only registration and payment processes (similar to the requirements for unconditional programmes), but also monitoring, verification and dispute mechanisms that are heavily dependent on administrative resources.[28] In addition, since conditional cash transfers work hand-in-hand with education and often health service delivery, these social sectors play a critical role in the success of the programme.

Mexico's *Progresa* (now *Oportunidades*) and Brazil's *Bolsa Escola* (now *Bolsa Familia*) were legislated programmes that were well-integrated with the regular operations of line ministries, particularly education and health.[29] In Mexico, the federal government – through the Federal Executive Office – establishes the ground rules for Oportunidades, and the Secretariat for Social Development (SEDESOL) coordinates the programmes through an operational agency.[30] The coordinating agency designs and implements all aspects of the programme, determining benefits, conditionalities, beneficiary selection, payments and day-to-day logistics.[31] SEDESOL works closely with the Ministries of Education and Health.[32]

Brazil's Ministry for Social Development manages the *Bolsa Familia* programme, with responsibility centred in the Secretaria Nacional de Renda de Cidadania (SENARC).[33] The Interministerial Action Council, which includes the Minister of Finance, the Minister of Planning, the Minister-Manager of the Civil House and ministers of social areas, coordinates inter-ministerial functions.[34] The programme's ability to coordinate horizontally across Ministries, vertically at national and local levels, and with civil society – reinforced by the national secretariat's direct link to the Presidency – supports successful delivery.[35]

If the line ministries are committed to the programme and possess the necessary capacity, they may provide the best seat for these programmes. The success of the Mexican and Brazilian programmes documents the advantages of line ministry integration. However, when resources are particularly scarce – particularly bureaucratic capacity – an agency linked to the Presidency may offer a better chance of keeping resources channelled to the programme and implementing it successfully. In lower-income countries, there is a greater tendency to assign primary responsibility outside the line ministries, in social investment funds and the Presidency.[36] For example, Honduras has assigned management responsibility for its Family Allowances Program (PRAF) to the Technical Analysis Unit (UNAT) in the Office of the President.[37] In particular, given the high start-up costs of these programmes in terms of developing targeting mechanisms and delivery logistics, a specialised agency with strong political backing may mobilise the necessary capacity faster than line ministries in countries with fewer administrative resources.[38]

In other cases, hybrid management arrangements that link top executive authority to line ministries may work best. For example, the Programme

Executing Unit within the Ministry of Family administers and implements Nicaragua's Red de Protección Social (Social Protection Network), a conditional cash transfer programme initiated in 2000 that benefits 30,000 households. A Coordinating Council, however, led by the Secretariat of Strategy and Coordination from the Office of the Presidency, and including representatives from line ministries, manages responsibility for policy strategy. Likewise, at the community level, local committees composed of representatives from the health and education ministries, local government, civil society and the local programme executing unit work to promote better coordination, cooperation and communication.[39]

Designing conditionalities

The distinction between conditional and unconditional transfers lies primarily in the conditionalities imposed for receipt of benefits. Since conditionalities impose costs on both the participants and the public agency, it is important to identify conditions that will generate substantial benefits to both the participants and possibly the public at large. As documented in Box 9.2, conditionalities in most existing programmes are based on education, health and nutrition – goods most societies believe everyone should be able to access (merit goods), and that involve important spill-over benefits to the broader society (public goods).

The selection of conditionalities involves trading off simplicity against impact. The simplest conditionalities involve discrete choices, such as school enrolment. Using school enrolment registries as the verification mechanism is relatively easy and inexpensive; however, a household will not necessarily be required to follow through with the activity that generates the social gain (school attendance). More effective conditionalities require monitoring of continuous decisions over time, such as school attendance. The most demanding and potentially troublesome conditionalities evaluate outcomes, such as educational performance or nutrition's impact on health (Bangladesh's PESP and Honduras' PRAF). In evaluating the appropriateness of these types of outcome-based conditionalities, it is important to consider the impact of penalising a household by reducing cash benefits when a child is malnourished or performs poorly in school.

To what extent should the conditions be enforced?

One of the key choices in designing conditionalities is determining how they will be enforced. "Hard" conditionalities create rigid penalties, where non-compliance leads to immediate benefit cuts. "Developmental" conditionalities aim to protect rights to human capital while recognising access to social security as a human right. For example, in implementing Bolsa Familia, the Ministry of Social Development made the delivery of social security as a citizens' right the priority; monitoring of conditionalities was aimed at reinforcing constitutional rights to education and health care, not at denying the poor their cash benefits.[40] This position is consistent with Brazilian legislation passed in 2004 which aims to gradually introduce universal basic income guarantees, with Bolsa Familia providing an important step in this direction.[41]

Will conditions improve the success of the programme?

Conditional cash transfer schemes aim to increase poor households' demand for public services deemed critical to human capital accumulation – usually related to education and health care. There are several reasons why poor households may have insufficient demand for these services:

- Households may simply lack the resources necessary to pay the direct and indirect costs associated with accessing the services. These can include user costs (school fees and charges for health care visits), transportation costs, and the cost of goods essential for making the public service beneficial (such as school supplies and school uniforms for education or medicine for health care).
- Households may lack the information about the benefits of some types of public service: caregivers may not recognise the returns to girls' education in some communities, or not see in advance the advantages of preventive healthcare, nutrition and sanitation.
- Public services may be non-existent, inaccessible or suffer from such low quality that poor households rationally choose not to use them. Discrimination and cultural insensitivity in the supply of public services can also adversely affect their demand and availability.
- Household decision-makers might not always act in the long-term best interests of certain members, particularly children, when basic survival is a priority. For example, some parents or guardians might depend on the short-term income gains from child labour even though they recognise the longer-term benefits the child will receive from education.

Conditional cash transfer schemes can work to address all of these factors. By directly providing income, households can better afford the costs associated with the public services. For the chronically poor, having some income can increase the likelihood of investing time in healthcare and education rather than income-generating activities. The incentives provided by cash transfers can change the calculation of costs and benefits – and sway decision-makers towards greater demand for public services. By linking the transfers to compliance with the conditionalities, the schemes highlight the importance of the public services and signal their value. In addition, the information campaigns associated with these programmes usually inform participants of the longer term value of the public services. In addition, some conditional schemes also include "supply side" components (see the next section), which aim to improve the accessibility and quality of the public services.

However, the imposition of "hard" conditionalities can generate perverse effects. For example, an analysis by Mexico's Ministry of Social Development (SEDESOL) warns that without appropriate "exit" options, the benefits from conditional cash transfers might induce students to unnecessarily repeat their final year of secondary school, solely so they continue to qualify for the cash grant.[42] In the absence of effective and appropriate controls, the incentive effects of conditionalities may encourage parents or guardians to send ill children to school or to otherwise make decisions that, in the absence of the cash transfer, would have negative consequences for the child, the household and the community. It is critical to carefully evaluate the possible unintended consequences and increase the chances that the conditionality will provide benefits that outweigh the associated costs. Several criteria[43] provide a guide for the consideration of a conditionality, which are rooted in the specific reasons poor households lack sufficient demand for the human capital services:

- Is the problem of low human capital due to a lack of demand by households or poor conditions of public service provision? If the former, do household decision-makers lack information about the positive impact of the public services, or do policymakers and social policy analysts lack information about inaccessibility and poor quality? Does the conditionality work to correct the problem of imperfect information more effectively than a direct information campaign? If the latter, will investment in public services alongside unconditional transfers be sufficient to increase demand?
- Is there a conflict between choices that are best for the caregiver or other household decision-makers and choices that are best for the children, and is there evidence that caregivers act against the long-term best interests of their children?
- Are there broader public benefits that result from poor households increasing their demand for these public services?

If the problem is rooted in households' lack of information about the benefits of the high-quality and accessible public services available, imposing conditionalities may benefit both households and the broader society by encouraging the household behaviour that would follow from better information. However, if the problem results from poor quality or inaccessibility, the incentives can produce skewed results. The benefits to households and the broader community may be less than the gains from unconditional transfers. For example, a conditional cash transfer that just compensates for the time and travel costs of a required health seminar conveying knowledge the participants already possess is worth less than an unconditional transfer. The poorest may be penalised the most if they face the greatest access costs and the lowest quality of services. If problems with service provision are mistaken for low demand, the scheme may be skewed against the poorest. Even if the problem is low demand because of imperfect information, it is important to weigh the costs and benefits of a direct information campaign against those of imposing conditionalities.

Box 9.2: Conditional cash transfer programme objectives, conditionalities and results

Programme	Objectives	Conditionalities	Results
Bangladesh Primary Education Stipend Project (Cash-for-Education)	Reduce poverty and increase educational enrolment, attendance, persistence and performance of poor primary school-aged children.	Children: 85% monthly attendance and 50% marks on annual grade exam. School: 60% pupil attendance and 10% of grade 5 pupils sit for the Primary School Scholarship Exam.	20-30% higher participation rates, longer school persistence (based on previous Food-for-Education programme).
Brazil Bolsa Familia	Increase educational attainment of poor school-age children and reduce current and future poverty.	Children in primary (3rd – 6th grade) and secondary (7th – 12th grade) school age must enrol in school and attend regularly. Reproductive health education and family planning education/counselling. Pregnant and lactating women: prenatal care, vaccinations, nutrition, education. Children 0-5 must access and receive vaccinations and growth monitoring visits, nutritional supplements, other preventive health care measures. Children 5-9: vaccinations, development assessment, and regular check-ups.	Impact evaluations are currently in progress, although some shorter-term qualitative results indicate improved food security, greater educational commitments and improved local economic activity.
Honduras Family Allowances Program (PRAF)	Strengthen human capital for those in the poorest communities of the country by offering health and education services, nutrition and hygiene information for mothers and ensuring a cash transfer in order to improve nutrition.	School attendance for children aged 6-12; Nutritional status and health visits for children aged 0-5 and pregnant women.	Small increases in primary school enrolments; significant increases in pre-natal care and child health visits and child vaccinations No measurable impact on nutritional status.
Mexico Oportunidades (previously Progresa)	Improve educational, health and nutritional outcomes for poor families, particularly mothers and children; and promote income-generating opportunities for poor households.	School enrolment and at least 85% attendance on a monthly and annual basis. Health centre visits and attendance at health and nutrition seminars (2-4 checkups annually per child, one check-up per adult, seven pre- and post-natal checkups per pregnant woman).	Small improvements in primary education attendance rates, larger improvements for secondary school. Significant increase in checkups for children.
Mozambique Bolsa Escola	Promote children's school attendance.	At least 90% school attendance.	Improved attendance and performance; improved household conditions.
Nicaragua Red de Protección Social (Social Protection Network)	Promote human capital accumulation for extremely poor families in rural Nicaragua.	Growth monitoring for children 0-5 and nutrition counselling, micronutrients, de-worming, etc. Vaccinations, children 0-5 and 6-9. Pre-natal and post natal care, bimonthly health education workshops. Children's enrolment and assistance to school (1st – 4th grade).	Some of the most significant primary school education gains of any conditional cash transfer programme.

High child labour force participation rates and low school attendance rates may indicate that caregivers and other household decision-makers are failing to act in the best long-term interests of their children, or that conditions of poverty are so severe that the household cannot afford to forego income from child labour in order to invest in children's education. Unconditional cash transfers directly tackle the problem of poverty and may be sufficient to increase the demand for education – particularly when combined with improved quality for schools and a direct information campaign. If, however, the problem lies in household decision-makers undervaluing children's education, the incentive effect of the conditionalities may provide a win-win solution, providing households with the needed resources while increasing demand for children's education (or other services linked to the conditionalities).

One must carefully evaluate the justification for constraining a poor mother's use of cash resources for her children. Generally, one of three arguments must hold: (1) the parents do not have sufficient information to make the best decisions on using the cash to improve household well-being; (2) parents are not acting in the best interests of their children; or (3) the government is willing to compensate households for investments that generate much of their returns to the broader society rather than the household paying the cost. When any combination of these three effects is sufficiently significant, it may be appropriate to impose conditionalities.[44]

Who should the conditions apply to?

An important question in designing conditionalities is how to assign different conditionalities to different members of the household. Because of differences in opportunities and circumstances, conditionalities usually vary by age and sometimes by gender. Children below school age face predominantly health-related conditionalities, while school-aged children might expect both health and education requirements. Pregnant women and girls might receive additional benefits in order to improve pre-natal care and address gender discrimination. Box 9.3 shows the differences in conditionalities across household types in Nicaragua's social protection network (RPS).

Conditional cash transfers, focus on human capital investment makes children and youth a logical target, as the benefits of the transfers to the recipients and society span over their lifetime (and potentially across generations). Nicaragua's RPS and Brazil's Bolsa Familia, however, also provide benefits to very poor households without children. Many conditional cash transfer programmes target certain groups of children – for instance, those old enough to go to school. This raises a potential conflict between the objective of poverty reduction and that of educational attainment, since there will be some untargeted children below school age who are poorer than the targeted school-age beneficiaries. Box 9.4 illustrates another conflict of objectives in the case of Mexico's Oportunidades programme.

Box 9.3: Conditionalities for Nicaragua's RPS by household type

Program requirement	Households with no targeted children (A)	Households with children ages 0-5 (B)	Households with children ages 7-13 who have not completed fourth grade (C)	(B) + (C)
Attend health education workshops every 2 months	✓	✓	✓	✓
Bring children to prescheduled health-care appointments Monthly (0-2 years) Every 2 months (2-5 years)		✓		✓
Adequate weight gain for children younger than 5 years		✓		✓
Enrollment in grades 1-4 of all targeted children in the household			✓	✓
Regular attendance (85 percent, i.e., no more than 5 absences every 2 months without valid excuse) of all targeted children in the household			✓	✓
Promotion at end of school year			✓	✓
Deliver teacher transfer to teacher			✓	✓
Up-to-date vaccination for all children under 5 years		✓		✓

SOURCE: Maluccio and Flores (2005), page 9.

Programmes may impose conditionalities in order to benefit the broader society rather than to benefit an individual or household. Education and health services potentially yield both private gains to individual consumers and broader benefit to the public's well-being. For example, immunisations provide private health benefits as well as broader social gains by reducing the risk of epidemics. For other types of conditionalities, such as civil registration, the public benefits may be greater than the private gains, and the poorest may receive a relatively small share of the programmes' value.

Similarly, some programmes only target children in areas where educational and health infrastructures are adequate to support the increased demand for human capital created by the transfers. For example, Mexico's Oportunidades programme excluded communities that lacked a minimum level of health and educational resources.[45] Since the poorest are likely to live in areas where health and education facilities are the worst, this strategy for

Box 9.4: An example of conflicting objectives in conditionality design

Mexico implemented PROGRESA (the Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Program) in 1997 to support human capital development in poor rural households, with the objective of reducing future and current poverty. The presidential administration elected in 2000 renamed it Oportunidades and extended it to urban areas. More than other conditional cash transfer programmes around the world, Oportunidades focuses on addressing future poverty – even at the expense of current poverty. For example, in order to improve school enrolment and attendance, Oportunidades provides cash transfers to secondary school students (who are more responsive to job market opportunities) at a level over three times that provided to primary school students (who are significantly more likely to attend school even in the absence of the incentives).

The graph below depicts information illustrating the argument that providing conditional cash transfers to primary school students in rural areas of Mexico is inefficient – since well over 90% of primary school students enrol with or without the subsidy. The blue line shows the continuation rates from one grade to the next for students in villages targeted by the programme – those students who received cash incentives to stay in school. The grey line shows comparable rates in similar villages that were excluded from Progresa benefits.

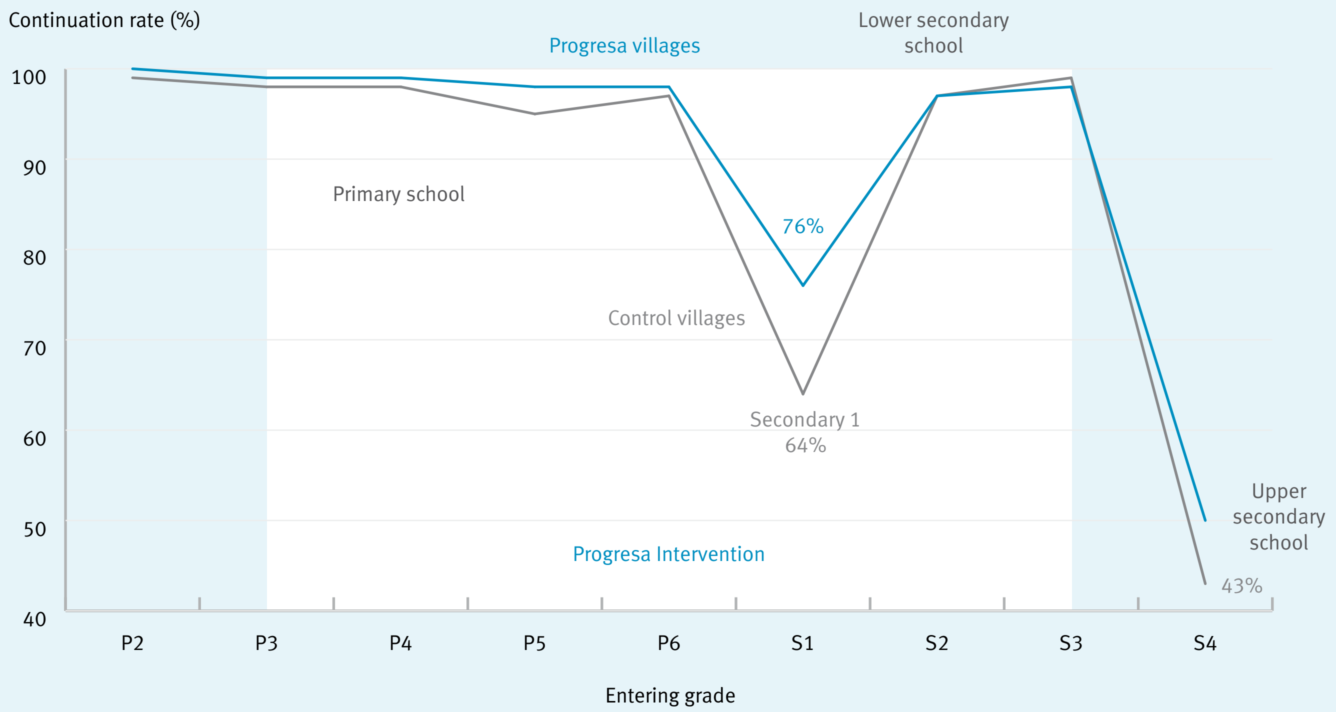
It is clear that the grant has a minimal impact on the objective of promoting primary education – the two lines hug each other all the way through the primary grades. Enrolment rates for children aged 8 to 11 years are in the high nineties (%), both in the group receiving benefits and the control group. However, only 64% of the students not receiving Oportunidades transfers who graduate from primary school continue with lower secondary school, while 76% of the programme beneficiaries progress into lower secondary school – a significant 12 percentage point difference. In terms of non-continuation rates, the 36% non-continuation rate for the control group is fifty percent greater than the 24% rate for the treatment group. If one's objective is to maximise the education impact, one might argue for concentrating transfers to create incentives for secondary school and providing nothing for primary school students. However, if one's primary objective is to reduce current poverty and inequality, this strategy would fail to meet that goal. Balancing objectives is a critical element of designing appropriate conditionalities.

maximising the health and education performance of the programme may fail to serve the poorest. This may pose a fundamental problem in some low-income countries or fragile states where social service infrastructure is weak or has been devastated by war. In these countries, resources may be better spent on building this infrastructure and delivering simple cash transfers, rather than using resources on administratively complex conditionalities.

Lessons learnt on balancing poverty reduction with long-term development goals

A number of general lessons can be drawn for balancing immediate poverty reduction with longer-term developmental impact:

- Careful analysis and design is required to ensure that the selected conditionalities include the poorest, even if this requires substantial additional investment in health and education infrastructure. Some programmes impose minimum residency requirements because migration to the project region creates distortions.[46] If the poorest are



SOURCE: de Janvry and Sadoulet (2005), Skoufias (2005).

effectively targeted on a national basis, these regressive requirements should be unnecessary.

- Appropriate design requires evaluating the programme's administrative costs and the private costs to beneficiaries in terms of complying with the conditionalities, particularly when objectives aim to support broader social goals, not just the interests of the households. Low benefit levels may create incentives that are sufficient to attract poor households and serve public objectives, but the effective benefits to the poor may be so small that they would gain more from an unconditional programme. For example, providing cash incentives to poor households may increase enrolment rates less expensively than building and staffing new schools, even if overcrowding reduces the quality of education. However, many poor households would be better off with new schools – the combination of lower private access costs and the higher-quality education would contribute greater value than the cash transfers.
- Careful consideration is required for those who are unable to comply with the conditionalities. For example, to deny social transfers to a child who is unable to attend school because she must care for an

AIDS-affected household member employs the wrong instrument for providing social protection. Households affected by HIV/AIDS require more resources – certainly not fewer – and appropriate mechanisms should ensure the necessary care support, the social transfers and the opportunity for children to attend school. Conditionalities may prove too blunt as instruments under these circumstances.

- Conditionalities must support the development of effective human capital for those participating in the programme. One cannot assume that the poor do not make rational and optimising decisions. For example, apparently irrational decisions may reflect the social policy analyst's imperfect information, particularly about the adequacy of the supply of human capital services. Evaluations of conditional cash transfer programmes consistently demonstrate that poor households respond to incentives. A programme that motivates poor households to demand education and health services must ensure that the schools and clinics provide the quality required to contribute to human capital development.
- When conditionalities are necessary, they should be structured as simply as possible to achieve the intended result. The monitored indicators should be easily verifiable and not require unnecessary discretion. It is often useful to implement simpler conditionalities and evaluate their effectiveness before attempting ones that are more complex.[47]

Supply side support

Conditional cash transfer programmes directly increase the demand for services which promote human capital, creating stress on the supplying institutions (schools, clinics, etc.). If these institutions face supply bottlenecks, specific support may be necessary. In Mexico, Nicaragua and Honduras, the government allocated additional resources to health and education as part of the design of these programmes. In Nicaragua, this took the form of direct bonuses to teachers, with a specific earmark for school materials.[48] In Honduras, initial supply-side health measures included monetary transfers to primary health care teams which applied for grants that averaged US$6,000 per year (ranging from US$3,000 to US15,000 depending on the population served by the applicant health clinic). To improve education provision, initial support was given in the form of monetary grants applied for by legally registered Parent Teachers Associations associated with a given primary school.[49]

Poor health, nutrition and education outcomes can result from both the inability to pay (poverty) and the absence of the necessary institutions – schools, clinics and food. Providing conditional transfers encourages poor households to demand the conditioned services, but a similar effect could result from building new schools and clinics or improving the quality of existing delivery (depending on accessibility). The difference is that conditional cash transfers increase the intensity of utilisation of the existing resources. Failure to improve the supply of health and education institutions shifts part of the cost of transfers onto children currently investing appropriately in human capital and risks undermining popular support for the programme.[50] In addition, there are significant limits to which conditional transfers can effectively increase human capital investment. For example, relatively small transfers cannot easily overcome transportation barriers over long distances, and supply-side responses such as improved transportation or greater school density are necessary.[51]

The application of the conditional cash transfer model is particularly challenging for countries in Africa because of the continent's relatively larger backlogs for educational and health infrastructure.[52] Supply-side factors contributed to the delay in Mozambique's implementation of a Bolsa Escola-style pilot.[53] Conditional cash transfers are most challenging in situations where resources are the scarcest – increased expenditure on health, education, transportation and infrastructure may be required to effectively deliver these programmes.[54]

Conditional cash transfers can achieve apparent success in improving school attendance and motivating mothers to visit clinics, but nevertheless fail to break the intergenerational transmission of poverty if the health and education services provided are not of high quality. Supply-side interventions will improve participation, but more importantly, the delivery of high-quality services will support the achievement of long-run poverty reduction.[55]

Costing conditional cash transfers

Conditional cash transfers require management arrangements that are more sophisticated and integrated than unconditional programmes. Multiple ministries must co-operate, and operational implications frequently require important relationships with state and municipal governments. For example, Progresa was initially established as an inter-institutional programme co-ordinated by the Ministry of Social Development. Since states are responsible for health and education delivery in Mexico, the programme requires structures for state and municipal government cooperation.[56]

Conditional cash transfer programmes also require substantial expenditures on targeting beneficiaries and monitoring conditionalities – investments that contribute to effectiveness while increasing costs and potentially reducing efficiency. In addition, to the extent that administrative costs consume a limited budget, these expenses can reduce the value of transfers – risking the possibility that the benefits fail to compensate the recipients for the direct and opportunity costs of complying with the conditionalities.[57]

Costing conditional cash transfer programmes usually involves an analysis of six major expenditure components: (1) targeting costs, which usually involve geographical targeting and proxy means tests, (2) costs of implementing and managing conditionalities, (3) monitoring and evaluation expenses, (4) logistical costs of delivering cash, (5) costs of supporting the supply of human capital services, and (6) the private costs to beneficiaries

Box 9.5: The private costs of conditional cash transfers

Households face private costs in order to access social transfers – and these costs are greater when conditionalities are imposed. Mexico's Progresa (now Oportunidades) programme required school-aged children to attend school and required other household members to attend health clinics. A major component of the private costs beneficiaries incur is the expense of travel to schools, health clinics and payment collection points, both in terms of time and out-of-pocket charges.

The private costs of compliance can be separated – at least theoretically – into two components: the amount incurred even in the absence of the conditionality, and the additional expense households incur just because of the conditionality. For example, the cost of complying with a requirement to visit a health clinic six times a year can be calculated as the time and money costs associated with all six round trips. However, if an average beneficiary typically makes two trips a year to the clinic, the incremental cost associated with the conditionality is only the expense associated with the four additional visits.

For example, Progresa beneficiaries travelled an average of 3.98 kilometres to reach the health clinic, and the average distance for those who had to travel outside their community to reach a clinic was 5.12 kilometres. The average cost was $3.95 per return

from participation in the programme, including their costs of compliance. (While this last category does not represent a direct expenditure borne by programme budget, it can constitute a significant proportion of the foregone opportunities that the intervention costs.)[58] Unconditional programmes also incur expenses for monitoring and evaluation as well as cash delivery logistics; as such, the following discussion focuses on the especially high costs unique to conditional transfers: targeting and conditioning administrative costs, supply-side support and private costs.

Total administrative costs for conditional cash transfer programmes vary significantly. Mexico's Oportunidades is one of the most efficient conditional programmes in the world, costing only about $9 to deliver $100 in benefits. Smaller programmes in lower-income countries are much more expensive: Honduras' PRAF costs approximately $50 for every $100 in transfers, and 33% of the programme's budget through 2000 has been used to fund the administrative burden. Pilot programmes are likely to incur an even greater proportion of administrative costs. For example, from 2000 to 2002 Nicaragua's RPS cost $63 for each $100 of benefits delivered, but much of that involved the cost of planning the programme's expansion in 2003. The costs of targeting and conditionalities constitute a significant share of the non-evaluation administrative expenses in all of these programmes – 60% for PROGRESA, 49% for PRAF and 30% for RPS.[59]

Bangladesh's Food-for-Education programme has also incurred high administrative costs. The higher cost of transporting food instead of cash means that administration accounts for 37% of the programme's budget. In addition, teachers must divert teaching time to the task of measuring and distributing grain, a cost not easily measured. Brazil's Bolsa Familia programme reduces administrative costs by providing an electronic cash card to beneficiaries that accesses the recipient's bank account. In countries where the banking system is well- developed, this option can reduce both administrative expenses for the programme's budget and time costs for beneficiaries.[60]

trip, and $12.95 for those leaving their community. The annual average travel cost per household was $95.70. In terms of time costs, excluding children, the average household spends 48 hours a year travelling to and from the health clinics, and mothers incur more than two-thirds of this time cost.

Given the estimated value for the household's time, based on benefits of $125 per month, beneficiaries incur travel costs of $6.38 per $100 of social transfers. However, based on estimates of how many of the trips are due to the conditionalities, the additional time cost may be as low as $1.82 per $100 of benefits.

A similar exercise quantifies the cost of school travel time. While the average for all participants is only $316 per year, those who travel a significant distance face an average cost of $1,980 per year. With an average benefit of $2170, the average household incurs only $14.60 per $100 in benefits. For those who travel a significant distance, however, the benefit barely covers the time and financial costs of transportation. Since many of these households would send their children to school even in the absence of the conditionalities, these costs cannot be entirely attributed to the programme.

SOURCE: Coady (2000).

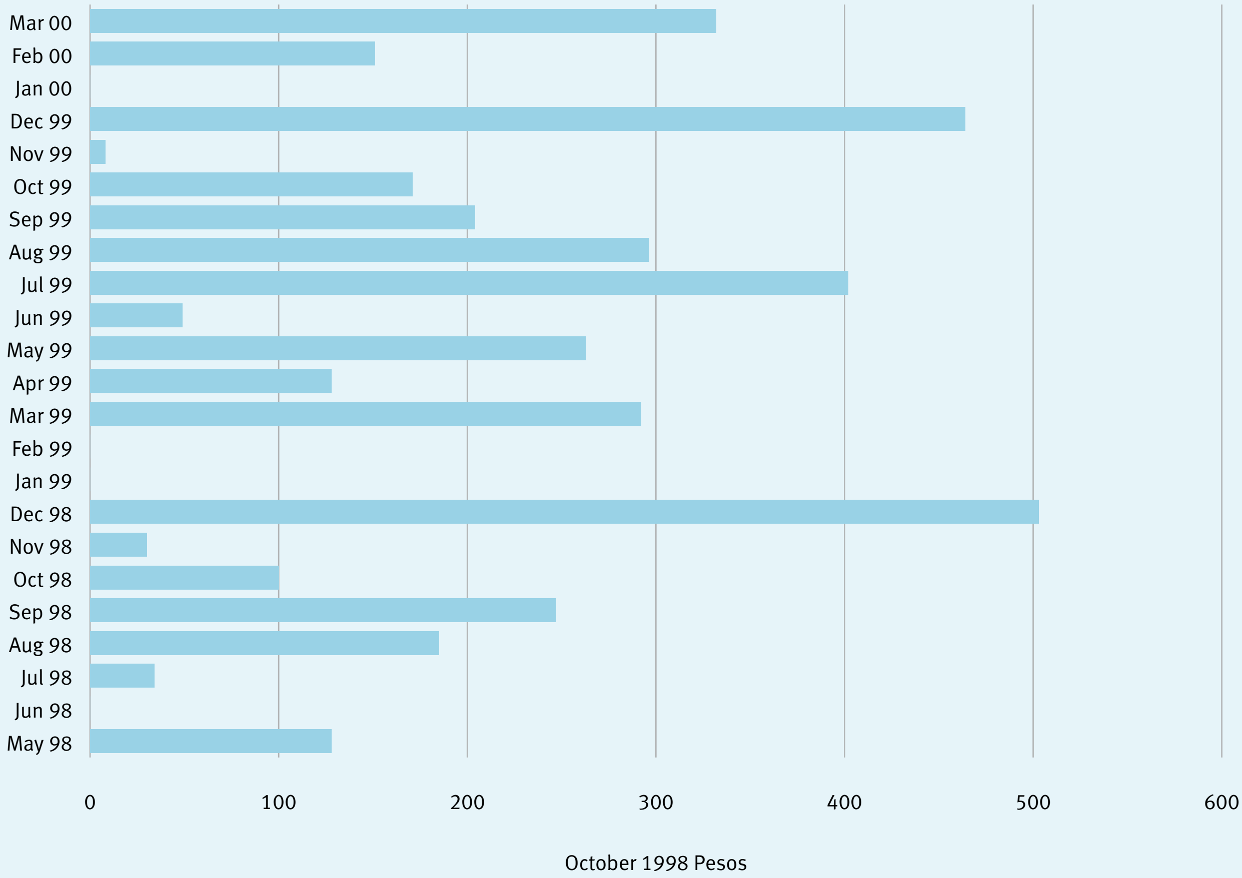
Other costs incurred by the health and education sectors are often difficult to measure because they usually do not enter into the programme's accounts. Nicaragua's RPS provides an exception – the programme contracted directly with private providers to supply health and education services. The required education workshops cost approximately $50 per participant on an annual basis, while children under the age of 5 received healthcare benefits that cost approximately $110 per beneficiary per year.[61] In many African countries, the supply-side issues may involve much greater cost – there may not be enough schools, classrooms or teachers to meet the increased demand for education by participants trying to satisfy conditionalities. Before costing the programme, it is essential to assess the availability and need for human capital infrastructure, and to identify whether the lack of demand is due to the household's dependence on child labour or to the low quality of schooling that provides no meaningful returns.[62]

Conditionalities also increase the private costs of the transfer programmes. In Nicaragua, the time input by households and promotoras (elected beneficiary representatives who serve the programme) is worth an estimated $20 per beneficiary per year, increasing the cost-to-transfer ratio by approximately 30% (based on 2002 expenses).[63] Likewise, an estimate of the private costs of Mexico's Oportunidades programme raises the cost-to-transfer ratio by approximately 27%.[64] Box 9.5 describes a case study of private costs for this programme.

Regarding payment systems, conditional cash transfer schemes face many of the same issues as other types of programmes; however, the conditionalities raise unique challenges and considerations. Regularity of payment is an important feature of any social transfer programme, but it has a double purpose for conditional cash transfers: it supports the social protection objectives, but it also reinforces the behaviour motivated by the conditionalities by more immediately associating compliance with payment.[65]

Box 9.6 documents the significant fluctuations from month to month in

Box 9.6: Average cash transfers from Progresa



SOURCE: IFPRI (2001), Skoufias (2001).

the average payments received by Progresa beneficiaries during the first few years of the programme. The table is based on administrative data provided by the programme. The large first payment in May 1998 covered March and April. According to the data, after variable but monthly payments from July to November 1998, beneficiaries received an extraordinarily large payment in December 1998 – and then nothing in January and February 1999.[66]

Many countries pay conditional cash transfers on a bi-monthly basis, which coincides with the frequency of some of the conditionalities, like bi-monthly educational seminars and health clinic visits. In addition, the reduced frequency (compared to monthly payments) reduces administrative and private costs. However, it may create hardships for households who are unable to conserve the resources over such an extended cycle. On the other hand, larger but less frequent payments may facilitate some types of investment opportunities. The bureaucratic processes involved in monitoring compliance with conditionalities and reflecting compliance immediately in the payments can lengthen the processing cycle. The appropriate payment frequency will depend on both the administrative and private costs of cash payment logistics, the bureaucratic processes involved in monitoring compliance and

Box 9.7: Payment sizes for various CCT programmes in Latin America

	US$PPP per family per month (mean)		
Program	Education	Total	Health/nutrition
Oportunidades (Mexico)	61.54		21.44
Bolsa Familia (Brazil)		64.29	
Familias en Acción (Colombia)	53.21		31.38
Chile Solidario (Chile)		22.11	
PATH (Jamaica)	27.36		27.36
RPS (Nicaragua)	31.91		53.59
PRAF (Honduras)	22.49		31.30

SOURCE: World Bank (2003a), Rawlings (2005), page 13.

the requirements of the programme participants. Appropriate adaptation of payment technologies, depending on the country's circumstances, can help to bring payment frequency into line with beneficiaries' needs.[67]

Chapter 6 discussed broad issues related to the determination of the appropriate size of a social transfer payment. The imposition of conditionalities raises additional issues and concerns. While all social transfer programmes that aim to promote social protection will consider the cost of the minimum living standard in setting the benefit level, conditionalities create additional costs that must be reflected. These include the costs of educational materials and uniforms, transportation to school, the income the child gives up by not working (the opportunity cost of going to school) and other costs associated with compliance. In addition, the determination of the benefit may be constrained by a pre-existing programme that the conditional scheme replaces.[68]

Mexico's Progresa and Oportunidades based the benefit level on the cost of minimum food requirements for children and the foregone income when children are not working, creating a programme that is relatively generous by conditional cash transfer standards. Payments in Colombia and Paraguay covered food requirements, school materials and transportation, but not the income secondary students would have to forego, leaving insufficient incentives to remain in school. Programmes in Jamaica and Palestine set benefit levels based on norms established by previous programmes. Jamaica's uniform benefit was not adapted to the varying needs of different participants, particularly those with disabilities. Palestine's benefit increased with household size. Both Mexico and Colombia provide higher payments for secondary school students, since they face a greater cost in giving up employment in order to remain in school.[69]

Honduras' PRAF provides relatively low benefits compared to other countries, which may explain part of the relatively weak impact assessments, particularly in terms of primary school and nutrition outcomes.[70] Brazil's programmes also began at a relatively low level – in order to affordably cover the greater number of beneficiaries – but Bolsa Familia has managed costs and succeeded in substantially raising benefit levels.[71] The variety of approaches highlights the absence of a consistent methodology that informs conditional cash transfer design. Box 9.7 compares average payment sizes, showing the separate amounts for complying with education and health conditionalities when the separate data is available (the "Education" and "Health/nutrition" columns), and showing the consolidated amount when not available (the "Total" column).

Conclusions

The starting point for evaluating whether conditionalities are appropriate is an understanding of the country's objectives for its social protection strategy. Conditionalities shift emphasis towards future poverty reduction through human capital development. However, provisions that compromise current poverty reduction may prove counter productive. For example, "hard" conditionalities that deprive households of benefits because they are unable to comply with education and health requirements risk missing two opportunities to address current and future poverty: first, by failing to address the structural impediments that prevent households from investing in their children, and second, by depriving beneficiaries of needed income.

Conditionalities work when households would otherwise not send their children to school or for visits to health clinics because: (1) household decision-makers fail to understand the value of these services, (2) the parents and guardians fail to act in their children's best long-term interest, or (3) there are broad public objectives served by the conditionalities which do not benefit the households. However, none of these circumstances can be taken for granted. Perhaps household decision-makers recognise the inaccessibility or poor quality of public services. If the problem is the supply of quality human capital services, conditional cash transfer schemes must make provision for improving their delivery. Where conditionalities are warranted, design must ensure that they are appropriate to motivate the desired behaviour, that they provide adequate resources to compensate for the cost of compliance while improving household well-being, and that payment is regular and not arbitrarily withheld.

Endnotes

1 Quoted in de Janvry and Sadoulet (2004), page 1.

2 Quoted in Stiglitz and Charlton (2006), page 10.

3 These programmes are currently operating in Argentina, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Honduras, Jamaica and Mexico. Programmes are being planned or implemented in Bangladesh, Burkina Faso, Cambodia, Ethiopia, Lesotho, Mozambique, the Philippines, Pakistan, Turkey, and the West Bank and Gaza. See Lindert et al. (2006), page 16.

4 Britto (2005), page 3.

5 For example, the Honduran PRAF-BID II has one of the most sophisticated treatment-control

group structures, with three treatment groups in addition to the control. This enables the evaluation study to evaluate the impact of supply-side and demand-side interventions both separately and jointly compared to the group receiving no benefits. However, the design makes no provision for assessing the impact of the conditionalities themselves. See Sedlacek et al. (2000), page 20.

6 de la Brière and Rawlings (2006), page 4.

7 Lindert et al. (2006), page 16.

8 de la Brière and Rawlings (2006), page 4.

9 Lindert et al. (2006), page 16.

10 de la Brière and Rawlings (2006), page 5

11 For example, see Samson et al. (2004), DFID (2005).

12 Regalia (2005), page 3

13 Britto (2004), page 37. In addition, "Behrman and Knowles (1999) examine the large body of work on the income elasticity of schooling. The schooling outcomes used in the studies include attendance, enrolment, and completed schooling. In the 42 studies they review, covering 21 countries, three-fifths of the schooling indicators have significant positive associations with household income" (Demombynes 2002, pages 8-9).

14 DFID (2005), page 14; Barrientos and Lloyd-Sherlock (2002), page 12, citing De Carvalho Filho (2000); Devereux (2001), page 44; Samson et al. (2004).

15 Specifically, the World Bank 2002 conference on CCT asks: "Can we obtain same impact through unconditional transfers and improvement in service quality?" See Ayala Consulting (2003), page 60.

16 Britto (2004), page 37.

17 Barrientos and DeJong (2004), page 28.

18 Ibid.

19 The World Bank's 2002 conference on conditional cash transfers left unanswered the question of whether the conditionality was necessary to achieve the observed outcomes. See Ayala Consulting (2003), page 60; Barrientos and DeJong (2004), page 28.

20 de Janvry and Sadoulet (2005), page 2.

21 Britto (2005), page 20.

22 Coady (2003); Grosh (2005); Britto (2005), page 14.

23 Graham (2002); Britto (2005), pages 14-15.

24 Britto (2005), pages 14-15.

25 "Poverty targeting mechanisms can provide effective channels for reaching the poor, minimizing errors of inclusion and exclusion, but these efficiencies must be balanced against increased administrative costs and other problems often associated with targeting, including opportunities for corrupt behaviour on the part of officials, and for beneficiaries, perverse incentives to remain part of the target population and social stigma. In assessing this balance, CCT programme designers have opted strongly in favour of targeting and most CCT programmes use both geographic and household level targeting to channel scarce resources to poor areas and households". In Rawlings (2004), page 7.

26 Because child labour participation is so much higher than the desired levels in Brazil, a programme of cash benefits that would reduce child labour to insignificant levels would likely be too costly: R$100 monthly only reduced boys' labour participation in four percentage points. See Carvalho (2000).

27 Ayala Consulting (2003), page 15.

28 Workshop participants in the World Bank's conference on conditional cash transfers in Puebla, Mexico identified one of the biggest challenges as "the high amount of effort that is necessary to accurately verify the compliance of the beneficiaries' conditions". See Ayala Consulting (2003), page 7.

29 Britto (2005), page 18.

30 Ismail et al. (2003), page 268.

31 Coady (2003), page 5.

32 Government of Mexico (2006).

33 Government of Brazil (2006).

34 World Bank (2004a), page 6.

35 World Bank (2004d), page 250.

36 See Britto (2005), pages 18-19; Ayala Consulting (2003).

37 Reimers et al. (2006), page 17.

38 See Morley and Coady (2003).

39 Lacayo (2006).

40 Britto (2005), page 15.

41 Suplicy (2004), cited in Britto (2005), page 15.

42 Hernandez et al. (undated).

43 The identification of these three criteria and the subsequent discussion are substantially informed by the analysis in de Janvry and Sadoulet (2005), pages 2-5, as well as in Regalia (2005).

44 de Janvry and Sadoulet (2005), page 5. More technically: "Imposing a constraint on behaviour in using scarce cash in the hands of a poor mother thus requires careful consideration. The conditionality needs to be justifiable on the basis of one of these three arguments: imperfect information by parents, discrepancy between parent and child optima, and market failures due to the positive spillovers created by investments in child human capital. When these effects are expected to be large, a CCT approach is justified".

45 de Janvry and Sadoulet (2005), page 9.

46 Sedlacek et al. (2000), page 3.

47 Ayala (2005), page 27.

48 Rawlings (2004), page 5.

49 An evaluation study found empirical results "consistent with anecdotal evidence suggesting that the supply-side components of the programme have been badly implemented or not implemented at all". Glewwe et al. (2003), page 19.

50 Sedlacek et al. (2000), page 4; Britto (2005).

51 De Janvry and Sadoulet (2005), page 21.

52 Devereux et al. (2005) suggest that "in Africa, conditional cash transfers have proved less popular to date, possibly because the quality of education and health services is often so poor that the benefits of imposing these conditionalities are doubtful" (page iv).

53 A UNESCO report identified bureaucratic difficulties in contacting schools, poor roads and inadequate transportation limiting access to schools, and a shortage of Ministry of Education staff as some of the reasons for slow implementation of the pilot. See UNESCO (2003), page 9.

54 Barrientos and DeJong (2004), page 28.

55 Sedlacek et al. (2000), page 9.

56 Britto (2005), page 9.

57 Kakwani et al. (2005), pages 2–3.

58 See Coady et al. (2000), Kakwani et al. (2005).

59 Caldés et al. (2004), page 29.

60 Kakwani et al. (2005), pages 13–14.

61 Maluccio and Flores (2005), page 8.

62 Kakwani et al. (2005), pages 15–16.

63 Caldes et al. (2004), page 19.

64 Coady (2000), page x.

65 Ayala Consulting (2003), page 33.

66 Skoufias (2001), pages 92–93.

67 See Britto (2005), page 8; Caldés et al. (2004), page 3; Gertler et al. (2005), page 10; Ayala Consulting (2003), page 33.

68 Ayala (2005), page 28.

69 Skoufias (2001); Rawlings and Rubio (2003), page 4; Ayala (2005), page 33.

70 Caldés et al. (2004), page 32.

71 Britto (2005), page 19.

Chapter 10

Design issues for public works programmes

The objective of this chapter is to identify and discuss the major issues in designing and implementing public works programmes. This chapter will evaluate setting wage rates and other payment arrangements, as well as the timing and duration of projects. This chapter will also explain various targeting and project management issues.

Introduction

Public works programmes can be understood as conditional transfer programmes, where the conditionality is a work requirement for the participants. When deciding whether public works are an appropriate form of social protection, one key design issue is government capacity: Does the government have the capacity to develop cost-effective, labour-intensive projects and target them to the poorest? This question comprises four concerns:

- **Government capacity:** Public works are among the most administration-intensive of the social transfer options. When government does not possess the necessary capacity, donors and international organisations sometimes intervene, but this may lead to the fragmentation of social protection.
- **Cost-effective:** Cost-effectiveness is a two-pronged concern that asks, are the costs justified by the benefits? First, public works are particularly costly because they require the labour of the poor – time and energy that often critically supports the vital business of survival. Reducing the burden on the poor – by scheduling work flexibly so that interference with other obligations is minimised, or by employing household members with more discretionary time – contributes to cost-effectiveness. Second, public works can provide important benefits, both

to the poor and to society more broadly. A public works programme in Arba Minch, Ethiopia supplied water to the community and improved the road to a nearby town.[1] The output the workers produce contributes to social protection. A cost-effective programme will provide the greatest value relative to the costs required.

- **Labour-intensive**: Labour intensity refers to the proportion of the programme's total budget that is transferred to the targeted beneficiaries. In addition to these wages, public works incur administration costs and require other inputs into the production process, in the forms of both capital equipment (such as raw materials and supplies) and technical inputs (such as design and management). If these other costs are very substantial, the cost of delivering resources to the poor increases significantly. Labour intensity is distinct from and sometimes at odds with cost-effectiveness. A more labour-intensive approach may be more expensive yet provide broader social protection.
- **Target them to the poorest…**: The poorest often live the farthest from locations where public works are most easily implemented, and may not have the labour required to participate in such programmes. Many in the most vulnerable groups – children, the elderly and people with disabilities – are unable to access typical public works programmes. Even those who are able to participate and will readily accept work are not fully "unemployed" – coping with chronic poverty drains a person's time and energy. Drawing on their human resources to supply labour to a public works project comes at a cost – a cost which reduces the net benefit of the wage paid. Those who have the least valuable alternative uses for their time will tend to benefit more from the public works.

Governments and donors frequently adopt public works as their flagship programme for tackling poverty and vulnerability through employment. Botswana's public works programmes employed 21% of its labour force in 1985-86, Chile's schemes provided 13% of employment in 1983, and India's Jawahar Rojgar Yojuna programme provided a billion person-days of work in 1995.[2] Public works appeal to policymakers and donors for several reasons: First, they appear to be less susceptible to the hazardous notion of dependency (as discussed in chapter 3). Second, they support the rhetoric of "job creation", a central objective in many national economic strategies – particularly in countries most in need of social protection. Third, they can produce productive assets, and therefore support the growth objectives of government. Fourth, many policymakers (and some economists) believe low wage rates will efficiently target the poor while providing effective social protection.[3]

As discussed in chapter 1, public works constitute a social transfer (in the form of a wage) to poor and vulnerable households that is dependent on an able-bodied member providing labour. The cost of this conditionality is at the heart of many of the debates surrounding public works as an instrument of social protection. Making social transfers conditional on recipients working is expensive – both for the government (or programme agent) who must administer and provide inputs for the projects, and for the beneficiaries who must sacrifice time and energy in supplying their labour. Unless the programme creates valuable assets, public works are unlikely to cost-effectively provide social protection.

Public works programmes around the world vary in terms of the wage paid, the payment arrangements, the certainty, timing and duration of employment, targeting mechanisms, and the degree to which the projects promote longer-term development. These distinguishing features depend on the unemployment conditions of the country, the objectives of the policymakers and the political ideology of the decision-makers.[4] In addition, since vulnerability created by temporary shocks to livelihoods requires different responses than do conditions of chronic destitution, the appropriate design of a public works programme depends on the country's poverty profile. For example, short-term public works projects may well address transient shocks that create temporary poverty, but they are not durable enough to tackle chronic poverty.

Chapter 1 addresses the question of when it makes sense to choose a public works programme. While most successful examples of public works programmes have proven effective for addressing transient shocks to livelihoods, political considerations often influence their choice in less than ideal circumstances. Effectively tackling chronic poverty poses far greater challenges. This chapter discusses the key issues for the design and implementation of public works programmes. It is important to emphasise that public works schemes are not substitutes for other types of social transfers – usually complementary programmes are necessary to protect the vulnerable groups who fall through the weave of a public works safety net.

Determining the wage rate

Determining of the appropriate wage rate for a public works programme is a matter of balancing the practicalities of self-targeting with the objectives of social protection. A low wage rate is often advocated by economists and social policy analysts and aims to screen out the non-poor, but evidence demonstrates that a significant number of non-poor workers may participate even where wages are below market levels.[5] Further, low wages may undermine the programme's social protection objective if the resources transferred are insufficient to effectively reduce poverty.

Advocates of self-targeting recommend that a public works wage in a low-income country should be no higher than the market rate for unskilled agricultural labour in a normal year. They argue that a sufficiently low rate will ensure self-targeting by the poor, reducing leakage to the less poor, providing wider coverage for the poor and serving as a non-contributory social insurance mechanism. The logic rests on the assumption that anyone willing to do unskilled manual labour for such a low wage is poor – and that workers will take up alternative, better-paid work if and when it becomes available.[6]

Fixing the wages at the right level is a major challenge for these programmes. If wages are set too low, this is likely to jeopardise the programme's objectives of providing social protection. However, if wages are too high, this is likely to reduce the programme's ability to target the poor effectively, because the non-poor will become interested in taking up the work, which also reduces its social protection outcomes. In the first 15 years of the Maharashtra Employment Guarantee Scheme, the low minimum wage moderated participation in the programme through greater self-selection of the very poor. The national minimum wage increases in 1988 doubled the programme wage, dramatically increasing worker interest in the programme, even among the less poor. Programme funding did not increase commensurately, and the higher wage cost forced a reduction in the number of person-days of employment generated. The programme increased its rationing of jobs, eroding the social protection nature of the "guarantee".[7]

It is important to keep in mind that public works programmes rarely – if ever – are able to offer employment to all who want and need it. Low wages may reduce the need for alternative targeting mechanisms, but programme designers must usually incorporate mechanisms besides the wage to target the poor (as described for South Africa's Zibambele programme below). However, India's National Rural Employment Guarantee Act aims to implement a programme that avoids the need for supplemental targeting by allocating sufficient funds to provide work to all who need it. This is discussed further in Box 10.1.

There is no guarantee that even low wages will dissuade the non-poor from taking public works employment, or that a low wage will attract the poor. Given labour market failures in many countries, workers in relatively non-poor households may find even very low wages attractive as a source of supplementary income.[8] Meanwhile, poor households with limited available labour may find very low wages unattractive, given the high cost of failing to carry out their critical domestic and subsistence activities. For this reason, it is often useful to consider supplementary targeting mechanisms which ensure the poor are targeted and reduce the need to set the low wages for self-targeting. Under conditions of labour market failure, for example, it may be preferable to combine a higher wage with a supplemental targeting mechanism.[9] South Africa's Zibambele project provides a good example of this, with a wage rate higher than that usually paid in South Africa's public works programmes, and with supplemental community selection methods to ensure that participants are almost exclusively from the poorest households.[10] The case is discussed in further detail in Box 10.2.

In the lowest-income countries, market wage rates in the agricultural or informal sectors may be so low that setting programme rates below this level might fail to even meet minimum subsistence levels.[11] An example of the problem of self-targeting using below-market wages in such a context is given by the Malawi Social Action Fund (MASAF) public works programme, where the wage set in 2004 was the equivalent of US$0.30 (MK36) per day – barely the subsistence level for a single person. This wage is too low to provide adequate social protection for a household, and is unlikely to have a significant developmental impact.[12] A worker may still participate in the programme even if the net benefit is marginal, since marginal is better than nothing. Public works programmes, however, are expensive – they require significant managerial, technical and administrative inputs. If they cannot deliver an adequate wage to participants, alternative social transfer vehicles may do a better job.

The process for setting the programme wages should be, above all, transparent. If community representatives participate in the challenges of targeting and resource allocation, they are more likely to set a wage acceptable to workers, government and/or donors and the implementing agencies. [13] Community participation rarely enforces below-market wages.[14]

Wage payment arrangements

The negative effects of low wages can be compounded by poor payment arrangements that further erode the real value of the transfer. Payments must be regular, and be based on transparent processes clearly communicated to workers.

Payment delays are common in many programmes in Africa.[15] Workers in the Malawi Social Action Fund have faced delays of up to three months, forcing workers (more frequently women) into debt at usurious interest rates.[16] Unnecessarily fragmented payment arrangements, which often result from poor administration or funding constraints, can dramatically erode the social protection of the programme. Delays and widely varying payment arrangements can create confusion, resentment and social tension.

Depending on the structure of the programme, payment can be made on a piece-rate, task-based or time-based system. Some evidence documents that piece-rates and task-based payments provide greater flexibility in scheduling work and are often more attractive to women.[17] Such payment systems tend to dominate over time-based alternatives in order to avoid perverse labour incentives.

Task-based arrangements, however, can lead to confusion. Evidence on South African programmes found that confusion about how task payments were calculated led to disappointment and resentment. Transparency and communication is critical to avoid resentment-provoking misunderstandings. Local consultation with organisations that represent the poor may assist in adapting payment arrangements to country conditions.[18]

If management or technical capacity is limited, verifying the quality of work may be challenging. The temptation to link work performance to payment may compromise the regularity of payments, if the time required to monitor quality creates delays.[19] It is better to address performance issues with management interventions rather than compensation penalties. Management arrangements that lead to payment delays are almost always counter-productive, and always counter-protective.

Box 10.1: Legislating social protection through public works: India's National Rural Employment Guarantee Act

In 2005, India passed the National Rural Employment Guarantee Act, providing a legal entitlement to those in rural areas willing to accept casual manual work for a minimum wage. The law limits each household's right to employment to 100 days per year. The legislation is similar to that passed by the State of Maharashtra in 1976, which continues to provide limited protection to poor households. The Act institutionalises social protection more effectively than an ordinary scheme, because it binds the state with a judicially enforceable obligation.

The public works created under the law aim to protect rural households from poverty and hunger. In addition, they are likely to reduce rural-urban migration, providing work in villages will reduce the need for workers to move to cities. The gender equity provisions of the law will empower women, who are likely to constitute a significant proportion of workers in the resulting programmes. Properly executed, the public works will create valuable infrastructure, supporting pro-poor economic development. In addition, the guarantee of employment may change the relations of power in rural communities, supporting rights for the poor that may foster greater social equity. For example, the guaranteed wage supports a floor below which unorganised workers need not fear their market wages will fall – employers cannot easily impose poverty wages when the government guarantees unskilled rural workers a better alternative.

The government first implemented the Act in 200 districts, aiming to gradually extend it to most of rural India by 2010, creating new public works projects for groups of 50 or more workers who are not yet served by existing operations. Workers receive the statutory minimum wage for agricultural labour, subject to government regulation, but with a minimum floor of Rs 60 per day. Piece-rate compensation must ensure that a worker normally receives the minimum wage when working a seven-hour day. Workers will normally be paid weekly, but in no case later than fourteen days after completing the assigned tasks. The government may require some pay on a daily basis.

The Act guarantees minimum working conditions, including safe drinking water, rest breaks, basic first aid materials and provisions for childcare – with caregivers guaranteed the same wage as the

Timing and duration

An essential design feature of a public works programme is the duration of employment offered: Is it temporary to mitigate the effects of a transient shock, is it cyclical to address predictable increases in poverty resulting from a "hungry season", or does the programme offer permanent employment? Sometimes duration is expressed in terms of the number of days of employment offered per household, termed "person-days". Policy responses should respond to the duration, frequency and intensity of the risks the poor and vulnerable face, as well as to the depth of their poverty. In the absence of other social transfers, public works often provide the main mechanism for coping with risk.[20] While most conditional and unconditional cash transfer programmes are long-term in nature, most public works schemes offer only temporary employment. Programmes that are relatively effective in addressing chronic poverty – the Maharashtra Employment Guarantee Scheme, Ethiopia's Productive Safety Net Programme and South Africa's Zibambele programme – offer longer-term if not permanent jobs.

Many infrastructure-creation public works programmes offer employment for relatively short durations, limiting this kind of intervention's potential other workers. The legislation aims to provide jobs within 5 kilometres of the workers' homes; failing that, projects should compensate the labourers for the cost of longer commutes.

When the state cannot provide work immediately, the Act provides for an unemployment allowance not less than 25% (in the first month) or 50% (after the first month) of the minimum wage paid to those waiting for jobs. This creates incentives for State governments to deliver – they must pay the unemployment allowances, while the central government covers most of the costs when workers are successfully employed. (Maharashtra's scheme has a similar allowance on paper, although it has never been effectively implemented.)

The Act authorises states and central government to appoint implementing agencies including Gram Panchayats (local government bodies), Intermediate and District Panchayats, line departments (for example, Public Works, Forest and Irrigation) and non-governmental organisations. Private contractors, however, cannot implement public works projects. State governments are empowered to implement their own legislation as long as it is consistent with the national guarantee and does not reduce the entitlements.

While the Act provides for transparency and accountability in order to reduce fraud, corruption and mismanagement, it also enables the central government to stop the release of funds to projects exhibiting a prima facie case of improper funds utilisation. Unfortunately, this strong action can hurt the victims more than the perpetrators, and create perverse incentives that undermine vigilance. If funding for public works is terminated when corruption is discovered, workers may be afraid to report financial abuse.

Many of the features of India's National Rural Employment Guarantee Act support effective social protection: the rights-based approach, the guarantee of employment at a wage that can contribute to poverty reduction, the attention to gender equity, and design features that promote delivery. While significant issues remain whose resolution could more effectively promote social equity, the central challenge is the effective implementation of the legislation.

SOURCE: EGA Primer (2005).

to address chronic poverty.[21] CARE's experience in Malawi with the Central Region Infrastructure Maintenance Programme (CRIMP) suggests that 18 months is a minimum duration required to begin to address chronic poverty. The participants are able to concentrate on building up assets in the first year that sustain their focus on income-generating activities in the second year. Programmes that aim to address chronic poverty should provide opportunities for households both to accumulate assets and to participate in additional developmental activities, such as training for permanent employment or support for income-generating activities.[22]

A three- to six-month duration does not provide sufficient opportunities for workers to acquire productive assets or position themselves for an alternative livelihood that is secure and sustainable. Short duration has substantially limited the success of South Africa's Expanded Public Works Programme.[23] One of the most important positive features of the Maharashtra Employment Guarantee Scheme (EGS) has been its ability to seasonally stabilise the incomes of the poor by ensuring 100 days of employment a year to all job-seekers – an effect that would have been impossible with a programme of short duration. [24]

The duration of public works employment should be aligned with beneficiaries' social protection requirements. For example, given the structural and chronic unemployment problem in South Africa, long-term public works are a more appropriate response than projects of short duration.[25] Short-term public works provide a consumption boost, but fail to allow sufficient capital accumulation to have a long term impact.[26]

Korea provides a model for appropriate duration. During the early 1970s, before an economic boom later in the decade, the government offered temporary employment at an unskilled labour wage, implementing road and other infrastructure projects. As the boom extended into the 1980s and market labour costs soared, more productive workers found higher-paying jobs. The falling number of unemployed workers led the government to replace the public works scheme with a cash transfer programme, which provided social protection more effectively to people who were unable to supply labour to the market.[27] The programme lasted as long as the unemployment of productive workers was a serious problem. Public works programmes need not be permanent – but policy needs to be flexible enough to deal with changing circumstances, and potentially to introduce more appropriate instruments as conditions warrant.

Longer duration can also build permanent programme capacity that can reduce the long-run costs of intervention. Donor-funded programmes that last only three or four months – such as those set up in response to a drought – are unlikely to develop permanent capacity. Many programmes in Bangladesh and India, for example, operate continuously throughout the year, building and developing domestic capacity. In the absence of established capacity, projects are likely to suffer delays – particularly when social protection is needed the most. Permanent duration and its associated capacity continuity benefits help support public works as a social insurance mechanism.[28]

Supplementary non-wage targeting

Nearly all public works programmes are substantially over-subscribed and must rely on supplementary non-wage targeting because low wages are an inadequate mechanism to effectively target the poor. South Africa's Expanded Public Works Programme uses categorical targeting to include women, youth and people with disabilities. However, these criteria include approximately 70% of the potential population, highlighting the need for more effective targeting mechanisms.[29] Women make up more than half the population, youth frequently includes people up to age 35, and people with disabilities are defined broadly to include many who are able to work. In many cases, communities are involved in developing the necessary targeting processes to further refine the selection. Box 10.2 on the Zibambele programme describes an example of effective community targeting.

Given the distribution of wage demands (reservation wages) across the whole labour force, any programme wage will serve some targeting function. Given programme resource limitations, exclusive reliance on wage targeting (self-targeting) will often require wages set so low they cannot provide social

Box 10.2: Effective community targeting in Zibambele, South Africa

The Department of Transport in KwaZulu-Natal (South Africa) implements the Zibambele programme, successfully targeting extremely vulnerable labour-constrained households. The Department hires workers to maintain gravel access roads in rural areas, providing one-year renewable contracts for part-time work. The programme has developed a refined community targeting mechanism that effectively reaches the poorest households, which are usually female-headed. HIV/AIDS affects most of these households – either directly through illness and/or death of a household member, or indirectly through the inclusion of children orphaned by the disease.

The programme effectively reaches the poorest because the communities involved tend to demonstrate a strong sense of ownership. Public-minded programme stakeholders support and reinforce the poverty focus of the programme, targeting the jobs to those who need them most. If a participating household started to receive a social pension, a community representative (such as the local chief or a member of the Rural Road Transport Forum) would suggest that they give up the public works job in order to free space for another household with greater needs. (Receipt of a social pension in South Africa is sufficient to move a household from the bottom of the income distribution up towards the middle.) Another member of a poor household had been granted the opportunity to sell snacks in the local school, and had subsequently succeeded in finding employment in the Zibambele programme. Community representatives persuaded this worker to give up the school-based franchise in order to allow another poor household to benefit from this micro-enterprise.

This mechanism involves more than community targeting – it represents a broader co-operative management of the distribution of income opportunities facing the poor within the locality. Zibambele's substantial local investment in social capital and development over several years promotes this high level of community ownership, supporting this active participation in the distribution and rationing of public works jobs. Two key features of the programme contribute significantly to the success of this targeting mechanism – the long term duration of employment and the public sector orientation. A shorter-term programme would not offer benefits significant enough to justify actively managed job tenures. With short employment tenures, it is unlikely that a worker would find a more attractive income opportunity while still entitled to a duration of employment worth the effort of re-allocating to another community member. If the programme served private sector projects, profit-oriented managers might resist the community ownership and regulation required for effective targeting.

SOURCE: McCord (2004), McCord (2005a).

protection.[30] Effective forms of non-wage targeting support higher wages, enabling public works programmes to more effectively deliver their social protection functions.

"Failure to distinguish between labour market and social protection objectives, in both policy and implementation, is liable to lead to critical errors in targeting and programme design, inefficient allocation of resources, and ultimately to a mismatch between policy rhetoric and outcomes." [31] The appropriate form of non-wage targeting will depend on the social priorities. If the objective is to provide experience and eventual incorporation into the market labour force, the programme should target unemployed youth, since they will have a longer term pay-off from labour force participation. If the objective is poverty reduction and social protection, female-headed households in rural areas may provide a more appropriate target. For example, rural female-headed households in South Africa rarely have access to jobs outside of public works, and so programme participation is unlikely to serve the objective of increasing participation in the formal labour market. The desirable characteristics of the Zibambele programme – work locations close to the homes of the workers, part-time and flexible hours, and other provisions – enabled people previously locked out of the labour force to increase their participation. The social protection objective is substantially achieved, even without an increased engagement with the labour market outside of public works.

In all cases, the direct and indirect costs of targeting should be carefully considered. (See chapter 8 for further discussion on the costs of targeting.) A number of targeting mechanisms employed in public works programmes have produced stigmatising effects, inciting social tensions and exacerbating vulnerabilities.[32]

Skill and labour intensity (productivity versus job creation)

The greater the share of programme expenditure on wages (labour-intensity), the more effectively will the intervention reduce income poverty for the participants in the short term (for a fixed level of programme expenditure). However, there may be a trade-off between higher labour-intensity and the likelihood of the programme to generate indirect or medium term benefits from the assets created if the lack of non-labour inputs significantly undermines productivity.[33] In addition, an excessive focus on labour intensity may undermine the programme's ability to build the capacity of the participating workers – skills development will require training costs and potentially other kinds of additional non-wage expenditure.

Failure to purchase technical inputs and materials of adequate quality can render the assets created of little value to communities. A greater investment in these non-labour inputs will shift resources away from wages, but may generate greater medium term socio-economic benefits – for the workers, for the community or the nation as a whole. More concretely, a relatively small investment in higher-quality materials for a strategic road construction project, for example, can generate high returns for the economy as a whole. (Other factors are also important, such as the choice of asset, the project design, ownership and maintenance.)

In general, the potential for labour intensity will depend on the type of good or asset being produced, and the available technologies for this production.[34] The choice of technology may require additional training for the participating workers, which will increase the cost of the project, but the resulting skills development may improve the longer-term social protection impact.

Evidence across many countries suggests that the many government departments responsible for public infrastructure provision favour capital-intensive projects (utilising equipment and non-labour inputs) as opposed to labour intensive methods, because of common misplaced notions of superiority or because they are quicker. Since capital-intensive technologies may provide more concentrated returns to smaller groups of individuals, they are sometimes more prone to rent-seeking and corruption.[35]

There are ways of providing valuable services through public works programmes, while also providing longer-term job opportunities and formal training. In South Africa, a significant number of projects provide employment in the social sector, training the unemployed to offer social services (building social assets) in place of the more conventional physical assets produced under other public works programmes. Social service projects do not always deliver assets that are prized as highly by policymakers, but they provide significant formal training that can lead to sustainable employment opportunities.[36]

It is considerably more expensive to deliver transfers to the poor through public works than almost any other social transfer vehicle. The requirements for material, technical, managerial and administrative inputs frequently double the cost of the public works programme – usually between 30% and 70% of the programme budget will be spent on non-wage expenditures. For public works to be economically efficient, the assets and goods they produce must be highly valued.[37]

The challenge of labour intensity is that of striking a balance between providing the greatest number of jobs in order to provide immediate social protection, and delivering productive assets that are developmental and reduce poverty in the longer term. Rigid rules – such as limiting non-wage spending to 20% (such as with Ethiopia's Productive Safety Net Programme) – are unlikely to achieve the appropriate balance, which will vary from project to project. It is more important to understand the trade-off – and make the appropriate judgements. Box 10.3 describes the first year's experience with Ethiopia's Productive Safety Net Programme.

Productivity and pro-poor impact of public works (how to maximise the social value of the public works)

Public works programmes impose a significant cost on participants in terms of foreclosing other opportunities. The work tasks absorb the labour of the poor – effort that otherwise meets the critical needs of the poor households. Time spent digging irrigation ditches displaces other opportunities for human capital investment, food security activities and care work. It is critical that the value of these alternative activities is taken into account when determining the net benefit of participation in a public works social protection programme.

Scheduling flexibility – from setting one's hours during the day to deciding when during the year it is best to work – is important for reducing the opportunities the poor must give up in order to participate. Designing programmes sensitively to permit participation in alternative employment opportunities can improve the participating household's well-being and promote food security.[38] In Tanzania, for example, projects were not synchronised with the agricultural slack seasons, increasing the cost of participation to the workers and reducing the social protection impact.[39]

Box 10.3: First lessons from Ethiopia's Productive Safety Net Programme

In 2004 Ethiopia's Productive Safety Net Programme (PSNP) replaced the relief-oriented national Employment Generation Scheme. The PSNP provides social transfers to food-insecure households to prevent the loss of livelihood-supporting assets while enabling communities to expand developmental infrastructure. The programme improves on previous schemes in that it:

- Provides transfers in the form of cash rather than food;
- Improves the strategic importance and the quality of the assets created;
- Integrates public works with other developmental initiatives and priorities of line ministries;
- Creates long-term employment that supports the development of sustainable livelihoods.

The design of the programme builds on several key principles:

- The project managers allocate their resources to employing workers as much as possible, as opposed to purchasing inputs or machinery. (This is referred to as "labour intensity".)
- The community participates actively in the selection, planning, monitoring and evaluation of public works projects.
- The programme commits to employing workers and creating community assets for a longer-term horizon, with projects planned and integrated inter sectorally with other development initiatives.
- Since the programme does not create enough jobs to meet the needs of everyone who wants work, administrative and community targeting is used to identify poor food-insecure households.
- The programme offers jobs close to where the poor live, with features that promote participation by women and reduce their regular work burden.

Ethiopia's previous experience demonstrated that public works implemented in isolation from other developmental initiatives were unlikely to make a sustainable impact on livelihoods – their poverty-reducing impact was limited to the life of the schemes. When administrative and executive capacity is limited, duplicating implementation structures constrains the government's ability to deliver social protection.

Recognising this, the PSNP aims for co-ordination – for example, integrating public works with agricultural extension initiatives. Non-governmental organisations distribute seeds and fertilizer, promote new high value crops and provide credit and other inputs, enabling households to take advantage of the productive assets created by the public works

Programmes that impose unnecessary transaction costs undermine the value of the wage benefit. Targeting that creates stigma, poorly situated projects that impose high transportation costs and poor administration reduce the value of the programme. Corruption which requires participants to pay for participation can drive the net benefit of the programme to the poor down close to zero.[40]

Exit policies

Policymakers often assume that participation in public works programmes will enable a participant to rise out of poverty. The prospects for a sustainable impact, however, depend on the duration of employment, the wage level and the effectiveness of complementary development activities. In addition, there are a number of possible strategies that facilitate exit from poverty – providing skills, boosting job-creating economic growth, or providing subsidies that programmes. In addition, 20% of the wage budget is reserved for social transfers to households in which no one is able to work.

Ensuring that the assets created by public works are appropriate and high-quality requires time and money – and limited resources can erode the ability of the programme to provide jobs to the poor in a timely manner. The PSNP imposes conditions for verifying the productive contribution of the public works before the project is approved and implemented. In the face of delivery delays exacerbated by these requirements, the PSNP has sometimes compromised on asset quality in order to achieve its more fundamental social protection objectives. Ethiopia's initial experience with the PSNP shows that an effective shift to a more developmental orientation requires better planning and coordination, more technical assistance, increased resources (particularly for non-wage income support) and greater community ownership.

The logic of annual emergency appeals (common with the previous Employment Generation Scheme) fails in the face of the increasingly predictable nature of Ethiopia's rising food insecurity. Recognising this, the PSNP has succeeded in mobilising donor support for longer-term funding. With three- to five-year commitments, both donors and the government can plan more effectively and realise efficiencies. In theory, this will enable the PSNP to assure beneficiaries of secure and regular transfers, serving a productive insurance function that supports the poor to undertake riskier but more rewarding investments. In the first year, administrative and delivery problems have eroded this benefit. More resources are required to ensure that the programme delivers reliable social protection to the poor.

The government's administrative, technical and financial capacity constraints have posed the greatest challenges to the success of Ethiopia's PSNP. The developmental orientation of the programme increases the costs, yet promises much greater benefits. The PSNP's innovations – in terms of long term commitment, labour intensity, high quality assets and developmental integration – offer a solution that tackles the roots of poverty while providing for the immediate needs of social protection. Realising this potential requires a more substantial commitment of financial and human resources. If they are not forthcoming, unconditional transfers may provide a more effective, comprehensive and economical strategy for achieving social protection.

SOURCE: Sandford (2005).

facilitate entry into the workforce. In the absence of an effective exit strategy, most participants in public works programmes will sink back into poverty once the scheme ends.

The employment-generating impact can extend beyond the jobs created directly by the programme. If the public works produce economic infrastructure, this investment can "crowd in" private economic activity. Public works programmes will indirectly stimulate employment if local enterprises are able to respond to the demand generated by the increased purchasing power of poor households. For example, irrigation infrastructure and rural roads produced by the Maharashtra Employment Guarantee Scheme in India have led to further second-round employment creation.[41] By creating assets that boost productivity in agriculture and rural non-agricultural activities, the programme has created a virtuous circle – reducing the need for public works by increasing employment opportunities in the more remunerative private sector.[42] Similarly, the second-order economic benefits stimulated by the availability of cash in the local economy arising from the wage transfer can

Box 10.4: Wage subsidy vouchers in Argentina as an exit door for public works programmes (the Proempleo Experiment)

The Argentinian government's response to increasing unemployment is to provide temporary work, paying a relatively low wage for working on social infrastructure or community services. Participants in public works projects usually require assistance in order to obtain regular employment. Wage subsidies and skills development programmes appear to be promising options.

The government designed the Proempleo Experiment to evaluate the effectiveness of offering employers a wage subsidy and specialised training to assist participants to make the transition out of public works schemes. Randomly selected low-wage workers received the subsidy and training.

Under the experiment, one randomly selected group of workers received a voucher that entitled a private sector employer to a wage subsidy that covered part of the total wages paid to the employee. A second similarly randomly selected group was offered limited training as well as the subsidy voucher. A third randomly selected group received nothing but the right to continue in the public works programme. This group provides the basis for comparison in order to identify the effects of the interventions.

Before the programme began, a baseline survey measured the living conditions of all the participants in the programme. After 18 months of the Proempleo Experiment, 14% of the workers in the group receiving the vouchers had found a private sector job, versus only 9% in the group with received no additional benefits (the control group). The difference was found to be statistically significant.

The workers who were able to successfully exit the public works programme were mostly women, as well as younger and more educated workers. The additional training also slightly improved the chance of employment; however, this was only apparent when statistical techniques were applied to control for the sample selection choices. The impact of training was particularly important for those with better initial education.

While Proempleo did not promote a major transition from public works to private sector jobs, the experiment cost little and managed to support some increase in private sector employment. Scaling up the experiment, however, might not increase the benefits substantially. With limited numbers of workers with vouchers, employers might receive the subsidy certificate as a tacit government endorsement of the worker. As the number of participants increase, the value of the certificate becomes diluted. In addition, the offer of a subsidy might help programme participants to find work, but perhaps to fill those positions created by retrenchments motivated by the company's desire to attract subsidies for hiring new workers. In this case, there is no employment gain for the economy, but rather an economic loss as firms pay the costs of restructuring and retraining new workers.

SOURCE: Galasso, Ravallion and Salvia (2001).

support private sector job creation.[43] However, this is only likely if employment is prolonged, leading to a sustained cash infusion into the local economy, and if the scale of interventions (in terms of employment) is sufficiently large.

The Productive Safety Net Programme in Ethiopia aims to provide complementary development initiatives that prepare workers for self-employment, providing agricultural extension services, micro-credit, seeds, fertilizer and other inputs. Its longer horizon – five years – provides opportunities to raise incomes and build assets. Community asset development is intended to provide similar benefits to those of the Maharashtra Employment Guarantee Scheme.[44]

Skills development to enable workers to move into employment is another exit policy, which aims to provide a ladder up from the relatively low wages of public works. Most public works programmes, however, provide only the basic skills required to carry out the specific duties of the job – and these skills rarely have significant value in the local marketplace for work. The value of any additional training provided will depend on its quality and its relevance in the accessible labour market.[45] South Africa's Expanded Public Works Programme aimed for a choice between "moving to a new employer, further education, better-equipped job seeking, remaining with the same employer under normal employment conditions, or self-employment".[46] In practice, after their six months of employment entitlement, most workers returned to unemployment.[47] The unskilled labour provided by most programmes does not confer any advantage, given the structure of most developing country labour markets – scarce skilled labour and overly abundant unskilled labour.[48] Skills development as an exit policy requires more than rhetoric; it may prove one of the most resource-intensive options.

In some countries, the structure of the economy fails to create job opportunities for unskilled workers. The unemployment that results intensifies if there are not effective mechanisms for providing workers with more appropriate skills. Public works schemes may help some participants find employment outside the programme – but often at the expense of another unskilled worker (a problem referred to as "labour substitution").[49] This problem is discussed in Box 10.4 in the context of Argentina's Proempleo Experiment.

Free distribution to vulnerable groups

Public works primarily target households that can supply labour to the programme. In some cases they offer an unconditional transfer to poor households who have no individuals able to work.[50] In particular, programmes may explicitly target female- and child-headed households or those who are chronically ill. The group eligible for free distribution varies substantially depending on country conditions, often including ten to twenty percent of total programme beneficiaries.[51]

Since work requirements generally exclude the most vulnerable – children, the elderly, and many of those with serious disabilities – other interventions are required in order to ensure comprehensive social protection. It is not so important who distributes the social transfers; what matters is that the complementary programmes work together so that no destitute households are excluded. Box 10.5 documents the case for complementary social transfers considering the example of Malawi's Social Action Fund.

Civil society's role

Civil society institutions can play a number of roles in improving the demand for public works, as well as their design and implementation. For example, civil society participation enhances the delivery effectiveness of the Maharashtra Employment Guarantee Scheme in several ways:

Box 10.5: The need for a complementary social transfer for households with no one able to work: the case of Malawi's Social Action Fund

Malawi's Social Action Fund (MASAF) generally makes no explicit provision in its public works programmes for those households in which no one is able to work. Children, lactating mothers and the sick and malnourished in Malawi (as well as in Ethiopia) sometimes choose to participate in these projects because there is no alternative social transfer available. This experience demonstrates the risk of assuming that labour-constrained vulnerable groups live in households where someone is able to work.

While MASAF funds the Social Support Project (SSP), which provides some social protection for vulnerable groups (including orphans and vulnerable children), this programme is not integrated with the implementation of public works. As a result, in some areas public works benefit workers but fail to meet the more pressing needs of the most vulnerable.

In some countries, the predicament of the weak and vulnerable forced to seek employment in public works has led to innovating coping mechanisms. In Zimbabwe, smaller buckets are provided to workers severely affected by HIV/AIDS in recognition of their weakened state. In Ethiopia, contractors have requested exemptions from the normal labour-intensity requirements because severe malnutrition had significantly compromised the productivity of the participating workers. In these cases, ethical considerations demand a reconsideration of the work requirement.

SOURCE: Chirwa et al. (2004).

- Non-governmental organisations disseminate information and spread awareness among the poor and often illiterate workers;
- Non-governmental organisations and trade unions support political mobilisation of workers to more effectively press their demands for employment;
- Civil society institutions can check malpractice and corruption.[52]

Endnotes

1 Benn (2006), page 9.

2 Public works programmes frequently measure their delivery in terms of the total number of days' work made available to all participants – termed "person-days". A programme that employs 20,000 workers for 100 days produces two million person-days of work. See Dev (1995); Subbarao et al. (1997), page 70.

3 McCord (2005b), page 3.

4 McCord (2004), page 8.

5 McCord (2005b), page 10.

6 Ravallion (1999), page 36.

7 Subbarao (1993); Subbarao (1997); Subbarao (2003), page 7; Datt and Ravallion (1994).

8 McCord (2005c), page 11; Barrett and Clay (2003).

9 Barrett and Clay (2003).

10 McCord (2005b).

11 Ibid., page 11.

12 Harvey (2005), page 41.

13 Adato et al. (1999); Subbarao (2003), page 10.

14 Quisumbing and Yohannes (2004), page 6.
15 McCord (2005c), page 12.
16 Chirwa et al. (2004), page 35.
17 Subbarao (2003), page 11, Subbarao (1997) and Dev (1996).
18 Subbarao (2003), page 11.
19 Sandford (2005), page 19.
20 Subbarao (2003), page 11.
21 McCord (2005b), page 8.
22 Chirwa et al. (2004), page 33.
23 Ibid.
24 Dev (1995), page 136.
25 McCord (2004), page 9.
26 Ibid., page 73.
27 Subbarao (2003), page 9.
28 Ibid., page 21.
29 McCord (2004), page 68.
30 Barrett and Clay (2003).
31 McCord (2004), page 68.
32 Devereux and Sabates-Wheeler (2004), page 12.
33 Ravallion (1999), page 44.
34 Subbarao (2003), page 13.
35 Stock and de Veen (1996), Subbarao (2003), page 19.
36 McCord (2005a), page 576.
37 McCord (2005b), page 6.
38 Ibid., page 12.
39 Subbarao (2003), page 20.
40 Ibid., page 5.
41 Ibid., page 3.
42 Sathe (1991), Dev (1995), page 123.
43 McCord (2004), page 65.
44 Sandford (2005), page 8.
45 McCord (2005b), page 16.
46 McCord (2004), page 66.
47 Ibid.
48 McCord (2006), page 5.
49 McCord (2005a), page 583.
50 McCord (2005b), page 19.
51 Ibid.
52 Dev (1995), page 133.

Chapter 11

Available resources, affordability and sustainability

The objective of this chapter is to examine the spending decisions made by middle- and low-income countries in relation to social protection. Such decisions are impacted by numerous factors including political will and affordability. How much a government will allocate to social protection and where they will get the funds to sustain their programmes are two important questions which must be answered when establishing a social protection framework.

Introduction

Social protection spending (including both social transfers and social insurance[1]) ranges between zero and twenty percent of national income in most low- and middle-income countries, but spending in half the countries (for which data is available) ranges between three and nine percent. Social insurance spending (which often does not reach the poor) constitutes most of the social protection spending in many countries: the average (mean) spending on social insurance is 5% of national income (median is 3.5%), compared to an average (mean) spending for social assistance of 1.9% (median is 1.5%). Figure 11.2 illustrates the wide range of expenditure choices across countries for both social assistance and social insurance. (The inserted graph includes countries for which only social assistance spending is available.) Effective social assistance programmes in Latin America (*Oportunidades* in Mexico and *Bolsa Familia* in Brazil) cost a fraction of one percent of national income, while programmes in Africa often cost several times that amount (South Africa spends more than three percent of national income on its social transfer programmes).

The variability of social protection spending decisions by low- and middle-income countries reflects differences in both perceptions of affordability and political will. Effective interventions require a sizable commitment of financial resources – social assistance programmes in developing countries

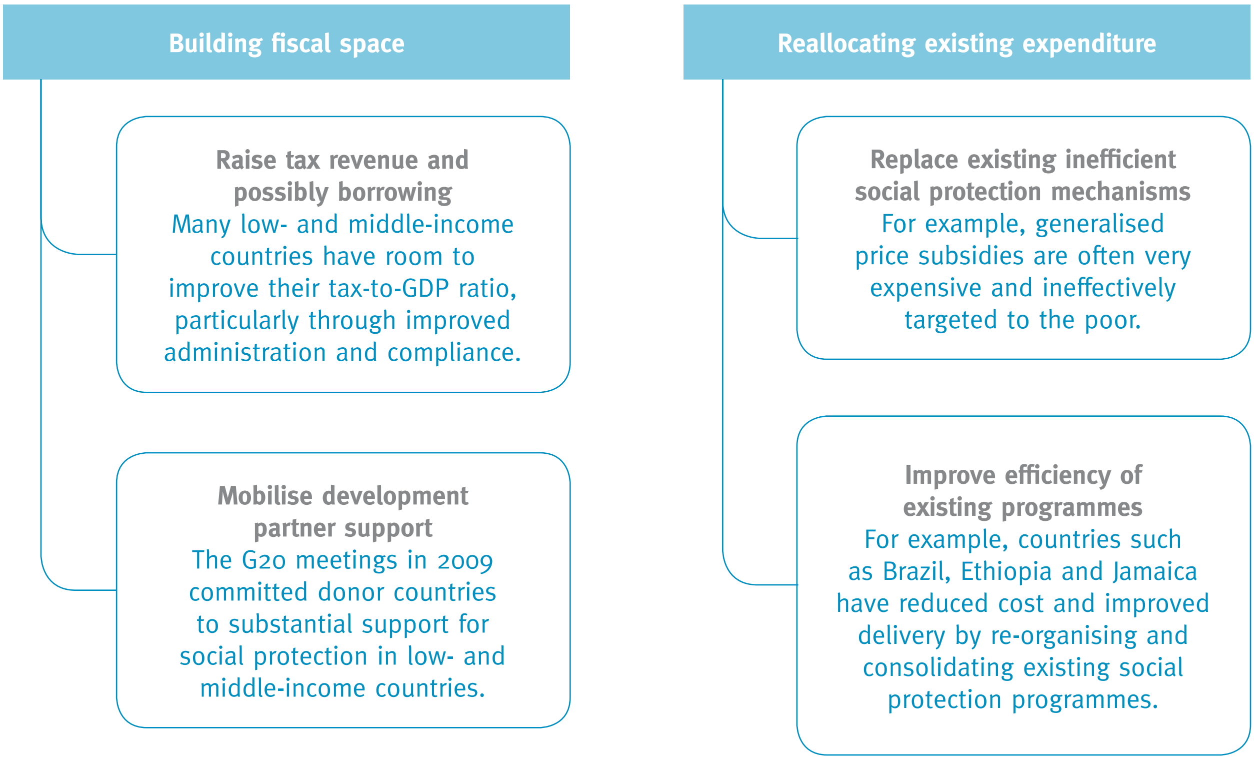


Figure 11.1 Options for financing social protection interventions

usually require 1-2% of national income. Governments generally finance this significant commitment over the longer term from tax revenue, although development partner support can play an important interim role or cover up-front development costs. Increasingly, development partners are developing longer term instruments – up to ten years in some cases – to support the permanent commitments governments must make to their people in building social protection systems.

Depending on the social protection context within the country, some resources may be mobilised by reallocating existing government expenditure. For example, Indonesia has substantially reduced spending on generalised food subsides with few social protection benefits by implementing more efficient unconditional cash transfer programmes. Senegal is currently considering cash transfer initiatives as a substitute for similarly expensive general price subsidy programmes for food.

It may also be possible to increase the efficiency of existing interventions through appropriate reorganisations and programme consolidations. Brazil has realised substantial cost savings and implementation efficiencies by consolidating four cash transfer programmes under the umbrella of *Bolsa Familia*. Jamaica likewise consolidated multiple programmes into the more

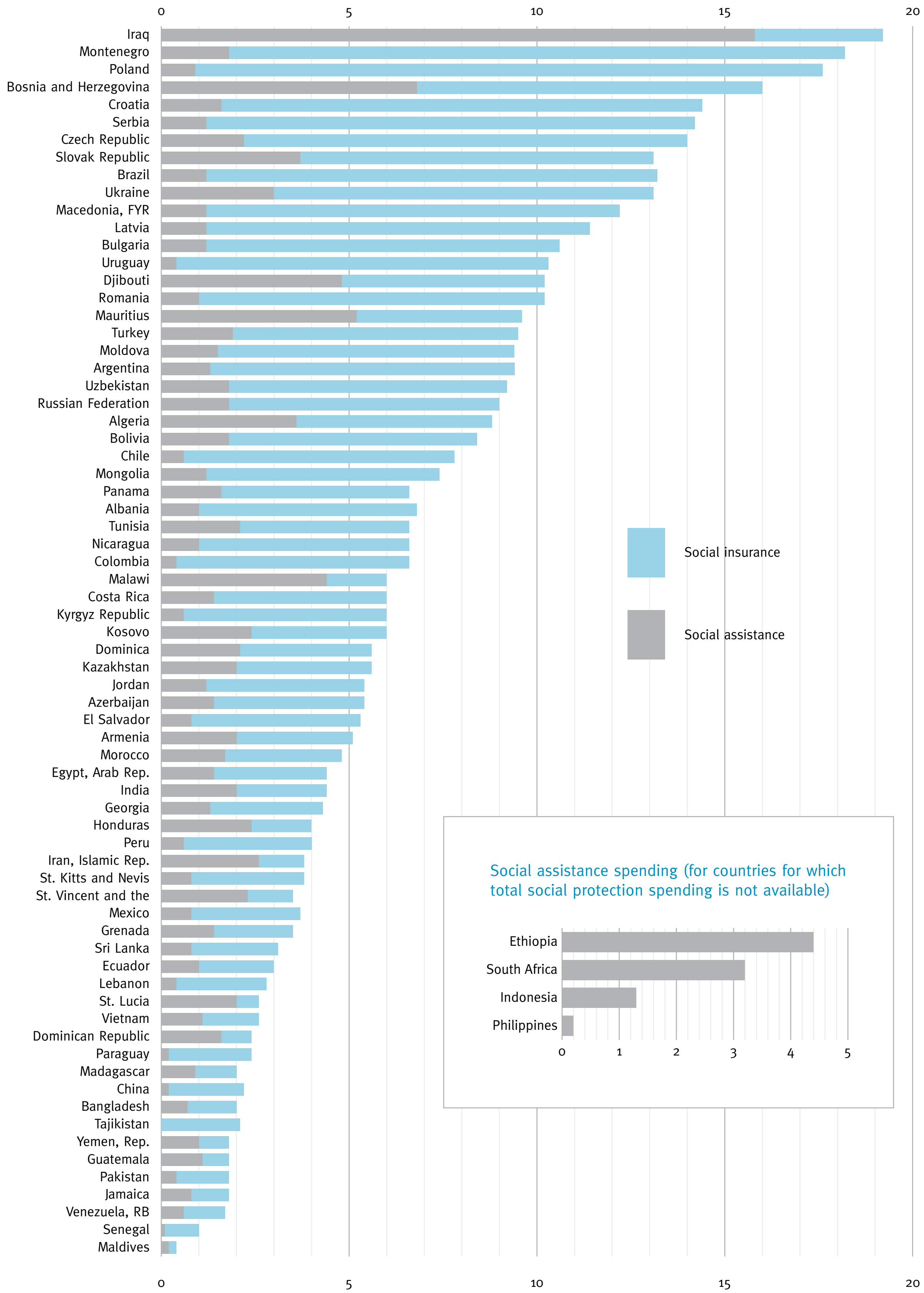


Figure 11.2 Social assistance and social insurance spending for low- and middle-income countries, as % of GDP.

SOURCE: World Bank (2008b). Data from different regions are drawn from various years between 1998 and 2006.

comprehensive PATH initiative. South Africa reorganised provincial delivery mechanisms into a more comprehensive national system operated by the South Africa Social Security Agency, which streamlined operations and realised substantial economies of scale while increasing bargaining power vis-à-vis private sector service providers. Figure 11.1 illustrates these financing choices.

National and donor financial resources

Affordability is multi-dimensional. At one level, it is largely a matter of political will: South African politicians have expressed concern about the sustainability of social security spending even while surprisingly collecting tax revenue exceeding the budget by 3% of national income. Meanwhile, neighbouring Lesotho has implemented a universal pension programme for its elderly despite more pressing fiscal constraints. Economists' attempts to scientifically measure fiscal capacity have generally found that most of the differences across countries are explained by non-economic and largely political factors.[2]

Social transfer programmes are affordable in a broad range of low-income countries. Zambia's Kalomo pilot, which provides the equivalent of $15 per month to a thousand poor households, could be scaled up to the poorest ten percent of the population for less than $20 million – 0.3% of national income and less than one percent of current government spending. Similar programmes could be provided in other African countries for usually less than half a percent of national income and less than 3% of current spending. Figure 11.3 compares the fiscal simulations from a study by the International Labour Organisation for seven low-income African countries. In most of these countries, the programmes could be funded for less than five percent of existing aid flows.[3]

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 run and long run question. Between domestic and international sources, a country may be able to fund an ambitious social transfer programme. Is this sustainable in the long run? The answer depends on the dynamic impact of the programme on the economy. Effective social protection is often economically productive through a number of transmission mechanisms, thus increasing the resource base available to a country.[4] "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".[5] Increasingly, the World Bank and the Inter-American Development Bank are making loans to finance social transfer strategies.[6]

In addition, the returns to productive social protection expenditure will affect long-run affordability. Increasing evidence documents how social transfers promote economic growth (see Box 11.1). Productive returns from

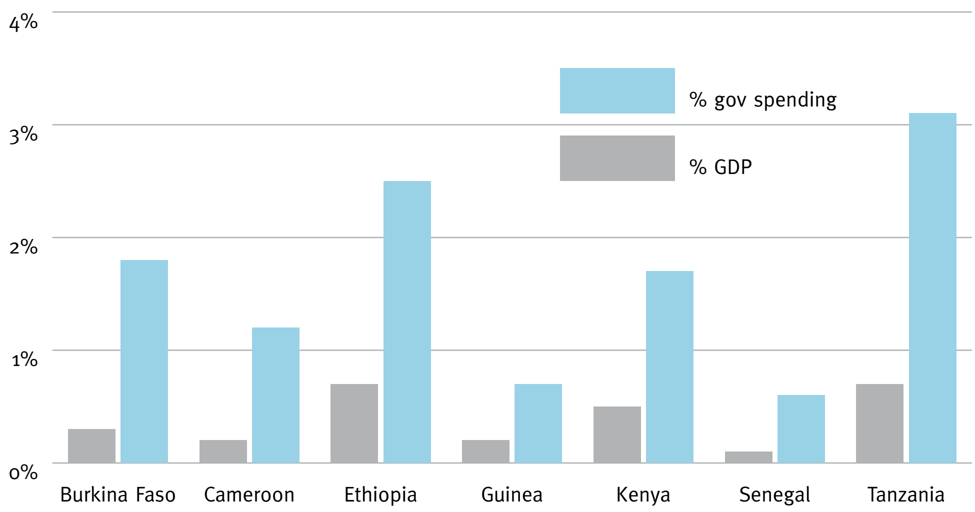


Figure 11.3 Fiscal simulations comparison

SOURCE: Pal et al., (2005).

investing in social protection increase the longer-term affordability of social transfers and promote sustainability.

Importantly, the political and economic decisions determining the amount of available resources may depend on the type of social protection system selected. A programme very effectively targeted to the poor may lack the broad political appeal required to mobilise adequate resources. A universal old age pension or child benefit, for example, may be less progressive but generate sufficiently greater financial support that the poorest benefit more. In this sense, the resource cost of a targeted scheme is not simply comparable with that of a universal programme – some of the direct transfer costs of a universal programme almost pay for themselves. (The political economy dimensions of targeting are discussed further in chapter 8.)

Decentralised financing mechanisms may create spatial differences in affordability within a country. For example, a country with a provincial or state tax-collection system and significant regional income disparities will find it more difficult to finance social protection for the poorest. The provinces or states with the greatest poverty will also have access to the most limited tax resources, unless the national government provides federal grants.

The role of international donors will vary from country to country, and often depends on the type of programme being financed. In very low-income countries and fragile states, the role of donors may be particularly important, particularly in terms of predictability and coordination. In some countries, donor programmes lack the permanence, predictability and

Box 11.1: Social protection and economic growth

An increasing body of evidence documents how social protection programmes contribute to economic growth – and increase the pool of resources available for financing social transfers. Policymakers do not face a trade-off pitting social protection against growth objectives; rather, they have the opportunity to engineer a virtuous circle of increased equity, which promotes growth, supporting further improvements in equity. There are at least seven paths through which social transfers promote growth:

1. Social protection promotes 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.
2. Social protection enables 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. Social transfers enable households to resist desperate measures and reduce future vulnerability.
3. Social protection mitigates risk and encourages investment. The downside of the most productive investments is that they are the most risky, and can threaten the poor with destitution. Social transfers enable people to face these risks. For example, farmers protected by the Employment Guarantee

reliability necessary for effective social protection support. Frequent changes in aid programmes tax a country's administrative capacity, undermining the development of effective management systems. "Part of the solution is for donors to commit to long-term support for programmes and to maintain basic programme design – even if imperfect – unless there is an absolutely compelling reason to change it." [7]

Donor coordination can also increase the efficiency of a given level of aid resources.[8] For example, both the World Food Programme's Food-for-Work and Malawi's Social Action Fund's Cash-for-Work initiatives included concentrations of activity in the same geographically targeted rural areas, enabling some communities to enjoy access to both projects while equally poor neighbouring areas were unsupported.[9] At one time in Malawi, different donors operated fifteen various social protection projects – public works, feeding schemes and social transfer programmes.[10] Integration of aid initiatives can foster more comprehensive coverage, reduce duplication and lower administration costs.

What size of social transfer is provided?

Once the intended group of beneficiaries is identified, the second decision is to identify the size of the grant. This involves weighing the available resources against the range of possible benefits, from the minimum to the optimal level. When the programme includes multiple targeted beneficiaries – for example, the children and the elderly, or primary and secondary school students – the size of the benefits for each may vary.

Determining the appropriate level of benefits similarly requires an

Scheme in Maharashtra, India invest in higher-yielding varieties than farmers in neighbouring states.

4. Social protection programmes combat discrimination, unlocking 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.
5. Social protection supports the participation of the poor in labour markets. Job search is often expensive and risky. In South Africa workers receiving social transfers look harder for work than those in comparable households not receiving grants – and they are more successful in finding employment.
6. Social protection stimulates demand for local goods and services. In Zambia 70, per cent of social transfers is being spent on locally-produced goods, stimulating enterprise in rural areas. In South Africa, social grants shift the composition of national expenditure from imports to local goods, increasing savings and economic growth.
7. Social protection helps create an effective and secure state. It builds social cohesion and a sense of citizenship, and reduces conflict. A safe and predictable environment is essential to encourage individuals , including foreign investors, to work and invest.

SOURCE: DFID (2006b).

understanding of the politics, the social profile of poverty, the socio-economic status of beneficiaries and their livelihood strategies, the capacity of government and the fiscal position of the country. The determination of the appropriate benefits level requires significant economic and political trade-offs, reflecting the priorities of policymakers and their political economy constraints.[11]

The minimum benefit level provides a floor beneath which social transfer programmes are unlikely to be effective. At the other end of the range, the optimal benefit level could be greater than the poverty gap because of targeting uncertainty, the expectation that the grant will in turn be redistributed within the household (or across households), or the desire to move further than just eliminating poverty. For example, South Africa's State Old Age Pension – at R1010 (US$140) per month – is about twice the level of the most commonly used poverty lines.

Hypothetically, given the fundamental objective of eradicating poverty, a government with no constraints would set the minimum benefit level equal to each household's gap between their income and the level required for them to escape poverty. In practice, however, governments often face severe constraints: mobilising the resources necessary to finance the grant, identifying and reaching the poor, and accurately calculating the poverty gap for each household.

When financial and information resources are scarce, the minimum benefit may fall below what is required to raise the incomes of the poorest to the poverty line, and a flat per capita transfer to the poor (or universally distributed) may be most feasible.

While fiscal constraints may prevent the implementation of an ideal social protection system, increasing evidence documents the affordability of basic social protection in most countries. The position that "even a small amount of cash in the hands of a poor mother can do wonders" sets a minimum baseline of the unconditional transfer of the smallest affordable amount.[12] The very poorest, even in middle-income countries may be subsisting on a fraction of a dollar per day – and the poorest in some low income countries, are not even subsisting. The minimum benefit may be constrained by what can be cost-effectively transferred; however, technology holds the potential to significantly reduce transaction costs, even in countries severely scarce on infrastructure.

A smaller transfer more broadly distributed may help children more than a larger grant with stricter targeting conditions. Evidence for South Africa documents that adults in poor households are more likely to face hunger than are children – and grants are more likely to reduce child hunger than adult hunger.[13]

Minimum benefits set at very low levels may create political difficulties. While many countries have shown that very small benefits can nonetheless produce very significant results, the idea of a minimum level influences policymakers. Key policymakers in South Africa have expressed doubts about a universal income transfer proposal because of concerns the small amount (US$20) would not make a sufficient impact on poverty.[14] In South Africa's case, this "minimum" benefit would more than double the average consumption of the poorest 20% of the population. The recognition of the intensity of poverty implicit in these minimum benefit determinations can intimidate policymakers.

Nevertheless, the social, economic and political impact of even minimum benefits can be significant. For instance, Kyrgyzstan's Unified Monthly Benefit delivers an average transfer equal to only about one-quarter the extreme poverty line. While small, the resulting 15% increase in the average recipient's income makes a material contribution to living standards.[15]

Benefit levels set in a decentralised arrangement involve greater complexities, particularly when resources cannot be pooled nationally. Brazil's *Bolsa Escola* programme was implemented and funded at a municipal level. In poorer regions like Salvador, Fortaleza, Belém and Recife, demand for benefits was greater and fiscal receipts weaker than in cities like Brasilia and São Paulo. A lower but locally more affordable benefit level would jeopardise the poverty reduction objective.[16] Bolsa Familia's incorporation of Bolsa Escola at a national level addressed this problem and enabled benefit levels to rise significantly.

Benefit levels are not static; most countries adjust them for inflation on a regular basis, and sometimes other adjustments are made reflecting country circumstances.

When programmes impose labour supply or human capital investment conditionalities, the value of the benefit must be relatively greater, both to offset the cost of complying and to provide social protection. A programme that requires a child to attend school must take into account the age-specific direct and indirect costs of attendance – transportation, uniforms, supplies, school fees and any foregone labour income. A similar calculation applies to conditionalities involving health care.[17]

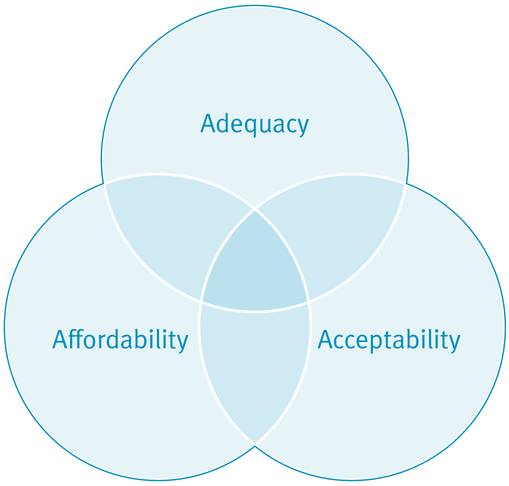


Figure 11.4 Balancing imperatives in designing a social protection programme

The existence of multiple objectives complicates the determination of the appropriate benefit level. Programmes aimed at poverty reduction require benefits that bring households up to the poverty line, while conditional transfers aimed at changing behaviour must focus on the opportunity cost of compliance, adjusted for the household's own preference for the imposed conditions.[18] For example, the cost of sending a child to school (including foregone labour opportunities) might be the equivalent of US$30. If the household is willing and able to allocate US$10 to the child's education, a transfer of US$20 should be sufficient to sway the balance and achieve the educational outcome.

There is no necessary conflict between poverty reduction and human capital development. An acceptable level for the poverty line should provide households with adequate resources to meet the conditions imposed by a reasonable social protection strategy. Transfers that raise household income to this level eradicate poverty and support human capital development.

In practice, countries demonstrate a broad range of methodologies and very different outcomes in setting benefit levels. The questions of "Who benefits?" and "What size of transfer is provided?" depend critically on each other – particularly when resources are limited. While social policy analysts pose rigorous methodologies for assessing basic needs, fiscal constraints and political considerations often render the analysis moot. Rarely are benefit levels sufficient to raise households to the poverty line – and when transfer amounts are substantial, they often attract new members to the household, exacerbating the problem of benefit dilution.

Given the beneficiary group and the size of the transfer, it is possible to

Box 11.2: Examples of answers to "What size of social transfer is provided?"

Programme	Benefits size (monthly)	How was the size determined?
Zambia's Kalomo Pilot	ZMK 30,000 (US$6), but ZMK 40,000 (US$8) for households with children	Originally estimated to cover the cost of a meal a day. ZMK 30,000 was sufficient to purchase one 50 kilogram bag of maize (the main cereal). Raised to ZMK 40,000 for households with children based on participant feedback.
Brazil's Old Age Pension	200 Reais in 2002 (US$80)	Set equal to the Brazilian minimum wage. Brazil's 1988 Constitution guaranteed rural workers the right to social security – and the social pension was increased from 50% of the minimum wage to 100%.
Lesotho's Old Age Pension	M150 (US$25)	The benefit was set equal to the official national poverty line for a single person. The amount is relatively low by the standards of non-contributory pensions in Southern African countries, but constrained by Lesotho's limited fiscal resources.
Nepal's Old Age Pension	150 Rupees (US$2)	150 Rupees can buy approximately 10 kg of wheat or rice in Nepal. 150 Rupees is equivalent to 11% of the average citizen's monthly income, or the wage for a little more than two days of agricultural labour. Adjustments are irregular and ad hoc.
South Africa's Child Support Grant	R240 (US$34)	A government-appointed commission recommended R75 per child per month – citing severe budget constraints. The Parliamentary committee responsible for social security overruled the recommendation and raised the initial amount to R100 (but the National Treasury did not increase the overall budget allocation). The grant was increased substantially in 2002 due to substantial food price inflation, and has been adjusted for inflation annually since then.

estimate the maximum amount the programme will cost by assuming (for analytical simplicity) the universal provision of benefits to the intended group.

Costing social transfer programmes

The cost of social transfer programmes depends on three key determinants:

- Coverage
- Benefit size
- Administration

The first of these two determinants are explicitly policy choices – the government determines the coverage of the programme by its decisions in terms of who will benefit from the programme, and the pace at which the implementing institution scales up delivery. The benefit size likewise is primarily determined at the policy level. Administration costs are not directly policy variables, but they are heavily influenced by policy choices in terms of targeting, conditionalities, payments mechanisms and other design features.

Box 11.3: Setting the size of the social transfer for public works projects in Malawi

A study commissioned by the Government of Malawi's National Safety Nets Unit together with the Malawi Social Action Fund (MASAF) analysed the wage-setting process for public works projects in the country. The study found that even very low wages were ineffective in rationing the limited number of public works jobs to the very poorest – and these low levels of transfers compromised the social protection offered by the programme. Instead, the report recommends setting the size of the transfer to reflect the cost of living – approximately MK54 in 2004 compared to the revised public works wage rate of MK37. Because the higher wage rate would increase the attractiveness of public works employment, improved community targeting would be required.

SOURCE: McCord (2004).

The formula below illustrates a generalised method for estimating the cost of the proposed social transfer programme (Formula 11.1).

Formula 11.1: A generalised approach to estimating the cost of social transfers

$$\text{Cost} = (\text{Coverage} \times \text{Benefit size}) + \text{Administration}$$

For example, the annual cost will equal the number of people or households receiving the benefit ("coverage") multiplied by the annual size of the social transfer (in money terms), plus the costs of administering the programme.

However, by specifying certain forms for the cost components, one can fairly easily estimate the cost of a proposed social transfer programme in terms of its required share of national income, as measured by Gross Domestic Product (Formula 11.2).

Formula 11.2: A simplified approach to estimating the cost of social transfers

$$\begin{aligned}\text{Cost (\% of GDP)} = {} & \text{Coverage (\% of population)} \times \\ & \text{Benefit size as a \% of } \textit{per capita} \text{ income} \times \\ & \text{Administrative cost factor}\end{aligned}$$

Most cross-country comparisons of social transfer programmes are expressed as a percentage of national income (GDP). For example, the cross-country comparisons in the preceding sections use this approach to present costs. This is useful because it expresses the cost in terms of its burden on the

Box 11.4: Financing national scale programmes: the example of universal categorical transfers

Person	Income	Benefit	Tax (25%)	Consumption
Themba	2400	6000	600	7800
Tholi	4000	6000	1000	9000
Thami	9600	6000	2400	13200
Zioni	80000	6000	20000	66000
Total		24000	24000	
Poverty	50%			0%
Inequality	33			8

NOTE: Inequality is measured as the ratio of the top quartile's welfare (income or consumption) to the bottom quartile's welfare. The poverty line is 5000.

overall national economy, which usually must finance the programme at scale in a sustainable manner.

The constituent components of cost are likewise intuitive and usually easy to estimate. The first is coverage, which is expressed as a percentage of the national population. For example, a benefit universally provided to all children under the age of five years might reach 7 per cent of the country's population. The second component is the benefit size, which in this approach is expressed as a percentage of *per capita* national income (GDP). For example, a child grant might be set equal to 10 per cent of *per capita* income. Finally, the administrative cost factor is set as a multiple of the total benefit cost. For example, the factor for a programme whose administrative costs are 15 per cent of the total benefits would be 1.15. In this case, the cost of the programme as a percentage of national income can be calculated as $0.07 \times 0.10 \times 1.15$, which is equal to 0.8 per cent of national income.

Financing universal transfers

Box 11.4 above illustrates the special case of a universal social transfer. A fixed benefit provided to each person regardless of socio-economic or poverty status will generally reduce both poverty and inequality as long as the financing of the programme is not too regressive. For example, the simple example in Box 11.4 shows that a fixed benefit financed with a proportional income tax can eliminate poverty and reduce inequality significantly. Such an instrument essentially shifts the "targeting" function from the social ministries to the government's tax revenue function. As long as the fiscal system can generate the required tax revenue, the combination of taxes and social transfers reduce poverty and inequality.

Endnotes

1 Social assistance includes non-contributory transfers to those deemed vulnerable or poor, while social insurance includes instruments that enable individuals to pool resources to provide support in the case of a shock to their livelihoods. For further discussion on these instruments and their role within social protection frameworks, see chapter 1.

2 Tanzi (1992).

3 Pal et al. (2005), DFID (2006a).

4 DFID (2005), Devereux et al. (2005), Samson et al. (2004).

5 Subbarao (2003), page 28.

6 For example, see World Bank (2005b).

7 Subbarao (2003), page 28.

8 The need for greater donor co-ordination was a major theme of discussion at the UNICEF/Wilton Park conference, November 2005. See UNICEF (2005) for greater details.

9 Devereux (2002b), page 4.

10 Subbarao (2003), page 28.

11 Barrientos and DeJong (2004), page 14.

12 De Janvry and Sadoulet (2005), page 2.

13 Samson et al. (2004). Research for the United Kingdom documents a similar effect. Banks and Brewer (2002) report that caregivers appear to target a minimum consumption level – so children in low-income households and those in slightly higher-income households receive similar levels of resources, even if parents in the lower-income households must go without essentials, even regularly skipping meals. Money spent on extremely poor households will tend to go disproportionately to children – but once that minimum threshold is met, resources are more broadly shared.

14 McCord (2004) demonstrates that a public works transfer amount that was less than the proposed Basic Income Grant amount provided a substantial positive impact on household well-being, challenging the assertion that a transfer of R100 would not be significant.

15 Foundation for Assistance International and CASE Kyrgyzstan (2003), pages 9–10; Barrientos and DeJong (2004), page 13.

16 Sedlacek et al. (2000), pages 18–19.

17 Barrientos and DeJong (2004), page 29.

18 Sedlacek et al. (2000), page 18.

Chapter 12

Delivery systems

The objective of this chapter is to provide information regarding the implementation of social transfer systems, with a focus on the systems required for management information, registration and the determination of eligibility.

Introduction

Delivery systems are increasingly recognised as central to the effective implementation of social transfer programmes. This chapter covers the core delivery systems for which governments usually take responsibility – the management information systems and the registration systems. The next chapter discusses payments systems. Different countries adopt varying strategies to implement the programme design. In some cases countries begin with a pilot programme, and then scale up delivery once the design features have been tested and refined.[1] Other countries immediately implement on a national or sectoral scale, building on or adapting existing scheme or starting from scratch, and revising and sometimes expanding over time.

The design plan indicates what groups of beneficiaries will be targeted, how much will be paid, and what and how conditionalities (if any) will be imposed. Turning this design into an actual programme requires systems – for identifying the particular beneficiaries and making payment to them, and for monitoring any conditionalities. The implementation process may encounter bottlenecks or uncover design flaws. Even with reasonable foresight and a well-formulated programme design, the implementing team may run into unexpected problems – budgets are cut, natural disasters increase the number in the targeted population, information systems prove incompatible. The implementation process may also uncover flaws in the programme design that are not amenable to simple correction. Given the complexity of social transfer programmes, no design plan will be perfect – flexibility in the face of bottlenecks and design flaws is essential.

Implementation involves building systems and putting them into operation, as well as overcoming bottlenecks and correcting design flaws in the process. Flexible and adaptable procedures will expedite implementation. While detailed programme specifications reflect thorough planning, locking implementation into a fixed blueprint impedes the learning and flexibility required for success.[2] However, once systems are in place, they can be difficult to change; future modifications in procedures that enforce rights to social security are more likely to be evolutionary.

Figure 12.1 The independent components model for delivery systems

Implementation systems[3]

Once the social analysis and political decision-making process determines the defining features of the social transfer programme, the managing institution must begin the technical process of building delivery systems. While a number of approaches are possible, this chapter discusses the most effective practices common to many successful programmes around the world. The first step is establishing a registration process that captures relevant information concerning the targeted groups and consolidates it into a single registry, a national database including information on all households considered for the programme. The second step is the identification of eligible individuals or households, based on the established criteria. The third step enrolls participants in the programme, and notifies the beneficiaries of their rights and responsibilities. The fourth step delivers the social transfer to the participant. These steps are illustrated in Figure 12.2. Subsequent steps include monitoring, evaluation and impact assessment, and these are addressed in chapter 15. Conditional programmes will also require additional systems for the monitoring of compliance with conditionalities. In addition, systems of

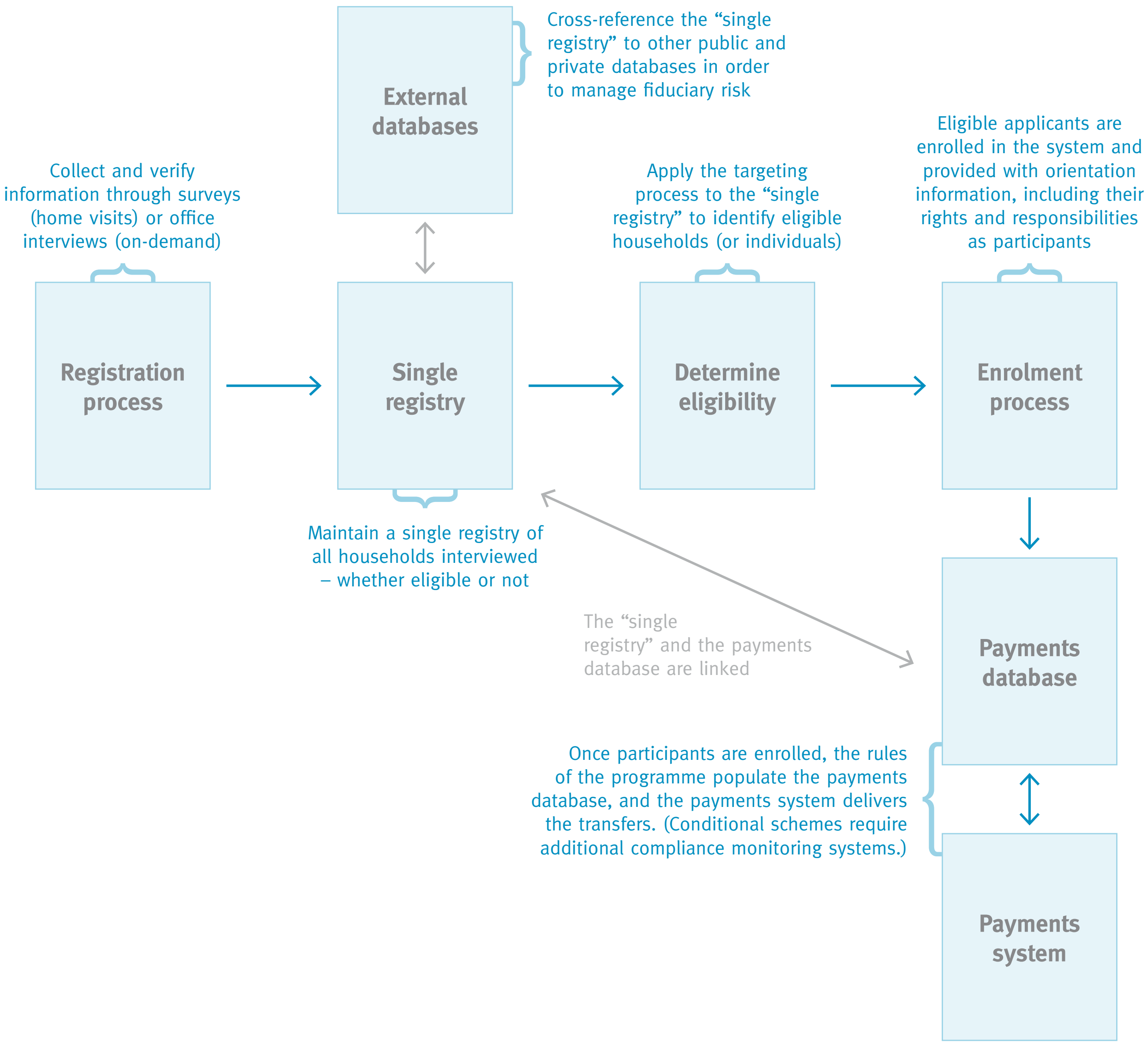


Figure 12.2 A flowchart for major systems required to implement a social transfer programme

SOURCE: Castañeda and Lindert (2005).

accountability run parallel with these operational components. For example, an appeals process serves as a check on the system that determines eligibility. Fiduciary risk systems monitor the payments process.

The management information system

There are several essential purposes for a social transfer programme's management information system:

- Provide a single registry of all beneficiaries
- Automate programme components and provide a seamless and efficient transfer of data between and among programme components
- Provide a central store of information and ensure its integrity, accuracy and security
- Minimize use of paper-based processes and duplication of efforts
- Provide levels of interaction and integration with existing system initiatives to harmonise databases and better coordinate programmes

The management information system can serve to fulfil several functions:

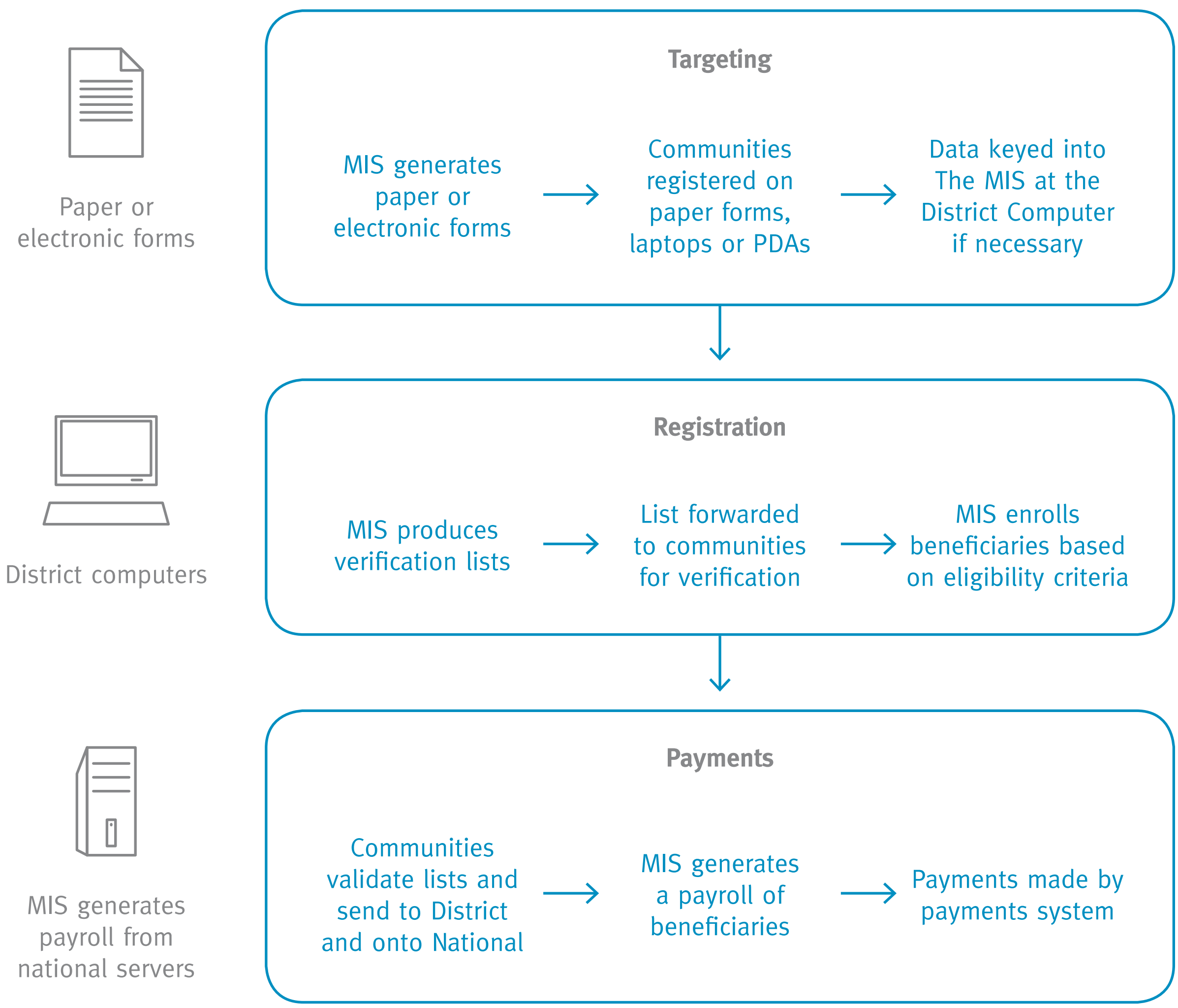


Figure 12.3 The role of the management information system in delivering the programme

- Selection of beneficiary families
- Payments management
- Case management
- Base for the control and monitoring processes
- Rights and grievance management
- Integration of complementary programmes
- Selection of beneficiaries for other public policies
- Identification of the various poverty dimensions and vulnerability

Information systems and the "single registry" (Cadastro Único)

Appropriate and effective information management systems provide an essential tool in implementing a successful social transfer programme. Many of the features of Brazil's "single registry" (known as the "Cadastro Único") provide a relevant model to consider, even for unconditional programmes. A household must register in Brazil's Cadastro Único before to participating in Bolsa Familia. The Cadastro Único contains data representing approximately 50 million people, comprising an estimated 10 million families.[4] A single national registry for determining and monitoring programme eligibility offers many advantages, including controls on duplication of benefits, efficiencies in administrative costs and systematic management of exit criteria.[5] A sketch of the system is provided in Figure 12.4.

In the process of designing an effective management information system, two ingredients are essential. First, the system's design team must involve the programme staff members, who are responsible for entering operational data and maintaining the system. This brings critical stakeholders on board with the new system and tends to improve the quality of the system's operations. Second, the design team must involve the end-users of the system in the design of appropriate reports and analytical tools.[6]

The main interface between the applicant and the single registry takes the form of a questionnaire, either on paper or a computer screen. The amount of information depends on programme requirements – in Brazil's, case the questionnaire includes 13 pages of questions capturing names, identification numbers, addresses, household characteristics (particularly those of the dwelling that reflect living standards: construction materials, water sources, vital services), incomes and expenditures as well as other information.[7] Universal programmes within categories (such as Lesotho's social pension) require substantially less information – name, proof of age and residency, and a mailing address or bank account number.

The database can serve a multitude of functions in addition to registering claimants. It can serve as the basis for future monitoring and evaluation processes and potentially support other development projects. This potential should be considered in designing the data requirements for the system.

The technology of data entry can reduce the cost and improve the accuracy of the database. Electronic data capture during field interviews simplifies and speeds up communication and database updates, but the cost of this more capital-intensive technique may be high and require substantially more training than a paper-based approach.[8] The feasibility of this approach will depend on the country context, the human resources and the technology available. For a one-time "big push" to roll out a new programme, a survey-based approach may require large numbers of temporary interviewers. In Brazil's case, municipalities set up and trained the interview teams, hiring school teachers, community health workers, municipal staff members from the departments of health, education and social development, workers from other social transfer programmes and non-governmental organisations, students, volunteers and trainees. In the absence of consistent high-quality training, the interviews provided data of uneven reliability.[9]

Once the questionnaires are collected, data entry processes capture the results into the single registry. With Brazil's Bolsa Familia, municipalities entered the information and transferred it to the local office of the national banking partner (Caixa Econômica Federal) using disks or the internet, from where it was consolidated on the bank's mainframe computer, with assigned unique social identity numbers, and distributed in encrypted form to the appropriate government agencies.[10] In cases where existing databases hold useful household-level information, it may be possible to automatically migrate the records to the new registry.

Data validation is essential. At the household level, survey team managers should randomly cross-check the accuracy of the survey instruments, including revisiting the selected households to verify that the interviewer actually surveyed the household members. Consistency checks can provide a measure of the quality of a questionnaire's data. If expenditures vastly exceed reported income, for example, there's a higher likelihood of income under-reporting, particularly if the household is aware that eligibility depends on reported income. Tests across entries within the database can identify duplications. With Brazil's Cadastro Único, an audit uncovered thousands of entries with more than one identity number, and nearly half a million cases where an identity number was registered more than once. Duplications arise from field entry errors, poor municipal-level coordination that causes multiple teams to repeatedly survey the same areas, and identity verification problems.[11]

Without real-time data entry – during which the person entering the data has immediate access to all previous entries – it is not possible to verify with certainty that an applicant has not registered previously. In this case, consistency checks internal to the registry provide a critical check on fiduciary risk. (See the section on enrolment later in this chapter for more examples of fiduciary risk management.) The World Bank has linked loan conditionalities for Bolsa Familia to improvements in data quality addressing some of these issues.[12]

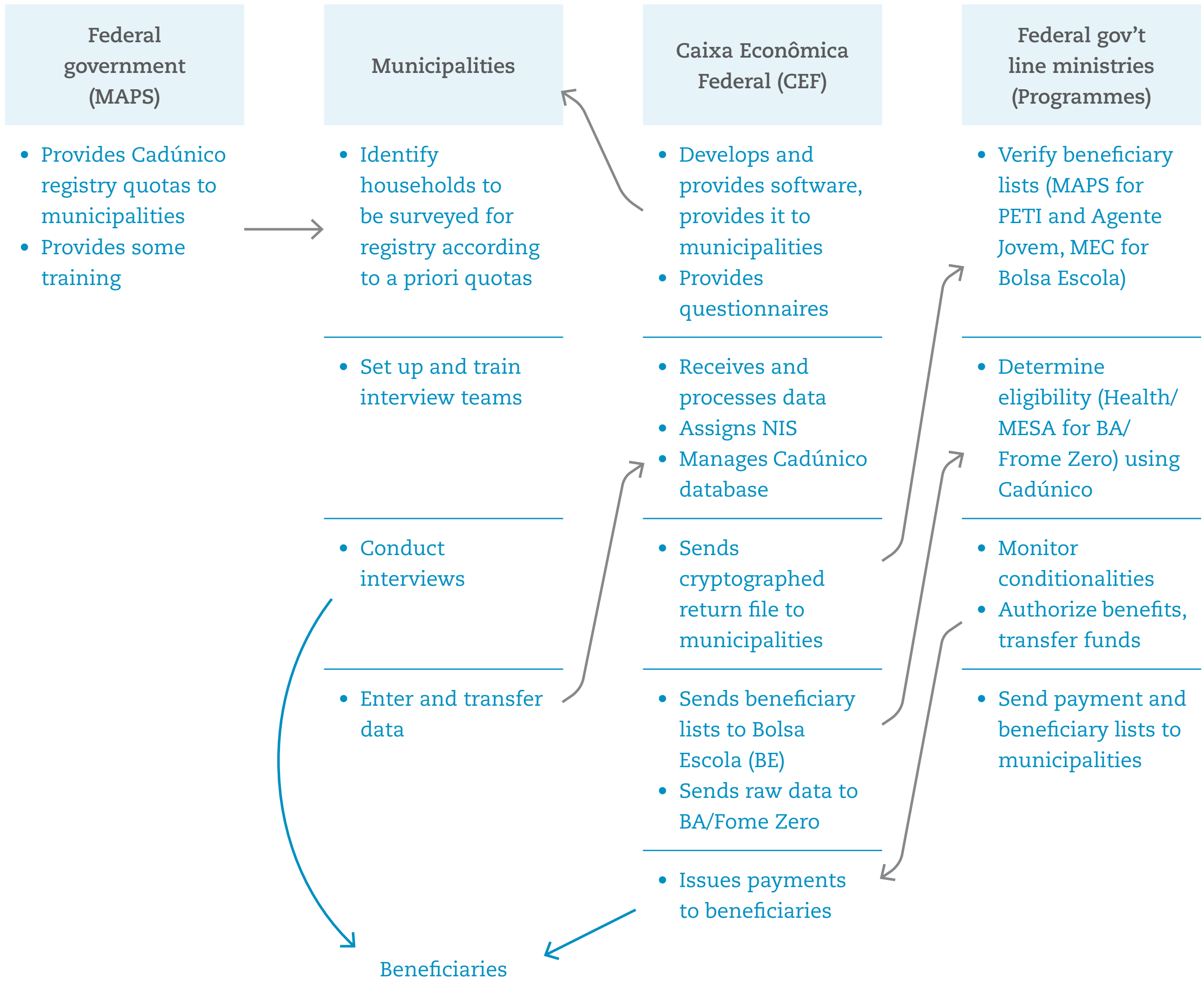


Figure 12.4 Brazil's single registry (Cadastro Único)

SOURCE: de la Brière and Lindert (2005).

Registration

The registration process is the first point of official contact between the social transfer programme and the potential participant. This usually takes the form of either a social worker visit to the home of a potential beneficiary as part of an expansive survey (survey approach), or else a visit by a household member to a designated enrolment site or government office (on-demand approach). Either approach requires complementary outreach and information campaigns, which should employ media that best reach the poor – radio announcements and shows, public notices, outreach through religious institutions, broad-based advertising campaigns and other channels. The survey approach provides more immediate results and is well-suited for areas with high poverty rates, while the on-demand approach is less expensive and better institutionalises a registration process.[13] Both approaches can be used simultaneously, with the survey approach geographically targeted to areas where it is most appropriate. The advantages and disadvantages of the two approaches are outlined in Box 12.1.

Many programmes – both conditional and unconditional – limit the registration process to specific periods during the programme cycle, often with arbitrary limits for the number of eligible beneficiaries. Zambia's Kalomo cash pilot enrols participants and then closes the registration process until the next enrolment period. In addition, the number of beneficiaries is limited to the poorest 10% of households in an area, even though many more are critically poor and otherwise eligible.[14] Brazil's sophisticated management information system effectively prevents households from registering for multiple grants, but has repeatedly excluded eligible beneficiaries because a particular municipality had met its quota for beneficiaries.[15] The ideal registration system is universal and open-ended – any potential beneficiary can apply at any time, and programme officials will assess eligibility for immediate access to social transfers. Registration should not be limited to fixed survey or enrolment periods or subject to arbitrary limits.[16] It is important to stress that access to social security is a right, and social transfers aim to protect that right. Systems of registration should ensure that claimants understand their rights and are treated accordingly.

For the registration process to succeed, the poor must have information and access to the registration process. Jamaica's television advertisements depicting the pregnant spouse of a cabinet minister registering for a social transfer programme raise awareness while reducing the exclusionary impact of stigma.[17] While the very poorest may not have access to television, these types of publicity campaigns can have important indirect effects – beneficiaries frequently cite relatives, neighbours and friends as the main source of information about social transfer programmes. Information alone will not suffice to guarantee success, however; the cost of registration must be affordable to the poor. The survey approach can reduce the cost to the poor, while the on-demand model can involve transportation costs that prove prohibitive, particularly when the poor fear that they may not qualify for the grant. Box 12.4 discusses implementation problems in India that undermine the poor's access to social protection.

With either the survey approach or on-demand interviews, the officials should always treat potential participants with respect and in a culturally appropriate manner, informing them of their rights and responsibilities in the programme, particularly with respect to the terms of confidentiality. Interviewers should provide their clients with an opportunity to ask questions and with contact information (for example, a toll-free telephone number where appropriate) for later queries and so that they can follow up on the status of their application. Interviewers should speak the language of the

Box 12.1: Alternative approaches to registering beneficiaries

The survey-outreach method (Social workers survey of poor areas)	On-demand application method (Potential beneficiaries apply at offices)
Disadvantages	
• Total cost of registry may be higher, especially if survey covers many non-eligible, non-poor families • Static database that is difficult to update and manage, and that can deny ongoing (permanent) access to registry (between survey updates) • Quota-based (rather than exhaustive) surveying can result in non-transparent decisions being made about which families get registered before data are collected • The poor may not be home at the time of the survey, or they might not trust the surveyor and provide misinformation	• Those that apply may not be the poorest (may live closer to urban areas, be more informed, have higher education and or have money for transport costs, etc.); • May exclude the poorest of the poor who are less informed or face higher transport costs • Per unit costs are higher (repeated travel costs of making separate and repeated home visits in specific neighbourhoods as families apply). • There are problems with locating addresses of poor.
Best suited when:	
• Poverty levels are high (over 70%), poverty areas are homogeneous (rural areas, urban slums), low average education levels • There is a need to start a large programme quickly and government needs to be proactive in reaching the poorest.	• Poverty levels are moderate or low, and areas are heterogeneous; • People have higher education levels and outreach campaigns to encourage programme participation can be implemented.
Examples of use:	
• Colombia's SISBEN (exhaustive census-surveying of pre-identified poor areas) • Brazil's Cadastro Único (quota-based surveying) • Chile's Ficha CAS until the early 1990s • Mexico (Progresa programme) in poor, rural areas • Costa Rica (surveying of poor areas)	• Chile's Ficha CAS since the early 1990s • Mexico (Progresa programme) in urban areas • Costa Rica • Colombia

potential beneficiary, or at least provide translation services. It is important to communicate clearly the purpose and limits of the interview: that the programme is assessing the individual's (or household's) eligibility for a social transfer programme, that the interview itself does not guarantee eligibility, and that the applicant has the right to appeal if denied the benefit. The interviewer should provide clear information about the appeals process, as well as other information about social services and other benefits to which the applicant might be entitled.[18]

Box 12.2: Applying for a social pension in Namibia

In a rural village in northern Namibia, a vehicle delivers the pension, N$300 each month, which pensioners withdraw with their pension card. There are still older people who do not have a card and hold out their identity documents or birth certificate in the hope that they will be informed about their application. Unfortunately the officials travelling with the vehicle do not accept application forms or comment on their status. Applicants must travel to Tsumeb, the local town about one hundred kilometres away, to visit the social development office in order to check their application status. If there are problems with application papers, people are sent to the local home affairs office. The application is not accepted if there is a contradiction between the age on the birth certificate and that on the identity document. The local office will send the papers to Windhoek but changes are rarely granted. If they are granted, people are charged N$50 for a new identification document. Since large numbers of people live on less than N$10 per month, that amount can prove an insurmountable sum. Further, one has to pick up the identification document in person, which is impractical for older people or people afflicted with illness. If someone did not have his or her identification document, the government used to authorise doctors to estimate the applicant's age. Now, however, the government requires the individual to travel to Windhoek or Oshakati for medical x-rays that provide evidence of age. This requires money, time and energy and creates further barriers for many people in their quest to access social protection.

SOURCE: Widlok, T. (2005).

Documents

Any registration or eligibility process will require processes for documenting a potential beneficiary's identity. This poses an initial stumbling block, as the poorest often have the least access to the necessary documentation. At the same time, lack of documentation often blocks the poor from accessing other government benefits, and the incentive provided by the social transfer programme to obtain the appropriate identification documents may help unlock access to these other public benefits. The success of the social transfer programme is likely to hinge critically on the processes that provide identification documents to the target population. This factor is further complicated because the government department that provides these documents is usually different from the one managing the social transfer programme.

In addition to identity, the documentation will need to substantiate other conditions for programme eligibility, such as age, relationship to other household members (such as a care-giver applying for child grants), income, health conditions (including disability or participation in health programmes), and education conditions (such as school registration).

Determining eligibility

Once households have registered for the programme, the process of determining eligibility involves applying the targeting criteria to the data in the single registry.[19] For example, the eligible population for a universal pension

Box 12.3: Nepal solves the missing identity documents puzzle

In 1994 the Nepalese Government announced the imminent implementation of the Old Age Allowance Program. Older citizens needed a Nepalese citizenship certificate, which verified their age, to apply for the pension. At the time of the announcement, many of the eligible older people did not possess these certificates. The government encouraged older people to apply for them, but supporting documents verifying age, place of birth, current address and father's name were required. It is very difficult to get an accurate proof-of-age, but the government was open-minded about the problem. During the previous electoral campaign the Election Commission of Nepal had issued an identity card which included the age of the voter. These cards were allowed as proof of age, enabling some Nepalese to gain the pension. For those who did not have an identity card from the Election Commission, the government accepted a horoscope, which contained an accurate date of birth. Older people were not required to undergo expensive medical verification of their age, making the application process easier and dramatically improving take-up of the pension.

SOURCE: Rajan, S. I. (2002).

includes all those in the registry whose age is above the selected threshold. Means-tested programmes require more complex procedures (as discussed in chapter 7). The single registry may alternatively be used as a foundation for more accurate geographic targeting. After any one of these types of targeting mechanisms (or a combination) produces the list of eligible and selected beneficiaries, field testing and community validation can provide a check on the results.[20] In Brazil's case, the national banking partner (Caixa Econômica Federal) provides the database to line ministries, who make the eligibility determinations in accordance with national criteria, which are then validated by municipal councils – usually with the effect of reducing the number of beneficiaries.[21]

Chapter 7 addressed the defining questions for determining eligibility – whether to target at all, and if so, which targeting mechanisms to use. The answers to these questions establish the framework for identifying the programme participants. Making this framework operational requires considerable attention and care – targeting succeeds or fails as much due to implementation as to design.[22] An extensive study of targeting mechanisms concluded that no single blueprint provided the ideal targeting mechanism; rather, for any chosen approach, programme managers required more creativity and diligence, as well as improved and better-resourced administration. The study identified key themes for improving implementation:[23]

First, what cost-effective administrative improvements would reduce errors of exclusion and inclusion, and thus improve targeting performance? Many of the barriers to the poor arise in the first step of implementation – registration. For example, the poor do not always possess the necessary identity documents required to register for the programme. As discussed in Box 12.3, Nepal's flexibility in permitting alternative methods for proof of age demonstrates one strategy for improving take-up rates.[24]

Second, what cost-effective administrative improvements would reduce private and social costs? In South Africa, applicants visiting government social development offices complained in 2001 that officials in the offices would initially provide minimal information regarding the eligibility requirements – and then provide just enough information on subsequent visits that multiple trips were required. Multiple visits increased the costs of administration as well as the time and travel cost burden on the poor applicants (and reduced take-up of the grants). The government implemented the Batho Pele ("Putting People First") customer service programme to transform the service standards of bureaucrats, which contributed to lower private and social costs as well as substantial increases in take-up of social grants.[25]

Third, how can administrative costs be lowered and/or quality improved? Brazil's implementation of Bolsa Familia's single registry (Cadastro Único) aims to lower administrative costs and improve the quality of the targeting process by consolidating systems and applying fiduciary risk management techniques.[26] Zambia's Kalomo cash pilot developed an effective procedures manual (and made it available on the internet as a public good). Effective manuals can help standardise procedures that guarantee high quality delivery and reduce costly administrative errors.[27]

Fourth, can other social programmes employ the same targeting mechanism? In 1999 Armenia consolidated 26 small cash transfer schemes into a single integrated programme that employed a unified targeting mechanism, improving targeting and benefits while reducing administrative costs.[28]

Fifth, does the targeting mechanism reflect sound practices? Unverified means testing can lead to under-reporting of income. Proxy means testing with poor statistical analyses can increase both inclusion and exclusion error and damage the credibility of the programme. Geographic targeting with outdated data produces potentially biased and inefficient results. Community targeting without appropriate appeals processes can lead to widely varying standards across regions.

Sixth, does effective monitoring and evaluation aim to improve the implementation processes? The Mexican government has legislated requirements for external evaluations of the Oportunidades programme.[29] Increasingly, governments recognise the value of monitoring and evaluation to not only assess the programme's impact but also to contribute to improving the delivery of social protection. Chapter 15 will explore this issue in greater detail.

Enrolment

The enrolment process formalises the selection of the eligible beneficiaries, and the degree of formality this requires varies from programme to programme. Enrolment in a universal pension programme can take place at the same time as registration – the eligibility criteria are completely transparent. With more vigorously targeted programmes, enrolment may follow the registration process because of the need to process the data. These lags increase the cost of the programme – in terms of administration costs, private costs to the participant (for example time and transportation), and the delay in terms of

Box 12.4: Implementation pitfalls in the delivery of social transfers in the state of Maharashtra

Field research from October 2003 to June 2004 in two villages in the the Indian state of Maharashtra provides examples of implementation problems with the government's social transfer programmes, including the National Social Assistance Programme and the Maharashtra Employment Guarantee Scheme. Evaluating implementation processes can illuminate potential reforms that can improve delivery, particularly with respect to application procedures, eligibility determination processes and payment mechanisms.

The application process for social transfers in the state of Maharashtra in India can prove time-consuming, costly and haphazard. Applicants often cannot freely obtain the necessary forms at the appropriate government offices (tehsil office) and must purchase them at photocopy shops. The form typically contains 14 pages, many of which require certified statements from village government officials. Applicants with low literacy levels may require assistance – available for a fee from private "writers" (karkhoons) or "agents". Agents cost several times what writers charge, but use their political connections to obtain the required official certifications.

Applicants must provide proof of age, either through a school-leaving certificate or a certified record from the birth register. These are often difficult to obtain and frequently an applicant must pay a government medical officer to certify age. The village revenue office (Talathi) must provide an income/property certificate as well as a certificate of residency, which can also be provided by the village council president. Applications for disability grants require additional certification and create further opportunities for corruption.

Improper submission of an application can jeopardise prospects for success. Often the receiving official requires a small bribe, and failure to pay can consign the application to the dustbin. No receipts are normally provided, leaving applicants with little recourse for "lost" applications. In some cases, officials refuse to accept the applications because of minor errors, avoiding the work of processing the application and imposing additional costs onto the applicant while reducing the effective demand for the programme. The local Social Security Committee meets bimonthly to review applications. The process is fairly informal, with little recourse for rejected candidates, providing rampant opportunities for favouritism and corruption.

Employment Guarantee Schemes also suffer from process deficits. There are few mechanisms by which a worker can protect his or her right to a guaranteed job, and supervisors sometimes require bribes. The failure to appropriate register all those who need jobs prevents the establishment of the required number of projects. Wage payments are sometimes delayed by two or three months, creating particular hardship for the poorest and creating vulnerability to usurious credit traps.

These examples of implementation problems in Maharashtra's social transfer programmes underscore the need to understand informal mechanisms that work side-by-side with official institutions, many of which can make social transfers more regressive than necessary. Additional bureaucratic procedures that protect rights – like providing receipts for submitted applications and monitoring outcome indicators – can improve delivery. In other cases, reducing or relaxing administrative requirements can support improved effectiveness. Providing an independent advocate to support the interests of the applicants – through structures independent of local politics – can help to reduce corruption and inefficiency.

SOURCE: Pellissery, S. (2005).

providing the household with resources.

Enrolment processes for conditional cash transfer programmes can be more demanding on administrators and beneficiaries. Depending on quotas, the processing of proxy means tests, and the role of community participation, there may be a big delay between registration and eligibility determination. Enrolment begins with a letter or community notice announcing the selection of participants. In some cases, eligibility documents are verified after the eligibility determination has been completed. Given the complexity of conditionalities, the programme may require orientation and information meetings to convey the rules of the programme – these can take place during the enrolment process. Often, given the contractual nature of conditional programmes, the enrolment process will include the signing of a formal agreement.[30]

Implementing payment systems

The implementation phase of the programme culminates in the payment of cash to the beneficiary. Once a participant formally enrols, the payments process ensures that the payments database reflects authorisations to pay the participant – subject to possible conditionalities. The payments database is linked to the single registry, but contains records only for enrolled participants. With conditional cash transfer programmes, the payments database must also receive data feeds from the line ministries or other agencies responsible for monitoring compliance with conditionalities.

Cash can be delivered through government-implemented payment processes, the private banking system, postal banks, private payment contractors and electronic systems using smart cards (which can be integrated with any of the other options). Greater reliance on information and communications technologies (ICTs) – including computers, telephone networks, the internet and other technologies – will usually require large initial investments, but will save money and time in the long-term.[31] In particular, the second-order benefits of ICTs are likely to be important – but if they cannot be leveraged, the investment might not be warranted. For example, the use of a smart card to deliver social transfers requires expensive technology, but it also offers a savings vehicle for poor households and a secure means of making cash transactions at the local shop. Visits to paypoints can be eliminated – the social transfer materialises automatically on the smart card each month. If these features cannot be implemented however, the cost of the smart card might not be warranted.

The first step in identifying the appropriate strategy is to consider all the available and feasible options. For example, is there a banking system or post-office system which reaches rural areas? The options will vary from country to country, as will the relative costs and benefits. If a single one of these options is unable to deliver cash cost-effectively, a combination of measures may provide more efficient coverage. Government cash distribution systems offer the advantage of a service delivery mechanism that is completely under government control, but does not provide a built-in check of service quality and can prove costly. Lesotho's delivery system for the social pension provides an example of this option: it uses a collaborative arrangement among the post office, the Lesotho Defence Force and the Lesotho Mountain Police, with military helicopters used to access remote areas.

The private banking system can often offer a competitive alternative. Banks leverage private sector experience in cash handling and payments, and they often provide broad-based geographical coverage, tested systems for risk management and access to appropriate technology. However, in many countries the poorest are excluded from access to the banking system, and this option may prove costly if competition is weak because banks may demand high fees. Nevertheless, this option may still be cheaper than having to carry and distribute money over large distances on a monthly basis. The costs may differ for rural areas where populations are often spread out and urban areas where populations are concentrated. Mexico relies cost-effectively on the banking system to provide payment services. The involvement of banks in Mexico may promote an improvement in banking services for the poor. In Somalia, the United Kingdom's Department for International Development contracts with Western Union, an international private money transfer company, to deliver social transfers. A 24-hour service anywhere in the country costs only 4% of the transferred amount.[32]

Smart card services offer a modern, efficient and administratively efficient payment vehicle with substantial potential for spill-over benefits (savings vehicles, payment facilitation). However, no country has yet implemented a national electronic social transfer payment mechanism, so its performance in practice is difficult to assess. Smart cards are not easily implemented in communities that lack reliable electricity or access to telecommunications, because they often validate transactions over a computer network.

Mobile Automated Teller Machines (ATMs) can be employed to distribute funds supporting any of the above options. Some mobile ATMs are built into a vehicle, while others are carried in the back of a truck. In most environments, security in the form of armed guards is required. Armed guards travel with mobile ATMs in Namibia and South Africa, where cash-in-transit heists are a problem. In addition to standard Personal Identification Number (PIN) measures, the computer system managing the ATM could link to the social transfer programme's administrative data, thus verifying eligibility. They also can be equipped with biometric verifications systems, such as fingerprint scanners. Mobile ATMs are not dependent on electricity infrastructure because vehicle generators can power them. They can be loaded with beneficiary data before they embark on their rounds and then operate off-line, eliminating their dependence on communications infrastructure. Alternatively, telephone links, cellular connections or satellite communications can provide real-time payment updates. Mobile ATMs can operate using conventional magnetic strip cards or smart cards.[33] The advantage of this is that beneficiaries – who may be elderly or physically disabled – do not have to travel long distances for the money.

The next chapter discusses the lessons of global experience on developmental payments systems in greater detail.

Summarising lessons for successful delivery systems

Decades of international experiences with social transfers – and with other forms of poverty reduction programmes – yield some general lessons to consider in formulating an implementation strategy.[34]

First and foremost, commitment and leadership from the political sphere is required. As discussed in the case studies in this guide, presidential support provided critical force in the success and expansion of social transfer programmes in Brazil, Mexico and South Africa – and most likely in many other countries. Effective programmes require significant institutional change – in rules, norms, behaviours, and organisations – which can be difficult and uncertain. Sustained commitment from political leaders, particularly when it includes a wide coalition of allied interest groups, provides important impetus for successful implementation.

There is no universal blueprint for appropriate social transfer programmes. The implementation strategy most likely to succeed encourages a mindset that is ready to continuously learn, take calculated risks, and closely monitor and evaluate results. Progress depends on a process of adaptation, and a willingness to learn from experimentation and adapt to new information. Brazil's Bolsa Familia continuously adapted: rooted in sectoral and municipal schemes, it evolved into an integrated national programme. South Africa's Child Support Grant began as a small and vigorously targeted quasi-conditional grant, and persuasive evaluations and assessments motivated the government to adapt and expand the programme into one of the country's most successful poverty reduction interventions, affecting the lives of more than half the country's poor.

Reliable information management provides the foundation for implementation success, from identifying the poor to targeting the beneficiaries all the way through to paying the cash, tracking the results and managing fiduciary risk. An integrated information management system should meet the needs of all the stakeholders and role-players. It is necessary to invest in building staff capacity, and in broad social institutions involved in making anti-poverty programmes work. These institutions may be governmental, private or nongovernmental. Institutional problems such as corruption or information backlog are a hindrance to the successful implementation of social transfer programmes.

The appropriate mix of centralised management and decentralised implementation requires finely balanced trade-offs. Local role-players often have critical knowledge about the needs of programme beneficiaries. Balanced decentralisation fosters greater programme flexibility – although sometimes it creates more fiduciary risk.

Good communication reinforces all dimensions of successful implementation. Particularly as local managers learn what is and is not working, information must be shared – not only through the formal information management systems, but through open communication channels that reach the highest levels of programme management. Top officials must be open to criticism and even scandal – a transparent process that tackles the problem rather than obscures it will lead to long-term success. For example, South Africa's Minister for Social Development is at the forefront of rooting out corruption when it crops up (at about 1.5% of total transfers, relatively low by international standards.)

Good communication supports the dissemination of lessons on what is working and what is not. It is useful to publicise early successes through the media, in order to keep beneficiaries and implementers informed about results, as well as encouraging the public and politicians to remain supportive of the programme and to encourage take-up. For example, it may be useful to produce documentaries (as has been done in Zambia with the Kalomo project) about the programme and its impacts, and broadcast these on national networks.[35]

Endnotes

1 Devereux et al. (2005), page 62.
2 World Bank (2004d), pages 10–11.
3 For example, see Castañeda et al. (2005), de la Brière and Rawlings (2006).
4 Lindert (2005), page 6.
5 Ibid., page 7.
6 Lecuit et al. (1999).
7 de la Brière and Lindert (2005), page 8.
8 Ayala (2003), page 70.
9 de la Brière and Lindert (2005), page 15.
10 Ibid., page 11.
11 Ibid., page 11.
12 World Bank (2005c).
13 de la Brière and Lindert (2005), page 19; Castañeda et al. (2005), page 11.
14 Schubert (2005), page 12.
15 Britto (2005), page 11.
16 For a similar recommendation for Brazil's single registry, see de la Brière and Lindert (2005), page 7.
17 Grosh (2005).
18 Castañeda et al. (2005), page 15.
19 Castañeda et al. (2005), page 19.
20 Ayala (2003), page 41.
21 de la Brière and Lindert (2005), page 9.
22 If the design question is which targeting mechanism to use, then implementation is much more important than design. In a World Bank study of targeting performance, 80 percent of the variability was due to differences within targeting methods (that is, how the chosen method was implemented) and only 20 percent due to differences across methods (where the method is the design choice). See Grosh (2005).

23 Grosh (2004), page 85; Coady et al. (2004), page 22. The following six themes are based on questions raised in their book and course presentation, with additional examples drawn from the case studies supporting the analysis in this guide.

24 Rajan (2002), page 15.

25 South African Department of Public Service and Administration (2007); see also Samson (2002).

26 de la Briere and Lindert (2005).

27 Schubert (2005).

28 Coady et al. (2004), page 25; Harutyunyan (undated), page 1.

29 Fernald et al. (2008), page 830.

30 Ayala (2003), page 45.

31 Gallaher (2005).

32 Kidd (2006), page 6.

33 Gallaher (2005).

34 This section draws general lessons from World Bank (2004d), as well as from the case studies undertaken for this guide.

35 Schubert and Goldberg (2004), page 9.

Chapter 13

Payment arrangements for cash transfers

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The objective of this chapter is to describe the range of payment arrangements that are available for social transfers. In particular, it will examine new possibilities for financially inclusive payment arrangements.

Introduction

Key section message: Cash remains the most common payment arrangement for social transfer programmes in developing countries, but new possibilities for financially inclusive payment arrangements are opening up.

Most social transfer programmes in developing countries today are cash-based. As highlighted in our first report, the payment arrangements of these programmes remain an afterthought for most programme designers.[1]

However, there are signs that this is starting to change. Two main forces are driving this change. First, there is mounting evidence that appropriate financial services, such as savings and microcredit, can bring additional benefits to recipients in ways that enhance the developmental benefits of the social transfers (see Box 13.1). The recent book *Portfolios of the Poor* chronicles the monthly use of financial instruments by poor households in three countries to demonstrate that poor people already use a range of financial instruments and that there is strong demand for convenient, safe and affordable financial services.[2]

Second, the rapid spread and takeup of wireless communications in developing countries has had profound effects on the lives of people, including poor people (see Box 13.2). One effect has been to allow the development of new channels so that financial services can be offered beyond traditional service

Box 13.1: What difference do financial services make to the lives of poor people?

Economists Dupas and Robinson (2008) used rigorous experimental methodology to show that savings enhance the welfare of the poor. Savings accounts were provided to self- employed women in a village in rural Kenya. The accounts paid no interest on deposits, and there were fees for withdrawals. After 4-6 months, those who had opened a savings account had increased their average business investment roughly 40% more than those who had no account. Furthermore, six months after opening the account, the daily private expenditures of the women were around 40% higher than women in the control group who had no account, and the average daily food expenditures were up to 28% higher, suggesting that higher investment led to higher income.

Barrientos and Scott (2008) have suggested that the developmental benefits of social transfers are enhanced when they lead to savings and investment, which may create a long-term pathway out of poverty: financial services such as savings and credit enable the effects of the social transfer to be spread over time so that poor people can invest in human capital (by investing in health and education) and economic capital (by accumulating income-generating assets). Using the example of BRAC's IGVGD programme in Bangladesh (see Hashemi and Rosenberg 2006), they cite the positive benefits which appropriate financial services can bring.

SOURCES: Dupas and Robinson (2009), Barrientos and Scott (2009) and Hashemi and Rosenberg (2006).

points like the bank branch – known as 'branchless' banking – in areas which were previously unviable to serve. Although many recipients of social transfer programmes today do not have their own mobile phones, mobile coverage in developing countries is rising rapidly.[3] Today, new delivery mechanisms using local merchants as bank agents and/or using recipients with shared cell phones are enabling even the very poor to access formal financial services.

Enhancing the payment process

Key section message: Today, enhanced payment options can create stepping stones to financial inclusion. This section also introduces key words and issues such as "store-of-value account", "financial instrument" and "channel".

Comparing payment arrangements

There are three main approaches towards the payment of social transfers in developing countries today. In order of their prevalence,[4] they are: 1) cash payment, 2) special purpose transfer accounts and 3) financially inclusive accounts. The latter two approaches are sub-categories of what we previously dubbed 'enhanced' payment approaches,[5] since it now is important to distinguish more finely within this broad category. The three approaches are contrasted in Figure 13.1 and the comments that follow.

Social transfers paid in cash require that the recipient come to a defined point, such as a post office or other government office, at a particular time to receive the payment. The alternative is to transfer the funds to an account in the name of the recipient. The recipient can then withdraw cash as needed. Clearly, on a cost basis alone, most proponents of social transfer programmes would prefer the latter approach because the cost of an electronic transfer is typically very small, and the

Box 13.2: How are cell phones changing the lives of poor communities?

Researchers have found strong evidence of cell phones' positive impact in reducing transaction costs for small producers and consumers.

For example, phones enable small famers to collect price data more easily, which means that they can get better prices, and local markets can work more efficiently. In rural West Africa, food producers have traditionally sold their produce only in their local markets because they had no easy way of establishing prices and supply conditions elsewhere. However, recent research by Aker (2008) on grain markets in Niger found that grain traders used cell phones to gather and disseminate information across local grain markets. This reduced the dispersion of prices and also smoothed variations in pricing.

In his research among fishermen in the Indian state of Kerala, economist Jensen (2007) was able to look beyond the effect of cell phones on pricing to the welfare of those using them. After the introduction of cell phones, fishermen no longer simply brought their catch to the nearest town, but rather called ahead to buyers in several markets before choosing where to land with their catch. Following the adoption of cell phones, the fisherman lost less of their catch as a result of unsold fish at oversupplied markets, and their profits increased as a result. In addition, as the result of more competitive markets, the average price of fish to buyers declined. Jensen concluded that investment in information technologies may have more value for social development purposes than is usually recognised.

SOURCES: Aker et al. (2009) and Jensen (2007).

	Cash paid	Special purpose transfer	Financially inclusive
Payment instrument	Cash	Electronic transfer to a store of value	
Functions of account	N/A	Only withdrawal in one amount	Can withdraw in part; and make and receive other payments
Where cash can be collected	Only at specified pay points	At pay points; and potentially other service points	At range of financial sector service points
When cash can be collected	At specified time	May be specified only for special purpose infrastructure; within time window	At any time at which service points operate

Figure 13.1 Comparing cash payments to other delivery approaches

costs of operating the account and cash withdrawal are shifted to the recipient. However, there have been two constraints to this approach:

1. Most transfer recipients in developing countries do not already have a bank account. In low-income countries, only those in the top fifth of the population typically have bank accounts, and banks have had limited interest in serving very poor. Furthermore, regulations specifying the form of identification necessary to open an account often prohibit the inclusion of very poor people, who usually do not have the requisite formal identification.

2. Even if a transfer recipient does have a bank account, there often are no convenient places to withdraw cash from the account in order to buy the necessities for which the transfer was intended.

Over the past decade, the creation of a special purpose account has been an increasingly common approach in middle-income and wealthy countries. This store of value is usually linked to a card of some form, which is linked to the recipient. The full cost of the account is paid for by the social transfer agency, addressing the first constraint above. Social transfers are paid into special purpose accounts, which are not bank accounts, but stores-of-value whose sole or main purpose is to allow the recipient to withdraw the transfer, usually within a defined time period. The recipient may be able to access the funds at general purpose banking service points such as ATMs or other bank branches. Typically, only in middle-income and relatively urbanised countries like Brazil or Argentina have these existing service points been accessible enough to address the second constraint above: a convenient point of access to withdraw the funds. If there is no existing distribution network in an area, then providers must build new financial service points, whether fixed or mobile. This has been the case in South Africa, where private payment providers supply thousands of special purpose or mobile paypoints, the cost of which must be recovered in the fee paid by the transfer agency.

The special purpose account usually provides no financial services other than the withdrawal of the transfer. For example, the recipient may not leave funds behind in the account as a form of savings, deposit other funds or receive other payments like remittances. These restrictions are the main difference between the special purpose and the financially inclusive approach.

Financial inclusion has become an increasingly important policy goal among developing countries, especially since the UN Year of Microcredit in 2005 drew attention to the positive effects of microcredit, microsavings and microinsurance. Financially inclusive arrangements offer transfer recipients a financial instrument which can be used for purposes beyond that of receiving the payment, such as saving a portion of the transfer by not withdrawing the full amount each month, as well as making or receiving other payments. Indeed, the ability to authorise electronic payments from an account reduces the cost of offering other financial services such as insurance and credit, since the small repayments or premia can be collected electronically rather than in cash.

A basic bank account, or 'no frills account' as it is called in India, may constitute a financially inclusive instrument. Increasing numbers of countries require or encourage the banking sector to issue these accounts. However, in many places, regulations apply to the opening of a bank account which may restrict eligibility. For example, "know your customer" rules usually require that banks confirm customers' identities using documents that poor customers may not have, or verify customers' addresses, which are often not well defined and not easily verifiable. Even where exemptions are provided from these rules to provide for low risk, low value accounts, the regulation associated with offering banking services, and the structure of banking markets, may make it unviable or unattractive for banks to offer these services.

Consequently, rather than bank accounts, we use the broader term 'store-of-value', which can include a number of different account types. These include pre-paid card and mobile money accounts, which are issued by cell phone companies and other providers. These providers may have cost structures and better distribution, which enable them to offer small store of value accounts on a cost-effective and profitable basis. In all cases where it is legal for non-banks to offer financially inclusive products, it is important that the programmes be managed so as to ensure no risk to the balances of poor recipients held in these accounts.

Financially inclusive options are increasingly being offered in large- and small-scale programmes, as the examples in Figure 13.2 show.

Country and name of programme	Type of programme	Payment approach and instrument	Additional financial services provided
Brazil Bolsa Familia	Large, long-term conditional cash transfer programme (CCT)	Electronic benefit card (magstripe) now migrating to full bank account accessed by debit card	Since 2008: a basic bank account issued by state bank (Caixa)
Mexico Oportunidades	Large, long-term CCT	Cash (75%); bank account (25%)	Savings in bank accounts at state bank (Bansefi)
South Africa Child care grant	Large, long-term unconditional cash transfer (CT)	Cash, pre-paid smart card or debit card account	Savings, credit, insurance offered by some providers (Allpay/ABSA)
Colombia Familias en Accion	Large, long-term CCT	Migrating in 2009 to bank account, accessed by debit card	Savings in basic bank account issued by state bank (Banagrario)
India* NREGA	Large, long-term workfare programme	Smart card used at point of sale of agents	No frills bank account, with savings functionality under design
Kenya* Hunger Safety Net	3 year pilot CT (underway 2009)	Smart card used at point of sale of agents	Electronic store of value with savings functionality issued by private bank (Equity Bank)
Swaziland* Save the Children	Short-term relief (finished)	Magstrip card linked to bank account used at ATMs	Savings in bank account (Standard Bank)

* also described elsewhere in this chapter
SOURCES: BFA (2008) and DFID (2009).

Figure 13.2 Financially inclusive payment approaches in social transfer programmes

Benchmarking payment arrangements

What should programme designers expect from the payment arrangements, and how should expectations differ among the different approaches outlined above?

Figure 13.3 below sets out five key areas in which programmes normally have explicit or implicit objectives, and compares the delivery approaches based on the evidence to date.

Key objectives of delivery process	Cash paid benchmark	Special purpose transfers	Financially inclusive arrangements
Average time taken by beneficiary to collect (travel and queuing)	2-4 hours	Depends on infrastructure: typically less than 1 hour	<1 hour
Cost per payment cycle	2-15%/ $1-4	2-15%/ $1-4	$1-3
Leakage	4-15%	<2%	<2%
Time to implement	3-6 mos +	Depends on availability of existing service points	Depends on availability of existing service points
Additional financial services provided to recipients	Possible, but not standard or facilitated by payment provider	Possible, but not standard or facilitated by the payment provider	May be offered by the provider; facilitated by lowered costs of transfers

SOURCES: BFA (2008) and DFID (2009).

Figure 13.3 Benchmarking objectives of payment approaches

Clearly, the context and specific arrangements of different programmes vary widely, so the comparison above must be regarded as indicative. However, a few distinguishing features are apparent.

- Special purpose and financially inclusive arrangements tend to reduce the transaction costs for recipients (line 1 in Figure 13.3 above) because they introduce more options to receive money at convenient times and places.
- However, they do not necessarily reduce the cost per payment to the transfer agency (line 2) or the time to implement (line 4). The possible time delay raises the question of whether an inclusive approach can ever be used for short-term or emergency transfer programmes – see Box 13.3. The cost and time to implement will depend on the extent to which existing financial service points can be used. If these are available, it is safe to say that the cost can be reduced substantially relative to cash. However, where new service points have to be built, the cost of this has to be recovered in the fee charged for payment. This suggests that cash paid programmes may be cheaper over the medium term, but not in the long term.

Box 13.3: The experience of short-term programmes: Concern in Malawi and Save the Children in Swaziland

Can non-cash approaches be used for emergency or short-term transfer programmes? The time required for design and implementation of alternatives and the cost involved may outweigh the additional benefits. Nonetheless, the short-term nature alone does not necessarily rule out inclusive options, as these two examples show.

In late 2006, Opportunity International Bank of Malawi (OIBM) administered payouts for the charity Concern Worldwide during a six-month cash transfer programme for famine relief in the Dowa region of Malawi. Using smart card technology, funds deposited at OIBM were paid to each enrolled recipient using fingerprint readers and/or PINs to verify identity. Cash was disbursed from mobile OIBM vans, which circulated around defined paypoints at defined times. While there were some difficulties that required manual overrides in the early months, the funds were disbursed smoothly. The store-of-value features of the smartcards were never fully utilised, however, as recipients moved from one side of the van where their benefit was added to their smart card to the other side where their benefit was paid. And the cost of the smartcards coupled with the transaction fees charged by the technology provider resulted in a total cost that reached almost 23% of the cash distributed. In Malawi, despite having no bank account provided through the transfer system, some smartcard holders also opened accounts at OIBM and continued to use these after the end of the programme at standard bank service points. See Pearson and Kilfoil (2007) for more detail.

In contrast, a year later, Save the Children in Swaziland contracted with Standard Bank on a six month starvation relief programme that used much less expensive magnetic stripe cards as the payment token. For those recipients who chose to have a bank account, the funds were placed in an individual savings account at Standard Bank. Recipients accessed their cash benefit using their card at the bank's ATMs or at POS devices at Swazi Post locations. Technical difficulties in the deployment of the POS devices and delays in the production of the cards meant the electronic features of the system were not fully employed for almost four months, although cash payments were made in the meanwhile. However, once deployed, the recipient wait-time dropped from 3.5 hours to 1.2 hours. By the end of the programme in Swaziland, 1200 of the 6100 recipients with accounts had saved a small amount of the grant money and about 500 had intentionally saved funds from other income sources. See Beswick (2008) for more detail.

SOURCES: Pearson and Kilfoil (2007) and Beswick (2008).

- Leakage (line 3) is largely a function of the process used to validate the recipient's identity each time a payment is made. Electronic financial transactions require secure forms of authentication, such as biometrics (e.g. finger prints) or PINs; these are therefore common for special purpose or inclusive programmes and reduce the incidence of paying ineligible recipients. In principle, even a cash arrangement could validate each time against a database before paying out, although this is not the norm. With cash programmes, the risk of leakage also increases since local officials or delivery agents can steal cash, whereas it is harder to steal money already transferred into separate accounts.
- Finally, it has always been possible to 'add on' financial services to recipients after they receive a transfer. Indeed, the IGVGD example of BRAC is a case where microcredit and savings are added afterwards. However – with the exception of large-scale integrated service providers

such as BRAC, which itself offers a range of welfare and financial services – it is usually much harder to add financial services after the transfer is received.

Technology-enabled approaches to payment

In the introduction, we identified the spread of technology, especially communications technology, as one of the main drivers enabling financially inclusive approaches. In this section, we discuss more specifically the effect of technology on the choice of financial instruments and the channels where these instruments can be used.

It is important, however, not to confuse a technology-enabled approach with a financially inclusive one: a programme may use technology without necessarily qualifying as inclusive in the terms above. This was the case of the Dowa programme described in Box 13.3. Similarly, it is not necessary to use electronic approaches to be financially inclusive, even though the costs of non-electronic approaches make this less and less likely: for example, a bank may operate passbook savings accounts. These are still encountered in South Asia and parts of Africa, although they are becoming less common.

Technology has had two major effects on the payment process:

- *On the choice of payment instrument:* thanks to the development of biometric technology, fingerprints can be used as identifying devices at the time a transaction is processed. This usually requires recipients to be issued a smart card – a plastic card with an electronic chip on which biometric and other data is recorded in a way that allows certain devices to access and confirm a match to the holder of the card. As discussed above, this has usually reduced leakage. It also carries the additional advantage that the recipient does not have to remember a PIN number to transact – unlike magnetic stripe (Magstripe) cards, which do not have the capability to store that amount of data – and may therefore be easier for those who are not numerate or literate. A further advantage is that the smart card may function offline: the card itself has the capability to store transactions and balances after interacting with a special device without having to communicate with a central server. However, the smart card comes at a cost: the card itself typically costs upwards of $3, ten times the cost of a typical magstripe card. Further, the majority of existing financial service points like ATMs in most countries do not accept biometric authentication, therefore limiting the recipient only to venues with special reading devices.
- *On the choice of payment location:* the growth of robust and relatively cheap wireless data channels such as GPRS (which is widely available in most developing countries) has enabled financial providers to create networks of agents linked to them in real time. These agents, which may include small rural stores, can then offer to clients the ability to deposit or withdraw cash. Both the customer and the provider have the

Box 13.4: Can cell phones be used to pay social transfers? The experiences of M-Pesa in Kenya and DDR in DRC

The success story of M-Pesa's mobile phone money transfer system is the case most often cited to illustrate this technology's potential to make payments. Safaricom, the Kenyan cell phone company that operates the M-Pesa system, offers a store-of-value account into which a customer can load funds at any of 13 000 agents across the country. Registered users can transfer funds using their cell phone to any other cell phone subscriber or pay bills of various types, including school fees and charitable donations. Mas and Morawczynski (2009) note that six million customers have registered and transferred over US$1.6 billion since M-Pesa's introduction in March 2007.

Recently, M-Pesa has been used on a trial basis for the payment of a social transfer programme in the Kerio Valley.[6] Recipients were issued their own SIM card to swap into shared phones on the day of payment, which is done through an M-Pesa agent who sets up in a local police station for the day. According to a recent evaluation, the payment arrangements themselves worked well, but the loss of SIM cards and wear and tear on the shared phones in a rural setting was higher than expected.

One of the key strengths of the M-Pesa programme, its retail agent network, was the missing ingredient in an unsuccessful, larger-scale attempt to pay demobilised soldiers in the Democratic Republic of the Congo using mobile phones. The DDR demobilisation programme offered demobilised soldiers a chance to return to civilian life with an initial cash payment and then a stipend of US$25 paid monthly for a year in the home village. The soldiers were not required to have their own cell phones. Payment was to be received via a network of airtime merchants who already had cell phones. They would require the recipient to enter a PIN number into their phone to authenticate their identity before being paid their transfer, for which the agent would be reimbursed. In practice, the system worked well in urban areas where merchants had sufficient funds on hand to pay the benefits. But in rural areas, the merchant agents often had too little cash to pay all the benefits claimed on the day of payment. As a result, the cell phone system was scrapped, and a more conventional delivery truck was employed to provide cash for the monthly payments.

SOURCES: Mas and Morawczynski (2009) and DFID (2009).

comfort that the transaction will be processed immediately, reducing the risk that the agent could defraud the customer or the provider. The agent receives a fee for this service. It is typically much cheaper to rely on the liquidity already in rural and remote areas in the hands of merchants than to ship in cash in large quantities. However, social transfer programmes may introduce liquidity demands beyond the capability of local merchants or agents to pay out – see Boxes 13.4 and 13.5. Consequently, active involvement by the network manager (such as the bank) is often required to help meet demand, until the pattern of withdrawals is understood. In addition, the network manager has the responsibility to oversee the service quality of its agents. The manager needs the capability to monitor various complaints, to prevent agents from overcharging or requiring recipients to buy goods before they can receive cash. While these risks of an agent network must be managed, its benefits for financial inclusion are great because the cost of acquiring and operating an agency from an existing merchant is many times cheaper than setting up a bank branch or ATM.

Box 13.5: How can local agents be used to pay social transfers? The experience of FINO

The use of local agents to pay social transfers is common among large programmes in Brazil, India and South Africa. These programmes do not at present involve the use of mobile phones, but rather equip merchants with specialised point-of-sale devices which can connect to a central server of the payment provider (although in India and South Africa, these terminals can also operate offline) to cater for remote areas without robust communications.

Johnson (2008) studied the experience of one payments approach under the National Rural Employment Guarantee Act (NREGA) in India. This programme guarantees minimum wage labour for up to 100 days per year to anyone willing to work in locally designed public works projects. As a result, weekly wages must be paid to workers based on the work done. This involves major administrative efforts. In an attempt to prevent cash leakage, the government of India mandated that all NREGA wages be transferred to basic or 'no frills' bank accounts, in return for a fixed fee of 2% of the amount paid. However, most banks did not have existing service outlets in the areas close to where NREGA recipients live. In one state (Andhra Pradesh), IT financial services provider FINO was appointed to operate a network of agents on behalf of banks in the area.

These agents are trained by FINO and equipped with a point-of-sale device, at which recipients are able to withdraw cash in the village at no charge using smart cards issued to them. The agents are paid by FINO out of the fee that FINO receives from the bank. Johnson found that the FINO system had been very successful in reducing leakage in the system, and reported that FINO was considering how to offer other products, such as savings and insurance, through the same agents.

SOURCE: Johnson (2008).

The payment delivery process

Key section message: while it is not always feasible to provide financially inclusive options, programme promoters and funders should intentionally explore inclusive options early in a design or review process.

Role players and stakeholders in the payment process

The following chart (Figure 13.4) identifies the agencies and people who play significant parts in effecting a social transfer payment.

In any programme, the payment service provider may be a separate entity or the same as the programme administrator, at least in small programmes. This combined situation is generally not preferred because of the fiduciary benefits of separating the duties and the specialised competencies involved. The role of the payment provider usually includes the following processes:

1. *Enrolment:* Usually, the programme administrator targets or assesses the eligibility of beneficiaries. Once this is complete, the payment provider has to enrol eligible recipients so they can access their funds. This may involve the issuing of a payment instrument, such as a card. Note that while the administrator deals with beneficiaries as well as recipients (where they are not the same), payment providers deal with recipients only.
2. *Updating of recipient profiles:* The payment provider has to liaise on an ongoing basis with the administrator and the central management information system (MIS) to ensure that the enrolment profile is

Funding agency (Policy, funding, oversight)	Often a government department or specialised agency has primary responsibility for setting up and overseeing a social transfer programme. Funding may come from a government budget or from an external donor. This agency is ultimately responsible for designing the programme and overseeing its implementation. It may also play some of the roles listed below.
Administrator (Enrolment, record maintenance, database)	The organisation responsible for identification and enrolment of beneficiaries, maintenance of the central register (database) of beneficiaries, answering enquiries and issuing payment instructions. This may be a specialised government agency or outsourced to an implementing agency, typically an NGO.
Payment service provider (Opening and crediting accounts, payout process)	The organisation contracted to disburse the programme funds to recipients. Providers may take on a variety of different forms, such as banks, post offices, mobile network operators or specialised payment firms, and use a variety of channels and technologies.
Beneficiary	The individual or household intended to benefit from the payment.
Recipient	An individual authorised to receive the payment for the beneficiary in case the beneficiary is unable to receive the payment directly.

Figure 13.4 Payment system stakeholders

updated for changes in eligibility, such as death or change in status. If conditionalities apply, this must also be informed in a way that allows the provider to adjust the individual payment.

3. *Funds transfers:* The funds are made available by the funding agency to the payment provider on a prearranged time cycle; for non-cash arrangements, the payment provider has to credit the amount to each recipient's account on a timely basis.
4. *Funds' availability to recipient:* The funds are available to the recipient either at a particular place and time, or from a range of places such as ATMs or POS devices.
5. *Funds reconciliation:* The payment provider has to reconcile the amounts paid out or claimed with the amounts paid in advance or claimed in arrears from the fund agency.

A variety of entities can play some or all of these roles. Traditionally, a state-owned retail bank or postal bank has been used on the basis that they have the competence to perform at least some of the functions. However, many countries lack state-owned banks; in some countries, such as Malawi, Swaziland and Kenya (see Boxes 13.3 and 13.5), private banks with an interest in financial inclusion have become involved in the payment arrangements.

Increasingly, companies have emerged that specialise in managing the overall process, such as Net1 in South Africa or FINO in India. In addition, new generation entrants to financial services, such as mobile payment or "m-payment" companies, have become involved in some capacity, as described in Box 13.3.

The payment process

The DFID manual *Designing and Implementing Financially Inclusive Payment Arrangements for Social Transfer Programmes* (2009) sets out a six-step process for programme promoters or designers, summarised in Figure 13.5. All too often, in the past and even today, the design of the payment arrangements is not considered intentionally; rather, it is a rushed afterthought once the rest of the programme has been designed. One consequence is that there is usually limited opportunity to consider innovative approaches late in the implementation process. Even once a programme is underway, the effectiveness and efficiency of the payment approach should be monitored as new payment options become viable as the result of changing technology – and, indeed, as the circumstances of recipients change. For example, as more recipients have personal cell phone subscriptions, new mobile payment options become possible.

At each step, DFID's manual outlines considerations as a guide to intentionally addressing financial inclusion. It is also possible to draw on specialist advice at different stages, and corresponding indicative terms of reference are provided as guidelines.

1. Identify high-level payment options

↓

2. Develop payment strategy

↓

3. Procure payment service provider (PSP)

↓

4. Contract with PSP

↓

5. Monitor payment process

↓

6. Review and evaluate outcomes

Figure 13.5 Overview of the payment process

There is not the space in this chapter to repeat the details of each step; readers may do this through accessing the manual. However, we provide a short overview here, in particular highlighting the distinction between steps 1 and 2 in the design phase.

Step 1 involves an initial review of the feasibility of introducing financially inclusive arrangements in a particular context. The extent to which this is possible will be shaped by the objectives and scope of the programme itself, as well as the country context for financial services. Conducting such a review at an early stage enables decision-makers to consider up front how to best allocate resources to the payments process, given that a cash-paid option is almost always available in some form. Undertaking this step allows decision-makers to focus resources at the next step.

Step 2 then guides the development of a full payment strategy by (1) profiling the beneficiaries, (2) examining more closely the available infrastructure (including utilities and financial services), and (3) identifying potential service providers. Cost estimations of available distribution channels, the involved technologies, the fee structure and the risk of losing funds during the process (leakage) are included in this step.

Steps 3 and 4 normally require adherence to standard procedures prescribed by the funding agency. These usually include a competitive request for proposal (RFP) process, which leads to a contract with the preferred bidder.

Monitoring the implementation of the funds transfers throughout the payment process (Step 5) is necessary to assure compliance by the service provider and satisfactory receipt of the intended benefit by the beneficiary.

Periodic review of the payment arrangements (Step 6) in an existing programme means returning to the considerations of the second step, and reassessing whether the arrangements are still appropriate. In larger programmes, it is often useful and appropriate to have more than one payment option at the same time: new approaches may be piloted on a sub-group of recipients to test acceptance and robustness. This both serves as a backup and enables evolution towards more effective and sustainable approaches over time.

Conclusion: why payment arrangements matter

Enhanced payment arrangements are increasingly feasible in developing countries. Among these, financially inclusive approaches that offer more and better services to recipients are increasingly being offered. While most of these arrangements are relatively new, so that there is not yet conclusive evidence of their impact, this chapter makes the case that in designing new programmes or reviewing existing ones, promoters should at the very least consider seriously whether enhanced (and preferably, inclusive) arrangements are possible. This

Box 13.6: Intentionally adding inclusive arrangements to design and procurement: the case of the Hunger Safety Net programme in Kenya

The Hunger Safety Net (HSN) programme commenced a pilot for 60,000 families in the remote arid and semi-arid areas of Kenya in January 2009. These areas are already a daunting environment for cash distribution, but the programme promoters went further: HSN built in an explicitly financially inclusive approach to payment, which offered financial services to the beneficiaries and non-beneficiary local communities which had few or no formal financial services.

Because of its expertise in financial service development and links to the donor involved (DFID), the local resource agency for the financial sector FSD Kenya was appointed to design and oversee the payment process. Concerned that the difficult environment might limit private providers, interest in bidding and the extent to which financially inclusive options were feasible, FSD Kenya undertook a two-step design process.

First, with international microfinance agency CGAP, it set up a challenge fund which provided matching grants on a competitive basis to enable the development of creative prototypes. As part of the process, FSD Kenya convened a well-attended

case rests on the following grounds:[7]

1. *They can reduce overall programme administration costs over time:* Enhanced arrangements usually reduce leakage, the single biggest cost of some programmes. Further, once the service infrastructure is in place, they will be cheaper than cash paid alternatives. This may not be true for small and short-term programmes. However, in any programme of substantial size and of longer duration, it is likely that inclusive options will make financial sense for the programme.
2. *They enhance the impact on beneficiaries:* Use of appropriate financial services will reduce recipients' vulnerability to income shocks and may create a pathway out of poverty through income generation or asset building. In this way, the core developmental purpose of the programme will be enhanced and extended. On the flip side, poorly designed and implemented payment arrangements can have negative effects on the dignity, health and safety of recipients.
3. *They can have wider positive effects for non-beneficiaries:* Social transfers may create the critical mass to sustain financial institutions' interest in new product development for low-income markets, and can extend the financial infrastructure by creating incentives to fund the rollout of new service channels, such as agents. These new products and new channels should be of use to other low-income customers as well.

workshop which highlighted international trends and disseminated research on the financial services needs of people in the targeted areas. Second, because of DFID's involvement as a donor, FSD Kenya was required to conduct a formal tender process in terms of European Union procurement rules. Both winners of challenge fund grants at the first stage decided in the end not to bid; however, the challenge fund process had helped to raise awareness of the process among potential payment providers. In addition, FSD Kenya hosted a bidders' conference and maintained contact with potential local and international providers to ensure that they were well aware of the request for a proposal. The formal scoring criteria included a sizable weighting on additional financial services available to both recipients and non-recipients in the area. In the end, a sizable number of local and international firms submitted proposals. A large Kenyan retail bank, Equity Bank, was awarded the contract for the pilot.

One year into the pilot, intentional focus is being given to monitoring and review of the payment arrangements, alongside the broader M&E components of the programme.

Endnotes

1 Bankable Frontier Associates (2006).

2 Collins et al. (2009).

3 Aker and Mbiti (2010), page 1.

4 Prevalence is measured by the number of social transfer programmes using the approach, not by the number of recipients, since middle-income countries with very large programmes, like Brazil or South Africa, tend to follow special-purpose or inclusive approaches.

5 Bankable Frontier Associates (2006).

6 See a review of lessons learned in Datta et al. (2008).

7 Bankable Frontier Associates (2006), (2008); Pickens et al. (2009).

Chapter 14

Managing fiduciary risk and protecting programme success

The objective of this chapter is to provide information regarding the implementation of social transfer systems, with a focus on the systems required for registration, determination of eligibility and payments. In addition, the chapter also discusses issues relating to human resources, pilot programmes, accountability and security.

Introduction

The design and delivery of social transfer programmes should work to ensure programme success, particularly by addressing the risks that threaten effective benefit delivery and the achievement of the intervention's primary objectives. Particularly in fragile states, wherever there is fraud or corruption or inefficiency, there are possibilities for improper allocation of funds, as well as for the abuse of beneficiaries' rights. While effective and well-implemented delivery systems help address these risks, as does appropriate monitoring and evaluation, there is also a need for explicit strategies to address these risks.

Managing fiduciary risk

"Fiduciary risk" can be defined as the risk that social transfer resources:

- are not used for their intended purposes;
- do not achieve value for money; or
- are not properly accounted for.[1]

More broadly, fiduciary risk can be defined as the likelihood that social transfer programmes fail to achieve their primary objectives, which is the greatest value-for-money risk. Figure 14.1 below illustrates some of the

Box 14.1: Assessing fiduciary risk: the Productive Safety Nets Programme, in Ethiopia

The Productive Safety Nets Programme (PSNP) in Ethiopia, to which DFID has committed £70 million over a three-year period, began early in 2005. This programme succeeded a Food Security Programme, replacing emergency food aid with a wider strategy for achieving food security. It combines social transfers with work programmes and is aimed at over 8 million people. Between 2006 and 2008, the real incomes of PSNP beneficiaries increased by more than 50%.

Before committing to the earmarked poverty reduction budget support (PRBS) funding for the programme, DFID Ethiopia undertook a fiduciary risk assessment (FRA), which was submitted in January 2005. Although funds were to be channelled through a special bank account outside the central exchequer, government institutions at federal, regional and district level were to be responsible for implementing the programme. In particular, the mainstream government accounting and reporting systems were to be used. The FRA for the programme drew heavily on DFID Ethiopia's fiduciary risk assessment for PRBS funding, submitted just two months before, but also drew evidence from assessments of the financial reporting systems in the forerunning Food Security Programme, about which there were concerns. The risks posed by the Productive Safety Nets Programme were assessed

sources of fiduciary risk in social transfer programmes.

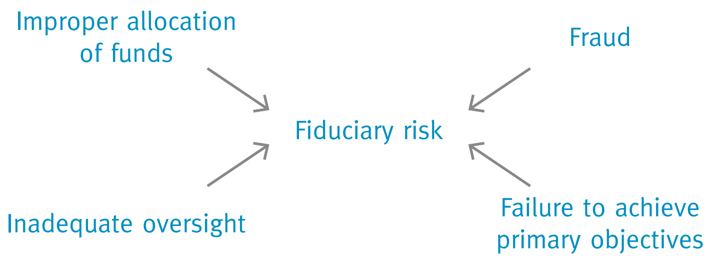

Figure 14.1 Sources of fiduciary risk in social transfer programmes

Fiduciary risk reviews

The U.K. Governments Department for International Development (DFID, now also known as UKAID) has developed a system for assessing programme risks called "Fiduciary Risk Assessments" (FRAs) which are required for all programmes that exceed a specified threshold and are funded by DFID/UKAID. The typical fiduciary risk assessment will include at least three components:

- a thorough evaluation of the counterpart government's public financial management and accountability (PFMA) systems, and an assessment of the related risks;
- an assessment of whether there is a credible programme to improve; and
- documentation of the assessment to inform the decision-making process.[2]

as being higher (between medium and high) than those for general PRBS (between low and medium risk).

As well as inherent weaknesses in the overall public financial management and accountability (PFMA) systems, the programme contained additional risks due to capacity constraints at the district level, uncertainty about the way in which the special funding channels would operate, and a lack of clarity about the level at which some of the controls would operate. Although the Federal Government of Ethiopia was perceived as having a credible strategic plan for public sector capacity building, the programme depended on PFMA systems at the district level, which were stretched due to a significant move towards decentralisation.

A short-term action plan was drawn up to address the specific fiduciary risks to the delivery of the Productive Safety Nets Programme, while continuing to work towards strategic PFMA reform. The systems for the disbursement of funds and for maintaining transaction and financial management records were all specified in detail, together with the training to operate them. Budgeting, reporting and audit arrangements were also enhanced.

SOURCES: DFID (2006), DFID (2008).

Mechanisms of accountability

The success of the programme depends critically on the mechanisms that ensure that programme delivery is subject to appropriate oversight and redress. These mechanisms can offer transparency, reduce corruption and provide avenues for beneficiaries who are denied appropriate benefits.

People must understand the benefits to which they are entitled and appreciate their options for redress when benefits are unjustly denied. Beneficiaries of social transfers often lack the resources to protect their rights and provide necessary feedback to policymakers. The institutionalisation of a beneficiary advocate can address this power imbalance and promote the effectiveness of the programme.

A number of models exist for providing advocates for beneficiaries. A public ombudsperson can serve as a useful mechanism for protecting beneficiaries' entitlements. The official is normally appointed at a high political level – perhaps by the President. The ombudsperson exercises considerable political autonomy in order to serve as a beneficiary advocate without fear of political pressure. The ombudsperson's office must be well-resourced, with adequate staff to address complaints by claimants and beneficiaries. The office requires an adequate budget to inform the public of their rights and mechanisms for redress. One level of the appeals process can operate through the ombudsperson's office. Advocates' effectiveness is reinforced by transparency, so that advocates can enforce clear rules for ensuring equity. In other cases, a local representative can serve as a liaison between beneficiaries and programme staff. In Mexico's Progresa programme, local groups of beneficiaries elected representatives from among themselves, promotoras, who were responsible for communicating about operational issues and problems.[3]

However, beneficiary advocate programmes can be subject to pitfalls. In Mexico, evaluations suggested that some promotoras abused their power, leading programme officials to recommend the creation of community committees to replace them – with one representative focusing on education, another on health, etc. Both Mexico and Colombia have relied on beneficiary mothers to provide training and operational support, but have failed to provide additional compensation for the increased workload.[4] Effective use of community representatives can harness social capital – people are less likely to cheat the programme if they understand its role at a local level and perceive the risk of social sanctions for corruption – but such programmes must be carefully implemented and managed.

Communications and transparency

Transparency and effective communications must ensure that the beneficiaries and broader population understand and appreciate the objectives of the programme. Popular appreciation of the effectiveness of the programmes is essential to maintain the political support of voters and politicians.[5]

Increasing transparency can improve accountability. In Uganda, providing workers with clear information about the wages to which they were entitled reduced corruption. Previous projects lacked this transparency and suffered substantial leakage.[6] In South Africa, however, social workers will generally not describe the formula used to determine eligibility. The lack of transparency makes it difficult for potential beneficiaries to engineer their responses to the means test questionnaire. However, this lack of transparency also undermines the rights-based approach that underpins South Africa's system. If people do not understand the criteria, they cannot make informed decisions about whether or not to appeal an adverse eligibility decision.

Instruments of public financial management

Supervision of interviews

One of the most common methods to ensure the accuracy of registration information is for supervisors to monitor the interview process – either during field surveys, in office interviews, or by reviewing the questionnaires. For example, in Colombia supervisors are responsible for examining all questionnaires on a continuous basis, and referring flawed questionnaires back to the interviewee for reapplication. Common mistakes are regularly reported to the administrator to provide feedback into the training process for interviewers.[7]

Information verification systems

Less common are systems for continuous verification of eligibility information. Potential mechanisms include: random checks for re-interviewing and auditing; automated checks for inconsistencies, duplication or missing information; and comparisons with external databases. In South Africa, a recent comparison of social grant beneficiaries against the national public service employment records provided evidence of significant fraud, and the Minister of Social Development took the lead in rooting it out.[8] In fact, South Africa found that it was losing an estimated 1.5 billion Rand (215 million USD) a year through corruption and poor administration with the delivery of their social grants. The Department for Social Development (DSD) initiated a major anti-corruption campaign following this 2003 realisation.[9] The computerisation and automated cross-checking of Pakistan's Baitul Maal record identified tens of thousands of beneficiaries registered in multiple provinces, freeing resources for an additional 23,000 new beneficiaries.[10] A similar initiative was conducted recently in Brazil, and in Colombia automated checks provide lists of duplications and inconsistencies. Suspect questionnaires are verified through field visits to the beneficiary unless the error originated in the data entry process. Strong accountability mechanisms have positive political benefits. For example, if evidence of fraud is reported by the press (which is possible with any programme involving the distribution of cash), government can demonstrate due diligence in addressing corruption.[11]

Civil society oversight

Government is not the only agent responsible for public financial management. Civil society actors – supported by government or operating independently – can serve as beneficiary advocates and anti-corruption watchdogs. Civil society organisations in South Africa have successfully employed the "progressive realisation of access to social security" provision of the national constitution to pursue judicial oversight of the implementation of social transfers. Latin American conditional cash transfer programmes usually include an elected representative or committee to provide oversight. Many countries publicise toll-free anti-corruption "hotline" telephone numbers.[12] Other programmes rely on the more dubious measure of publicly releasing the lists of beneficiaries, sometimes on the internet. In Ethiopia's Productive Safety Net Programme, community representatives oversee the payment of wages.[13]

Penalties

While upper-income countries effectively pursue criminal penalties against those who perpetrate fraud in social transfer schemes, developing countries have not yet taken full advantage of the potential of civil and criminal penalties. However, some countries are taking steps to combat fraud. Although South Africa's anti-corruption campaign has not generated criminal sanctions, it has managed to recover substantial resources lost to fraud through fines and reimbursements.[14] For example, South Africa did succeed in minimizing the percentage of total social security budget lost to corruption between 1997 and 2006, from 6.99% to 2.46% respectively.[15] Brazil is also taking steps towards combating fraud, and is currently establishing a joint oversight mechanism between the Attorney General and the Ministry of Social Development.[16]

Case management and appeals

During the implementation process, it is crucial to establish a system for addressing exceptional circumstances and eligibility decision appeals. This is particularly important for conditional cash transfers, although even

BOX 14.2: Improving the management of fiduciary risk in Brazil's Bolsa Familia

Bolsa Familia, which has evolved through several precursor safety net programmes, is itself an adaptation. Under the results-based framework, an iterative process to constantly adapt and improve the project is a fundamental element of design, not a symptom of failure.

Any social transfer programme – particularly a programme as large as this one – runs risks of fraud and leakage. The targeting, monitoring and evaluation components of the project are, in effect, countermeasures for anticipating, identifying and minimizing fraud. In that regard, some examples of adaptations taken by the government include the following:

- Issuing a well-publicised decree (a regulamento) that clearly spells out the operational guidelines of the programme.
- Entering into formal agreements that clarify the responsibilities of the Ministry of Education and the Ministry of Health for monitoring and for providing information about conditionalities to the Ministry of Social Development.
- Launching a formal network system (rede de fiscalização) for overseeing, auditing, and controlling fraud, in collaboration with the Attorney General (Ministerio Público) and other public auditing agencies (procuradorias, TCU).
- Initiating steps to improve the Cadastro Único: developing cross-checks to reduce duplications (which resulted in the cancellation of some 200,000 duplicate benefits); establishing a working group to revise eligibility criteria and improve questionnaires; providing training to municipalities to strengthen implementation; developing a quality index for monitoring and evaluating the Cadastro; etc.
- Strengthening citizen social controls: publishing beneficiary names by municipality on the internet, setting up a hotline for citizens to report irregularities and suspected fraud, and reinstating local committees to provide citizen oversight for the programme.
- Initiating work on design for an impact evaluation of the programme.

A 2003 review of Brazil's Cadastro Único, completed at the request of the government, identified the following additional recommendations for managing fiduciary risk:

"An improved targeting system should also include clear guidelines for regular independent audits, cross-checks and quality control. First, regular random audits should review application procedures and database management for a random sample of families (up to 20% resurvey). This is critical to ensuring objective and transparent treatment of all citizens by reducing opportunities for manipulation and favouritism in the selection of beneficiaries. Clear procedures should be established (and published) for punishing fraud. Second, the improved system should also build in regular cross-checks to avoid some of the errors that have plagued the existing Cadastro, such as duplication of beneficiaries, "ghost beneficiaries" (missing or dead beneficiaries), or "lost candidates" whose data get lost during file transfers.

unconditional programmes require this function. In some cases, routine updates to the single registry reflecting household changes (births, deaths, livelihoods changes) will take place through the case management function. This function also addresses persistent non-compliance with conditionalities, and may provide social worker interventions that try to address the problems facing beneficiaries who are not meeting conditions before cutting off their benefits.[17]

Monitoring conditionalities

Conditional programmes require systems that will track compliance with the conditionalities, such as school attendance or health clinic visits. This

"Finally, independent quality control is also needed to measure how well the beneficiary selection mechanism (improved Cadastro Único) is actually working in terms of avoiding errors of exclusion of the poor and inclusion of the non-poor. This can be done by including questions about receipt of programmes that use the Cadastro Único – especially the new Bolsa Família programme – in regular, nationally representative surveys. This information would provide regular feedback about the actual targeting outcomes of these programmes – and the accuracy of the targeting instrument. Such surveys and random sampling could also be done at a sub-national level, to provide feedback to specific states (and possibly municipalities) about the accuracy of the application of the targeting instrument within their jurisdictions."

A 2007 study further established some main points for managing fiduciary risk from 2007 onwards:

"While the basic architecture of the BFP has now been largely solidified, a few remaining challenges remain to strengthen institutional roles, including, inter alia:

- *Strengthening the role of the states in the provision of technical assistance, training and coordination of decentralized municipal implementation;*
- *Strengthening capacities at municipal level to improve local management of the BFP, particularly for those municipalities with low scores on the decentralized management index (IGD); and*
- *Clarifying roles and responsibilities of MDS, the Caixa and municipalities in handling BFP queries and complaints from the public (and between MDS and the Caixa in handling queries from municipalities).*

"As discussed above, the BFP has registered very impressive targeting accuracy in terms of minimizing leakages (errors of inclusion). Although a certain degree of leakages will always be inevitable (as with all programmes), MDS can take additional steps to further fine-tune targeting accuracy. These include: adopting an improved questionnaire for registration; expanding crosschecks to further reduce errors in the registry; strengthening municipal capacity for implementing registration and recertification; adopting updated and improved poverty maps for improved geographic targeting and monitoring; and expanding the use of multi-dimensional indicators (proxy variables) for validation of self-reported incomes and monitoring of family circumstances. Strengthening targeting accuracy will make room for entry of new poor families. Further efforts are needed, however, to reduce errors of exclusion. If additional funds become available (either at the federal or sub-national levels), we recommend that BFP managers consider: (a) expanding coverage and municipal quotas beyond the 11.1 million families; and/or (b) building in additional graduation and human capital incentives (see below). With respect to expanding coverage, this is necessary to reach the remaining gaps in coverage of the poor (errors of exclusion), as described above. However, it is important to recognize that this would also inherently involve a certain degree of additional leakages to the less poor (or near poor)."

SOURCES: de la Brière and Lindert (2005); Lindert (2005); Lindert et al. (2007).

monitoring system must be integrated with the payments and appeals processes.

No comprehensive cost-benefit analyses of conditionalities have been conducted for existing programmes and been made publicly available. Imposing conditionalities is an expensive programme feature in terms of administrative, private and social costs. The large number of people who comply – even in the absence of incentives – raises the question of whether conditionalities should be imposed. It may be more cost-effective to identify and address those households who fail to invest in human capital, rather than monitoring the majority with complex systems when they comply anyway. Different programmes address non-compliance in varying ways. Oportunidades excludes families from subsidies and scholarships immediately when they fail

BOX 14.3: Do the wrongly excluded appeal? Evidence from Progresa's early days

An early evaluation of Mexico's Progresa programme (now Oportunidades) revealed that even when a formal appeals function exists to mitigate exclusion and inclusion error, people do not always use it.

Early PROGRESA policy envisioned that communities would participate in reviewing the beneficiary list. Induction assemblies would be an opportunity for people to make claims about households that were not selected to participate but should be included, and about households that were selected to participate but should not be included. PROGRESA would then investigate these claims, and make decisions to add or drop families from the beneficiary list. Further, induction assemblies would serve to educate non-beneficiaries about the principles of the program so they would understand why they were not included, with the aim of diffusing social tension.

However, extensive focus groups and interviews revealed no examples of assemblies being used for this purpose. This was primarily because non-beneficiaries were not invited to the assemblies, and thus did not know the assemblies were meant to facilitate an appeals process: "only those 'on the list' had been invited because people see the purpose of the assembly to be for explaining the program to beneficiaries and thus not relevant for those who were not selected". One *promotora* (elected local programme official) explained that she did not invite non-beneficiaries because "there was no point in putting them to the trouble, and stirring up their resentment". In a few cases, non-beneficiaries asked municipal authorities to explain the purpose of the meeting, but the authorities did not provide this information. Even when communities did submit petitions to include new names on the beneficiary list, the new families were not added, and *promotoras* generally believed that it was not possible to change the list.

In sum, the mere existence of a formal appeals function does not ensure that it will be actively utilised. Implementation, monitoring and evaluation must take care to ensure that communities' right to review and challenge the beneficiary selection is not only enshrined in policy, but plays out in practice.

SOURCE: Adato et al. (2000), pages 37-40.

to comply. However, immediate benefit suspension appears to contradict both the human capital and poverty reduction arguments.[18]

Building and retaining human resources

For a social transfer scheme to function smoothly and meet its objectives, it is vital to build and retain human resources. However, social security staff often suffer low morale, due to poor conditions of service and inadequate training.[19] For example, in Sri Lanka, programme administrators tend to be overworked: there is approximately one administrator for every 85 recipients, and in addition to administering monthly transfers, administrators are also responsible for supervising local capital works projects and developing savings societies.[20]

An ILO report found several common institutional problems in developing nations that administer cash assistance and cash insurance programmes. These include political interference in staffing and investment policy; fragmentation of policymaking and administrative responsibilities; excessive administration costs; poor terms of service for staff; neglect of compliance, enforcement, and policy research functions; difficulties in maintaining records; excessively complex procedures; delays in processing benefit claims; and a failure to ensure that contributors and beneficiaries understand the principles and requirements of the various schemes.[21]

Enhancing institutional capacity is important. This requires more than financial resources, since the constraint in scaling up is usually human and institutional, not financial. Thus, it is necessary to direct funding towards investment in capacity. External financing that is accompanied by policy advice, technical assistance, training and capacity building is particularly valued. Investments in developing human capacity – training officers, health workers and teachers – help to scale up the anti-poverty initiative.[22] It may be necessary to provide training on a larger scale than initially required – some of the newly trained workers may find better-paying jobs in the private sector, reducing capacity in the public sector. It is important to keep government salaries sufficiently competitive to retain skilled personnel.

Pilot programmes and scaling up

Cash transfer pilots provide an implementation option that is useful when a country lacks sufficient human or financial resources, or when design questions make it difficult to implement a national scheme with confidence. A small cohort of dedicated individuals can successfully manage a pilot programme, and this option is particularly appropriate when external funders or non-governmental organisations want to demonstrate the potential impact of a social transfer programme. Countries such as Guatemala, India, Indonesia, Nigeria, Sierra Leone and Tanzania have all utilized pilot conditional cash transfers (CCTs).[23]

Pilot programmes serve useful functions as a design tool and political economy device. Pilots enable proponents to demonstrate success, which can motivate policymakers to adopt the programme. (They can also demonstrate failure, but when pilots are well-resourced, there tends to be a bias towards success. A pilot is not an objective experiment "testing" a particular design – the aim is to make it work.)

The true test of a pilot programme lies in how it scales up to a national level. Expansion of a pilot tests and stresses the fundamental design of the programme. Nicaragua's experience with the Red de Protección Social programme shows how impacts assessed from the pilot can be biased. For example, several problems regarding targeting had to be resolved. The first population census ultimately did not find and register an extensive enough grouping of households. Therefore it was necessary to conduct a second and third round of the census in order to ensure a complete set of households. The original plan was to involve and target approximately 5,000 households. The problems experienced with the census rounds caused these numbers to shift to 6,000 and 4,000 respectively, following each new census.[24] Pilots involve an initial learning period which provides an opportunity to work through unexpected challenges. The working through design problems and the development of improved systems and capacity building materials constitutes an investment in the future of the project. Pilots usually cannot take advantage of the same economies of scale as a full national project – the costs of systems, for example, are much greater on a per participant basis for a pilot than for a national programme. In addition, pilots may be more vulnerable to the Hawthorne effect, where observed behavioural changes results from the programme's novelty or from the evaluation itself, and they do not necessarily reflect permanent behavioural changes resulting from the programme's treatment. In Nicaragua's case, performance on some outcome indicators was slightly weaker in the second year of the programme compared to the first.[25]

Feedback or macro effects become important during the upscaling process. For example, a wage subsidy programme, such as the one implemented in Argentina's Proempleo experiment, may have little effect on the market wage rate while the programme remains a pilot. However, when the programme is scaled up to the national level, the subsidy programme will predictably affect market wages at the macro level. The success or failure of pilots is highly dependent on context. Once the programme is scaled-up, the context will differ appreciably, and prices and wages will respond through feedback effects.[26]

Due to the fact that pilots are highly dependent on local context for success or failure, the exact same programme may work well in one village but fail in another, as demonstrated by mixed experiences with Bangladesh's Food for Education Program.[27] The programme reached the poor in some places, but not in other nearby villages.

Donor harmonisation supports the process of scaling up. This is demonstrated in Uganda, where donors – in partnership with civil society and the private sector – allied around a framework and vision for growth and poverty reduction, and became effective and unified partners in supporting the reforms. In Bangladesh, Grameen, BRAC, and other institutions established donor consortia and programme financing (rather than project financing), helping to reduce transaction costs and putting everyone on the same page.[28]

Security cash movements

In areas facing high crime and physical insecurity, social transfer programmes require additional security to protect the transportation and delivery of cash. Private contractors that handle cash payments in South Africa and Namibia hire armed security guards to secure the delivery of funds. The use of direct bank deposits – like Zambia's Kalomo pilot – can bypass the problem.[29]

Security poses a substantial problem to Afghanistan's work programmes. In the north-western province, regular military clashes forced periodic suspensions of the Labour Intensive Works Programme (LIWP). Cash-for-work programmes have been found to be more secure and less corrupt than food-for-work programmes: in-kind transfers require the physical transportation of a greater volume of commodities, with increased attendant risk. Local commanders are also more likely to pressure project managers to divert in-kind benefits away from the selected beneficiaries. Agencies in Afghanistan are adapting innovative strategies to deliver cash safely to beneficiaries, particularly relying on the local remittance system (hawala).[30]

In heavily militarised regions of Ethiopia, where unofficial militia, demobilized soldiers and criminals undermine the rule of law, transporting cash poses considerable risk. Some non-governmental organisations, such as Save the Children UK, abide by policies that do not allow armed guards in their official vehicles, further complicating delivery. Their Meket Livelihoods Project has succeeded in enlisting the support of government vehicles for cash transport – which enables armed guards to accompany the funds.[31]

Oxfam's cash-for-work programme in Kitgum, Uganda encountered serious security problems, prompting Oxfam to develop security measures, including:[32]

- Limiting information about cash movements,
- Restricting bank transactions,
- Decentralised and randomised cash disbursements, and
- Transparency and community participation in security precautions.

Summarising lessons for successful implementation

It is necessary to invest in building staff capacity, and in broad social institutions involved in making anti-poverty programmes work. These institutions may be governmental, private or nongovernmental. Institutional problems such as corruption or information backlog are a hindrance to the successful implementation of social transfer programmes.

The appropriate mix of centralised management and decentralised implementation requires finely balanced trade-offs. Local role-players often have critical knowledge about the needs of programme beneficiaries. Balanced decentralisation fosters greater programme flexibility – although sometimes with greater fiduciary risk.

Good communication reinforces all dimensions of successful implementation. Particularly as local managers learn what is and is not working, information must be shared – not only through the formal information management systems but through open communication channels that reach the highest levels of programme management. Top officials must be open to criticism and even scandal – a transparent process that tackles the problem rather than obscures it will lead to long-term success.

Good communication supports the dissemination of lessons on what is working, and what is not. It is useful to publicise early successes through the media, in order to keep beneficiaries and implementers informed about results, as well as to encourage the public and politicians to remain supportive of the programme and to encourage take-up. For example, it may be useful to produce documentaries (as has been done in Zambia with the Kolomo project) about the programme and its impacts, and broadcast these on national networks.[33]

Endnotes

1 DFID (2006c), page 4.
2 Ibid., page 5.
3 Britto (2005), page 9, citing Adato (2000).
4 Ayala Consulting (2003), page 32.
5 DFID (2006c), page 12.
6 Khogali and Takhar (2001), cited in Harvey et al. (2005), page 4.
7 Castañeda et al. (2005), page 31.
8 Reddy and Sokomani (2008), page 54.
9 Ibid., pages 1-2.
10 Dawn (2003).
11 Castañeda et al. (2005), page 31.
12 Ibid., page 32.
13 Sandford (2005), page 13.
14 National Anti-Corruption Forum (2009).
15 Reddy and Sokomani (2008), page 19.
16 Castañeda et al. (2005), page 32.
17 Ayala (2005), page 59.
18 Ayala Consulting (2003), page 29.
19 ILO (2000), page 222.
20 Tabor (2002), page 43.
21 ILO (2000), page 223.
22 World Bank (2004c), pages 10–11.
23 Bassett (2008), page 21.
24 Moore (2009), page 8.
25 Maluccio and Flores (2004), pages 18–19.
26 Ravallion (2005), page 3832.
27 Galasso and Ravallion (2005), page 6.
28 World Bank (2004d), pages 10-11.
29 Devereux et al. (2005), page 54.
30 Harvey (2005), page 3.
31 Devereux et al. (2005), page 39.
32 Khogali and Takhar (2001), cited in Harvey (2005), page 96.
33 Schubert and Goldberg (2004), page 9.

Chapter 15

Monitoring and evaluation

The objective of this chapter is to discuss the basic techniques for monitoring, evaluation and impact assessment relevant for social transfer programmes. In particular, the chapter addresses three questions:

What are they? Scientific techniques for measuring the implementation and outcomes of social transfer programmes.

When do we use them? They should be used from the beginning of the programme to assess the conceptualisation, design, implementation, successes and failings – both in order to improve delivery and to provide assessments of impact.

How do we use them? This chapter provides an eight-step framework for implementing an impact evaluation.

Introduction

Once social transfer schemes are designed and implemented, an ongoing process of monitoring and evaluation can improve delivery processes, document results, inform policymakers about the effectiveness of alternative approaches, and mobilise political support for programme sustainability and expansion. Monitoring is the process of identifying and tracking performance indicators and reviewing implementation over the life of the programme.[1] It can be defined as a continuing process of collecting and reviewing data on performance indicators in order to inform managers (and other stakeholders) about the progress and achievement of objectives of the programme.[2] Evaluation links causes to outcomes, assessing impacts after a programme (or distinct activities) have been completed.[3] The evaluation of social transfers involves the objective and systematic assessment of the design, implementation and results of the programme.[4] This chapter examines the major tools and

Box 15.1: Types of evaluation strategies

No single approach to evaluation is appropriate in every context. Some evaluations address impacts, while others are more concerned with process. Budgets and time constraints vary across situations.

Seven major categories of evaluation strategies are:

- **Impact evaluations** aim to reveal which impacts were caused by the social transfer and which ones might have been caused by other factors. It is often regarded as the classic form of evaluation. This is a relatively complex and expensive form of evaluation, but it potentially produces high-quality and credible results.
- **Process implementation evaluations** are concerned with how the programme operates and focus on problems in service delivery, policy instruments, management practices and linkages amongst these factors. This evaluation method is similar to monitoring.
- **Rapid appraisal allows** for quick assessment and reporting. It can provide immediate feedback on the development of a programme, project or policy. This tends to be used for flagging problems during the implementation phase of the social transfer.
- **Meta-evaluation** establishes the criteria and procedures which can be used to systematically summarise findings from several existing evaluations. It is a technique for reviewing current evaluations in a rapid but integrated manner.

methodologies for monitoring and evaluating social transfer programmes and provides a framework for implementing an evaluation. The discussion aims to facilitate the role of monitoring, evaluation and impact assessment in supporting evidence-based policy design and implementation of social transfer programmes.

Monitoring and evaluation serve three major types of objectives:[5]

1. **Strategic objectives: is the social transfer programme achieving its goals?**
   Governments and donor agencies have limited resources and competing priorities. Monitoring and evaluation can serve to ensure that programmes utilise funds in a justifiable and efficient manner in order to promote development and support the strategic objectives of social protection. Social transfer impact assessments compare outcomes for beneficiaries to the outcomes for non-beneficiaries.[6]

2. **Operational objectives: how can programme managers improve implementation?**
   Monitoring (sometimes referred to as "formative evaluation") tracks the progress and process of a social transfer programme's implementation, mainly in order to check progress against a plan. Effective programme monitoring identifies and measures performance indicators in order to provide periodic feedback on the success of implementation as well as indications of problems that arise.[7]

3. **Learning objectives: what can be learned from the social transfer programme?**
   Are there alternatives to the programme's design and implementation processes? Does the programme illustrate best practices that provide a

- **Performance logic chain assessments** evaluate how the programme activities are organised and sequenced, and how the resources are utilised. The evaluation assesses how likely it is that the desired change in poverty level will be successfully achieved by social transfers.
- **Pre-implementation assessments** evaluate whether there is a coherent and clear implementation plan and whether the objectives and outcomes are clearly linked in order to ensure that the design of the programme includes all critical components.
- **Case studies** provide in-depth information about specific parts of the programme design or about particular beneficiary groups. Case studies offer an in- depth analysis of specific examples, at the expense of providing a breadth of knowledge. They also tend to be more qualitative in nature.

This chapter focuses on impact evaluations and process implementation evaluations (monitoring). In addition, Box 5.1 provides an example of rapid appraisal in the context of public works. For more information about the other types of evaluation see Baker (2000) and Kusek and Rist (2004).

SOURCE: Kusek and Rist (2004), pages 121–126.

model for learning? What lessons can be drawn from the experience? Evaluations with learning objectives do not necessarily serve the specific programme managers or other stakeholders – they may aim to benefit the broader international community concerned with the design and implementation of social transfer programmes.

No single evaluation framework serves the needs of every programme – there are a variety of tools and methodologies from which to choose. Each evaluation's design is unique, and depends on data availability, technical capacity of evaluators, time and budget constraints, as well as local political, economic, cultural and administrative factors. The most rigorous evaluations tend to be planned during the design phase of the programme (see chapter 3, section 5).[8]

In addition, "evaluations that will yield high-quality, credible, and generalisable results for policymakers will require strong financial and political support; early and careful planning; participation of stakeholders in the design of the objectives and approach of the study; adequate data; a suitable mix of methodologies, including both quantitative and qualitative techniques; the rigorous application of these techniques; and communication between team members throughout the process." [9]

Evaluations are conducted within a political context where all the stakeholders have strong views concerning ethical issues, the choice of "correct" evaluation methods and how the findings should be disseminated. Faced with these and other limitations – including budget and time constraints, limited access to baseline data and comparison groups, lack of experienced or trained personnel to carry out the evaluation – evaluations may be difficult to conduct with robust designs and techniques. Often programme managers face a trade-off between available resources, and acceptable standards of evaluation practice and methodological rigour.[10]

Box 15.2: The potential and pitfalls of government-mandated evaluations

After the initial evaluations of Mexico's *Progresa* programme (now called *Oportunidades*), the government passed legislation in 2001 requiring annual evaluations for major social programmes. While the law does not directly provide incentives for quality evaluations, individuals in responsible state agencies often take a serious interest in the design and implementation. A group of public officials with experience and a strong interest in rigorous evaluation techniques designed and implemented the *Progresa* programme. They selected a randomised experimental methodology, providing a rigorous impact evaluation that was innovative in the region at the time. This design required treatment and control groups, involving the withholding of benefits from the control group for 18 months.

Progresa officials anticipated that legislators in Congress would react adversely, and they documented this design feature with intentional vagueness until the evaluation was practically complete. Once Congress and the media understood the nature of the random experiment, a political controversy ensued, but it was too late to affect the evaluation process.

Even before the 2001 legislation required annual assessments, Mexico's Ministry of Agriculture commissioned the Food and Agricultural Organisation (FAO) of the United Nations to evaluate *Alianza para el Campo* and PROCAMPO (which provided cash payments to certain producers in the Mexican countryside) to assist in the design of an evaluation. FAO advisors worked with Ministry officials to design a quantitative evaluation of perceptions of impact. The evaluation design included questions for beneficiaries about their opinions regarding the impact of the programmes on productivity and income. The evaluations were conducted on an extensive scale – covering nearly all of the programmes in Alianza across each of the 32 states

Programmes or projects designed for monitoring and evaluation can answer the following questions:[11]

- Does the programme reach the intended beneficiaries?
- How does the programme affect the beneficiaries? (The assessment should potentially evaluate nutrition, poverty, vulnerability to starvation, health, personal safety, ability to plan and cope with shocks, relations with others in the community, and gender inequalities.)
- Does the programme generate the desired outcomes?
- What is the impact on the rest of the population?
- Are there better ways to design the programme?
- Can the programme be managed more efficiently?
- Are the allocated resources being spent efficiently?
- Were the costs of setting up and running the programme justified?

For each of these questions both **qualitative data** (data expressed in narratives or words – using observations, interviews or focus groups) and **quantitative data** (data expressed in numbers using questionnaires or existing databases) can be useful in a variety of ways. While some researchers may differ on the respective merits of the two approaches, it is generally acknowledged that some combination of the two methods of data collection is important in any evaluation in particular when the programme is in a complex social environment, as is the case with any social transfer programme. There are four key reasons for using the mixed method approach: 1) it allows the evaluator a wide range of methods and tools to draw from, 2) it increases the validity of conclusions through "triangulation" by providing multiple in Mexico. The data collection from tens of thousands of informants cost over US$1 million per year – but the results proved fairly limited, particularly in consideration of the amount of resources spent. The evaluations could not answer some of the most important questions – for example, whether or not Alianza was responsible for a statistically significant impact on important social and economic indicators.

The Ministry of Agriculture's approach to compliance with the law mandating annual evaluations yielded undesirable outcomes in two ways – an excessive amount of data was collected in a costly manner, but without providing the essential information necessary for an effective evaluation. The bureaucratic interpretation led the Ministry to collect and process substantial amounts of data at a state level – leading to a costly report which failed to address some of the most critical issues. Over time, the Ministry expanded its interpretation of the evaluation requirements and began to produce more useful assessments.

While the government-mandated evaluations have not always proven useful, academics and researchers have conducted several studies of PROCAMPO which support comparisons with *Progresa*. National household surveys conducted in 1994 and 1997 included a significant proportion of households benefiting from PROCAMPO. In addition, extensive surveys and studies of *Progresa* provide a wealth of information about the programme's impact. Along many dimensions the two programmes have demonstrated comparable effects. The impacts of the programmes appear similar in terms of improvements in household well-being, investment in productive activities, calorie intake, food consumption, and nutritional diversity.

SOURCE: Davis (2003).

independent findings that can be compared, 3) it allows for a deeper and richer analysis and understanding of the programme context, 4) it provides opportunities for reducing cost and time of data collection.[12]

There are many approaches, strategies and types of evaluation and no single method of evaluation is best suited to all purposes and all programmes. The most appropriate method of evaluation for a given programme depends on many factors, including: the type of answers needed; the nature of the programme being evaluated; the availability of data needed for the evaluation; how certain the policymaker needs to be about the data and the conclusions produced by the study; what level of resources is being devoted to the evaluation; and the time that is available for the study. Choosing an evaluation strategy will require trade-offs between time, cost and accuracy or confidence in the study.

Design issues in impact evaluation

Numerous methods and analytical techniques have been used in evaluation studies. Box 15.1 provides an overview of some of the major types of evaluation strategies. A comprehensive approach can include monitoring, process evaluation, cost-benefit analysis, and impact assessment.[13]

Combining complementary techniques spans the entire life of the social transfer programme and provides a more holistic evaluation. Impact evaluations assess whether the programme produced the intended effects on individuals and households, and determines if the effects can be directly attributed to the social transfer intervention. Impact evaluations can also

Box 15.3: The importance of a credible comparison group in impact assessment

The International Food Policy Research Institute (IFPRI) conducted an impact assessment of conditional cash transfers in Nicaragua from 2000 to 2002. Households benefiting from the cash transfers received an average of 3 500 Cordobas in the first year, and 3 800 in the second year. Annual household expenditure for these beneficiaries, however, increased only by 404 Cordobas over the two years – an insignificant impact, particularly given the cost of the programme. Can policy analysts conclude the programme was a failure?

No, the problem is not that simple. Simply measuring the change in a welfare measure over time for beneficiary households ignores other factors affecting households. In this study, IFPRI also measured the change if household expenditure for a similar group of households that did not have the benefit of the conditional cash transfer programme. Their average expenditure fell significantly over the two years. It is likely that the average expenditure of the participating households would have fallen also in the absence of the programme. The significant expenditure stabilising impact of the conditional cash transfers is a mark of programme success.

This example demonstrates the importance of a "control group" in evaluating social transfer programmes. Comparing the living standards of households after the introduction of a social transfer

examine the range of consequence for beneficiaries – positive and negative, direct and indirect, intended and unintended. Monitoring assesses whether the programme's implementation follows its plan and achieves the intended objectives. Process evaluation focuses on the implementation details of the programme. Cost-benefit analyses weigh monetary and non-monetary costs against quantifiable benefits – cost- effectiveness evaluations provide a similar exercise when benefits cannot be quantified.[14]

"Impact can be defined as the change, effect or benefit that results from the services or activities on a wider society than its direct users. It is often long-term, broad and sustainable and can include affecting policy decisions at government level.[15] Impact evaluation "is the process of identifying the anticipated or actual impacts of a development intervention, on those social, economic and environmental factors which the intervention is designed to affect or may inadvertently affect." [16] Impact evaluations or assessments can produce several types of specific reports including poverty impact, regulatory impact, social impact, health impact, environmental impact and economic impact evaluation reports. "In the context of sustainable development, the social, economic, and environmental impacts of an intervention are all interlinked. The various types of impact assessment may therefore need to be combined in an integrated impact assessment, whose nature will vary according to the type of intervention, and the aims and cost-effectiveness of the overall impact assessment package." [17] Donors, governments and policymakers want to ensure programmes and projects maximise the potential output from scarce resources and consequently they are turning increasingly to the use of impact evaluations.

Impact evaluations or assessments, however, might not be feasible in all situations: there could be a reluctance amongst government officials and/or institutions to carry out impact evaluations because of political reasons (findings may be politically sensitive), cost considerations (deemed too expensive), a change in administration (there is a strategic shift in policy), programme to their status before the intervention is a "before-after" comparison and ignores the impact of all the other factors that affect the beneficiaries. In order to separate the impact of the social transfer programme from all the other effects, it is useful to identify a group of households as similar to the beneficiary households as possible – and to monitor their living standards simultaneously with those of the beneficiaries. This group is called a "control group" because it enables the study to control for all the other factors affecting the households.

If the study is properly constructed, and if the beneficiary group is similar to the control group before the social transfer programme is implemented – then differences between the beneficiary group (also called the "treatment" group) and the control group represent the impact of the social transfer programme. This is sometimes called "with-without" analysis – because the beneficiary group ("treatment" group) represents households "with" the intervention, and the "control" group represents households "without" the intervention. "With-without" assessments are generally considered more reliable than "before-after" evaluations.

SOURCE: Maluccio and Flores (2004).

technical complexity (resources and qualified personnel may not be available), required data may not be available, and the length of time it takes to do the evaluation may be too long. In addition the timing of the results may be sensitive (e.g. just before an election) or the results may be available too late for policy intervention.[18]

If any one of the following three questions can be answered positively, then doing an impact evaluation or assessment may be useful:[19]

- Is the programme of strategic relevance for national public policy?
- Can the evaluation results influence future design of the programme and other programmes?
- Will the evaluation contribute to improving the implementation or development of the programme?

A key reason why a formal impact evaluation may take place is to gain political support for the programme. For example, the Mexican government paid for the evaluation of Progresa in part because the conditional cash transfer model was relatively new and was viewed as a potential replacement for certain subsidy programmes. Support both from within government and among the public was needed to expand the approach.[20] Box 15.2 discusses the potential pitfalls of government mandated evaluations for social transfer programmes.

In a food security evaluation for Bangladesh, researchers identified three important features that enhanced the evaluation's ability to improve public policy: (1) the research provided quantitative indicators and results, specifying concrete courses of action; (2) the evaluation team worked closely with policymakers; and (3) the results of the evaluation were provided in a timely manner that met the needs of decision-makers for information.[21]

Impact assessments should evaluate the reduction in poverty after the transfers have taken place, compared to the situation if the transfers had not been made. This requires identifying and evaluating a **counterfactual** situation – that is, how would participants have performed in the absence of the programme, and how would non-participants have fared if they were

Box 15.4: Quantitative and qualitative approaches for impact evaluation

Both quantitative and qualitative approaches are useful for effective impact evaluation. Several common approaches are described in this box.

Quantitative approaches

- Experimental design involves the random assignment of individuals or households either as beneficiaries, or as a control group which does not receive the service or good being provided by the intervention. This is also known as the experimental method. These evaluations can last from one to five years and range widely in cost from US$50 000 to over a million dollars – depending on size and complexity. (This technique is sometimes referred to as randomised design.)
- Quasi-experimental design involves the use of a control group to match as closely as possible the characteristics of the beneficiaries receiving the intervention – either through propensity score matching or using a multivariate regression approach. This method often involves the use of large-scale sample surveys, and sophisticated statistical analysis. Like experimental design evaluations, quasi-experimental design evaluations can last from one to five years and range widely in cost from $50 000 to over a million dollars – depending on size and complexity.
- Ex post comparison of project beneficiaries with a control group. With this method, multivariate analysis (to statistically control for differences in groups) may be used. This is one way of estimating the counterfactual situation. The cost

able to participate? The analysis calculates the average impact of the group who received the benefits from social transfers and compares this to that of a control group who did not receive transfers.[22] It is also useful to compare the same individual or household over a period of time. "The critical objective of impact evaluation is therefore to establish a **control group** or a **credible comparison group** of individuals who in the absence of the programme would have had outcomes similar to those who were exposed to the programme." [23] Box 15.3 provides an example of how the inclusion of a control group in a study can substantially alter the interpretation of the study's results.

There are several methodologies for evaluating programme impacts using **quantitative data** and evaluation techniques. Two broad categories of design can be identified as **experimental design** (control group) and **quasi-experimental design** (credible comparison group).[24] **Qualitative** and **participatory** methods can also be used to assess impact. Such techniques enhance the quantitative methods and provide critical insights into understanding the viewpoint and perceptions of beneficiaries, the value of programmes to communities and towns, the underlying processes that may have affected outcomes, and generally provide a deeper understanding of the results observed in the quantitative analysis.

Understanding the context and variables can often help explain why two identical projects may have different outcomes in different communities. Several broad categories of contextual variables can be identified.[25] These include: economic factors, political factors, organisational or institutional factors, environmental factors and socio-economic or cultural factors. A technique often used by evaluators to capture this kind of information and provide ways to understand the linkages between these factors is called **Logical Framework Analysis** (sometimes called LogFrame Analysis). It is is often less than half that of the experimental and quasi-experimental designs.

Combined quantitative and qualitative approaches

- Rapid assessment or review (conducted ex post). This method can encompass a range of tools to assess impact, such as participatory methods, interviews, focus groups, case studies, mini survey, direct observation and available secondary data. It generally uses quick low-cost ways to collect information. Since a main aim of rapid assessment is cost-effectiveness, evaluations with this design usually start from about $25 000 and cost much less than conventional evaluations.

Qualitative approaches

- Participant Observation involves field researchers spending an extended amount of time in residence with a programme community, employing qualitative techniques and small-scale surveys. The technique often includes stakeholder analysis, participatory appraisal and beneficiary assessment.
- Case studies involve detailed or broad studies of a specific intervention involving open-ended questioning and the recording of personal stories.
- Participatory Learning and Action involves a facilitator assisting the active involvement of those who have a stake in the programme.

SOURCES: Adapted from World Bank (2004c) and Kirkpatrick and Hulme (2001).

a management tool mostly used at the project level, to improve the design of the intervention. “It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention.” [26]

Experimental and Quasi-experimental design methods are often called **rigorous or quantitative impact evaluation methods**. These two methods have a strong advantage over the other methods as they are the most reliable: 1) for establishing causality, i.e. the relationship between a specific intervention and its actual impacts, and 2) for estimating the magnitude or size of impact that can be attributed to the intervention. They are able to distinguish the impacts of the intervention from the influence of other, external factors. These methods establish credible control or comparison groups. The superior strength of an experimental or randomised approach is that it helps ensure that the measured impact is only due to the intervention being evaluated.

However, randomisation is not always feasible or appropriate. Excluding someone from an intervention which could save his or her life because there needs to be a credible control group has very serious moral and political implications. Fortunately, researchers have been able to devise rigorous quasi-experimental design methods to compensate for some ethical considerations. Some researchers also make use of other, more **qualitative review methods**. Such methods will help address the views of key stakeholders concerning project operation and impact, and help to clarify and explain issues relating to the results chain or the causality relationships of the intervention. A mixed method approach to impact evaluation will also help achieve triangulation (provide two or more ways to understand and explain) evaluation findings.[27] Box 15.4 compares quantitative and qualitative approaches.

Box 15.5: Challenges with evaluations requiring experimental design

Many managers of social transfer programmes choose experimental design methodologies to provide robust and rigorous evaluations. These techniques, however, pose significant challenges for evaluators and policymakers.

Challenges:

- The random assignment of benefits to participants can be unethical.
- The randomness of the methodology sometimes creates political difficulties.
- Individuals in control groups are usually not passive subjects – denied benefits, they may seek social protection elsewhere – making it difficult to interpret the results.
- Programme administrators have an interest in the evaluation's outcome – so they may intentionally bias the selection to improve the results.
- Experiments are often expensive and time-consuming.

Addressing the challenges:

- If there are budget or information gaps that make it impossible to effectively target the poorest eligible beneficiaries, the transparent and random assignment of participants to control and treatment groups can mitigate

Rigorous methods also have other disadvantages. One disadvantage is that they are usually expensive – rigorous impact evaluations often cost from US$200 000 to US$900 000, depending on project size, complexity and data requirements.[28] A second disadvantage is that they are often time-consuming, taking up to 2 years or more to complete; moreover, it can often take several years after a project has been in operation before its impacts start to emerge. These timing issues reduce the utility of rigorous impact evaluation when decision-makers require information quickly. Thirdly, rigorous methods are quite demanding in terms of the skills needed to conduct them; they require strong technical skills in social science research design, management, analysis and reporting. Finally, a criticism often levelled at impact evaluations is that they are unable to answer some important policy questions such as: how might the impact change if the programme design were changed?[29]

Despite all of these disadvantages with the choice of method, the overall advantages of conducting impact evaluations still make it a particularly valuable (but costly) tool for long-term studies and research. The costs reinforce public good arguments for the international development community to help fund such evaluations, thus contributing to what is becoming a growing library of impact evaluation findings, available to all countries and to the donor community.[30]

Randomised designs

Randomised designs are also known as experimental designs and are considered to be the most rigorous and robust of the evaluation methodologies. Box 15.5 identifies some of the challenges with evaluations that employ randomised design.

In a true randomised experimental design, individuals or households are randomly assigned (maybe through use of a lottery) to the experimental and control groups. If the sample is reasonably large the two groups can be assumed to be quite similar at the start of the experiment. The two groups the negative consequences. A public forum for allocating participants with a demonstrably random process can offset some of the negative political consequences, although at the risk of highlighting the random character of the experiment.

- The incorporation of control group participants into the programme once the evaluation is complete can address some of the ethical issues in depriving them of social transfers during the evaluation stage. The random assignment of potential beneficiaries into the control and treatment groups then determines the timing of benefits – not whether or not participants receive benefits.
- To address the ethical issues of denying benefits to the poorest, the design can randomise the benefit only to those participants above a minimum threshold of poverty – everyone below that level automatically receives benefits. The results of the impact assessment only strictly apply to the group for which participation was randomised, but this provides valuable information without compromising the needs of the poorest.

SOURCE: Baker (2000), pages 2–3.

are measured on indicators of the output or outcome that the experiment wants to produce. The intervention is then administered or provided to the experimental group and not the control group. The main benefit of this technique is the simplicity in interpreting the results. The programme impact on the outcome being evaluated can be measured by the difference between the means of the samples of the treatment group and the control group.

Often cited examples of experimental design evaluation include *Progresa* (a programme designed to increase school participation in Mexico), school-based health programmes in Kenya and India, and a school voucher programme in Colombia.[31]

When *Progresa* was launched in 1998, Mexican government officials made a conscious decision to take advantage of the fact that due to budgetary constraints they could not immediately roll out the plan to all 50 000 possible participant communities. They chose to begin the programme in 506 communities. Half of these communities were randomly selected to receive the programme and baseline and other data were collected in the remaining communities. The randomised phase-in of the programme allowed such clear documentation of the positive effects of the programme that even though the Mexican government changed hands, *Progresa* was maintained and even expanded to urban communities (*Oportunidades*).

Experimental designs are more difficult to apply in the real world. They require high skill levels and large resources for evaluation. However, there are many examples of advances in this form of design that make it more acceptable to use.[32] Box 15.6 describes how experimental designs can be instrumental in overcoming the problem of bias.

Quasi-experimental designs

Experimental designs may be the optimal method for evaluating impact, but as mentioned before there may be several reasons why it may not be feasible to use such a rigorous method. “If random assignment is ruled out, it is still

Box 15.6: To experiment or not: the problem of bias

Impact assessments must evaluate all of the factors – social, economic, political, personal – that affect the success of social transfers. To control all of these factors, many methodologies compare the group receiving the benefits with a similar group that does not – the "control" group. It is important that the two groups be as similar as possible. If there are systematic differences between the beneficiaries (the "treatment" group and the control group), two types of errors can result:

- **Differences in observable characteristics.** If the two groups are observably different from each other – in terms of average age, income, education level – then the two groups are likely to perform differently on performance indicators that aim to evaluate the social transfer programme. It will be difficult to identify what causes the differences in performance – the programme, or the initial observable differences between the two groups. To address this problem, it is important to construct the two groups so that they are as observably similar as possible.
- **Differences in unobservable characteristics.** Some differences between the two groups cannot be observed but nevertheless affect how individuals and households may participate in the programme. For example, more ambitious individuals may seek out the programme as a way to improve their livelihoods – and

possible under certain conditions to estimate impacts reliably using non-experimental methods." [33] This group of techniques is called quasi- experimental (non-random) or non-experimental design. This method uses statistical tools and other econometric measures to generate a comparison group that closely resembles the group receiving the intervention.[34] Quasi-experimental design techniques can be further subdivided into two groups: a) techniques that address the bias caused by observable characteristics such as matched comparison methods and b) the techniques that address the bias caused by unobservable characteristics such as reflexive comparisons, double difference and instrumental variables.[35] See Box 15.7 for more detail on these techniques.

The most complete impact assessments evaluate both the effects of the social transfer programme as well as operational aspects. This involves both analysing the impacts of the programme as well interpreting the outcomes and their policy implications.[36]

Impact assessments rarely answer all the questions that policymakers ask. Since they are based on evaluating actual processes and their impacts, it is difficult to answer the important "what if" questions. What would be the impact if the programme were scaled up to a national level? What if the programme were universal instead of targeted? In these cases, econometric techniques and micro-simulation models can provide important insight.[37]

Careful design and planning enable impact assessments to answer many different types of questions.[38] For example, an evaluation of a conditional cash transfer programme with conditions for school attendance and healthy clinic visits might address the following questions:

- Do students participating in the programme attend school more frequently?
- Does the programme reduce the poverty of participating families?
- Does the nutrition of participants improve?
- Which age groups or household types benefit the most?

also succeed better in the face of other opportunities. As a result, the treatment group may perform better on a wide range of indicators compared to a control group that is made up of less motivated individuals. An assessment that ignores this effect is more likely to attribute positive performance to the social transfer programme – and not to the unobservable characteristics that may be responsible. This kind of error is called "selection bias".

One way to eliminate these types of error is to randomly assign eligible participants to either the control group or the treatment group. Since individuals cannot select which group they join, there is no apparent selection bias. If the groups are large enough, the random assignment will tend to make them similar on average.

These experiments can be expensive and sometimes controversial. They require substantial planning, from the time the social transfer programme is first conceptualised. Non-experimental designs may be less expensive – and simpler practically and politically. However, they involve greater conceptual challenges in terms of interpreting the results.

SOURCE: Blomquist (2003), page 12, adapted from Baker (2000), Ravallion (1999) and Orr (1999).

- What characteristics contribute most to the success of the programme?
- Is the programme cost-effective?
- Are the programme benefits greater than the costs?[39]

Lessons of impact assessment

Economists and social policy analysts have identified a number of important ingredients for good impact assessments. The following highlights a number of key issues that practitioners consider.[40]

- The foundation for a good assessment is a thorough understanding of the programme, in particular the administrative and institutional details.
- It is critical to understand the social context, including the geographic distribution of poverty (for example, as depicted by a poverty map), the workings of the labour market, ethnic and other demographic characteristics of poverty, and the policy context – including other relevant social programmes.
- Be open-minded about your source of data. Scientifically sampled survey data is excellent – but additional and as important information might be gleaned from interviewing programme participants, managers and staff.
- Be careful about simply comparing outcomes for programme participants and non-participants. For example, in a particular rural village, a randomly selected group of non-participants may have lower poverty rates than a similarly randomly selected group of programme beneficiaries. That cannot support the conclusion that the programme is ineffective – the programme should be drawing on households with higher poverty rates in the first place. Good comparisons must control these important differences between participants and non-participants.
- Both quantitative and qualitative data can be useful, as long as it is organised appropriately. It is often helpful to link survey data to more specific information about the programme and geographical setting.[41]

Box 15.7: Quantitative methods for assessing the impact of social transfers

Several of the main quantitative methods for impact evaluation are discussed in this box. Because no single method is always appropriate, it is often desirable and appropriate to combine techniques.

Experimental designs (randomised control)

- **Experimental design** is one of the most rigorous methods for evaluating impact. The technique randomly selects participants into "treatment" and "control" groups. The "treatment" group receives the social transfer and the "control" group receives nothing. The aim is for the two groups to be as similar as possible so that the only difference is the receipt of the social transfer (or other "treatment" that is being tested). By randomly assigning the eligible participants to the two groups, there is no choice on the part of the experimenters or the potential beneficiaries that can bias or distort the results of the evaluation. If the test is structured properly, there will be no expected difference between the control and treatment groups except for the impact of the social transfers programme on the treatment group. However, because of random differences between the two groups – referred to as sampling error – there may be differences in impact that cannot be attributed to the programme. The larger the number of participants in the two groups, the smaller is this kind of error. Experimental designs are sometimes controversial because they may involve denying people access to social security.

Quasi-experimental designs (non-experimental)

- **Propensity score matching.** Because experimental design is not always practically, politically or ethically appropriate, alternative approaches aim to achieve similar results by creating control groups from the population that did not have access to the social transfer programme. The techniques use "matching methods" to construct control groups by selecting the non-recipients in a larger survey that best match the characteristics of the beneficiaries in the treatment group. One commonly used technique is called "**propensity score matching**", which matches the treatment group beneficiaries to non-recipients from the larger survey using a score (the "propensity score") calculated from observable characteristics assumed to be relevant for defining individuals for the purpose of the impact assessment. The propensity score aims to predict the probability an individual or household would participate in the social transfer programme. A good control group has a distribution of propensity scores similar to that of the treatment group – but the treatment group receives the social

Implementing an evaluation of a social transfer programme

The previous sections of this chapter provide an overview of several important methodologies useful for evaluating social transfer programmes, as well as a discussion of important design issues for impact assessments. In practice, there are a number of steps required to effectively implement an evaluation in order to improve the delivery of social transfers.[42] (Box 15.8 discusses several of the cross-cutting issues that can improve a results-based approach.)

STEP 1: Deciding to evaluate

The first step is to determine the appropriate timing for the evaluation. As discussed previously, impact evaluations involve considerable financial costs and political risks, yet potentially may yield important strategic, practical transfers while the control group does not. In constructing a good control group, it is useful to draw members from the same social and economic environment as those in the treatment group – and to survey them using the same questionnaire and with similarly trained interviewers.

- **Double difference.** One of the most important analytical techniques for analysing the resulting data is called the "double difference" (or "**difference-in-differences**") methodology, which compares the treatment and control groups both before the social transfer programme begins, and again during the implementation of the programme (possibly multiple times). The "first" difference is how the treatment group varies from the control group, and the "second" difference is how these differences vary before and after the programme has been implemented. Sometimes households in the control group with characteristics vastly different from the average (called "outliers") are dropped from the comparison – particularly if their propensity scores are outside the range observed for the treatment group.
- **Instrumental variables** is another important methodology which uses statistical techniques to control for participation. The key is the identification of one or a set of variables that will affect an individual or household's participation, but will not affect the impact of the programme given that the individual or household is participating. This is often very difficult and the source of much of the judgement involved in this kind of methodology. When the analysis is carefully constructed, the technique identifies the impact on the participants that is attributed to the programme. In the process, the technique calculates a formula that predicts the probability that an individual or household will participate in the programme – based on the values of the "instrumental variables" – in a manner similar to that for propensity test scoring.
- **Reflexive comparisons** involve a baseline survey of beneficiaries prior to the implementation of the social transfer programme, followed by another survey once the transfers have had an opportunity to make an impact. The technique compares indicators from the baseline to the follow-up survey. This technique may mistakenly attribute impact to the programme when in fact it resulted from other changes in the economy or society occurring at the same time as the social transfer programme.

SOURCE: Baker (2000), page 7–8.

and political benefits. If the programme is still relatively young, it may not be sufficiently developed to demonstrate measurable results. More innovative and replicable programmes yield potentially higher benefits from evaluation and are more likely to justify the cost and risk.[43]

STEP 2: Making the objectives clear

The decision to proceed will weigh the objectives of the evaluation and the likelihood of achieving their success. The second step is to clarify these objectives, balancing a comprehensive scope with the specificity required to achieve success. As part of this step, it may be useful to establish a reference group including representatives of all the key stakeholders. This will help ensure that all the critical questions are reflected in the statement of objectives, as well as facilitate the reflection of the findings in improved programme delivery once the evaluation is complete.

Box 15.8: Linking impact evaluation with a results-based approach

Increasingly governments and international development agencies are emphasising the need for programme evaluation. This trend reflects greater demands for improved accountability by service providers – particularly to their funders – as well as an increased focus on results-based management that aims to improve programme efficiency.

Unfortunately, impact assessments are often under-funded, in spite of evidence that these investments can generate substantial social returns. Many of the benefits of sound evaluations accrue to global community of social policy analysts – and the social transfer programmes they support – and efficient mechanisms do not exist to compensate evaluators for the public good they produce. In addition, programme managers are often reluctant to allocate scarce resources for evaluation purposes – the results are often available too late to make the maximum impact on the programme, and the focus of evaluations frequently fails to identify recommendations for operational improvements.

Some particularly frank politicians acknowledge that they have little enthusiasm for funding evaluations because their electoral time horizon is too short to benefit from the longer time lags necessary to generate productive assessments. The long horizon of policymakers responsible for Mexico's *Oportunidades* (previously *Progresa*) has improved the payoff from evaluation and increased the public's awareness of the successes of the programme – ensuring the sustainability (if not the name) of the social transfers system even through changes in presidential administrations.

Three reforms can improve the capacity of programmes to benefit directly from evaluations – and thus improve prospects for appropriate funding of impact assessments.

1. **Just-in-time delivery of results.** Evaluations should deliver short-term results to managers while the programme is active. It is important to guard against developing a short-term mentality that undermines longer term gains, but there are substantial benefits from providing early feedback that supports programme improvements.
2. **Results-based management.** Impact evaluations that ensure accountability require impartial external auditors. Assessments that

STEP 3: Identifying the evaluator

The third step is the identification of the evaluator, and as the subsequent steps unfold, the formation of the evaluation team. Credibility requires that the evaluator demonstrate independence from the institution or agency responsible for the social transfer programme. Often an implementing agency will identify the evaluator based on competitive bids. Box 15.9 identifies several of the key components of the terms of reference required for a request for proposals. Depending on the capacity of the programme team that is requesting the bid, part of the evaluation design may be included in the request for proposals. Alternatively, the request for proposals may require that potential bidders propose an appropriate methodology.

STEP 4: Fully designing the evaluation

The fourth step involves the full design of the evaluation, including the definition of a rigorous methodology. The identified evaluator may put this together as part of the proposal process – or in some cases the programme's institution may set forward the required methodology as a precondition for the bid. Section 15.2 of this chapter discusses some of the most important design questions that this step should address. Once the evaluator is confirmed, the programme's institution and the evaluation team must thoroughly review the aim to improve operational results, however, benefit from participation by managers and staff. Evaluations are learning processes, and they must harness the information from all members of the organisation. It is challenging to integrate the accountability and results-based objectives of evaluation – but meeting this challenge provides many more benefits than does a conventional evaluation.

3. **Experimenting.** One can further improve results by experimenting in order to identify better ways to achieve programme objectives. It is important to identify the drivers of performance – such as targeting rules, the determination of the size of transfers, delivery mechanisms, complementary programmes and mechanisms for accountability. Experimenting with alternative approaches can inform management of better ways to achieve improved results.
4. **The value of administrative data.** Most social transfers programmes maintain rich databases capturing information about beneficiaries – this is referred to as "administrative" data. Administrative data can sometimes provide information about participants over time – if the databases are updated with current beneficiary information. Access to administrative data is usually impossible for researchers unaffiliated with the implementing institution – but if the evaluation is commissioned by the programme organisation, the evaluators should consider the potential contribution of administrative data.
5. **Community politics.** When local communities are actively involved in the implementation of programmes, particularly with respect to targeting, a great deal can be learned by comparing how different localities address the same issues and problems. Understanding the local politics – community decision-making, political trade- offs, the exercise of influence – is essential in order to effectively evaluate the social transfer programme.

SOURCE: Sadoulet (2004).

proposed methodology. This should include a basis for comparing the impact of the social transfer programme to the counter-factual (employing some type of control group methodology). Matched comparison groups and experimental design provide some options for consideration, in light of the issues discussed above. The confirmation of the methodology also requires decisions on budget. Box 15.10 discusses how methodological issues – particularly with data requirements – can affect budget requirements. Since some bid protocols require a full costing with the proposal, these budgetary issues might need to be addressed in step 3.

STEP 5: Mobilising the data

Data comprise the lifeblood of the evaluation. The starting point of mobilising the necessary data is determination of the appropriate sample size (with its cost implications). The sample needs to be sufficiently large to detect significantly the impacts of the programme. The finer the granularity of the sub-groups for which measurable effects are desired, the greater will be the required sample size. For example, drawing inferences about the national impact will require less data than identifying and comparing impacts at a provincial or state level. Often the data phase of the evaluation is one of the most expensive components (perhaps second to analysis – in some cases greater).[44]

Box 15.9: What to include in the terms of reference for a request for proposals

When commissioning an external impact evaluation or assessment a short brief or terms of reference should be drawn up to provide the evaluators/consultancy with all the relevant information concerning your needs for the evaluation. This will allow them to put together an informed tender or bid. Such an evaluation brief is a short document – about four to six pages in length – that outlines the scope of the evaluation. The document should include:

- **Project title and brief description**
- **Background**
  This should provide general background information and reasons for the evaluation study. Who is commissioning the evaluation – the organisation being evaluated, another agency or a funder?
  Provide brief summary details about the programme being evaluated. For example, what service is being provided, how many staff members are involved, who are the recipients of the service, appropriate materials such as marketing leaflets and a website address.
  Provide information about the purpose, focus, use and audience of the evaluation. For example, will the whole organisation or a programme be evaluated? Is the purpose of the evaluation to help strategic planning, get more funding, or evaluate impact? How will the evaluation be used? Is it to demonstrate accountability to funders or improve the service? Who will read and use the evaluation report?
  Outline issues that may affect your organisation's view of the evaluation process. You may want to use a participatory approach in your evaluation methods.
  Outline issues related to data collection. What data already exists, what difficulties arise in collecting new data?
  Provide information about internal responsibilities and liaison. Who is the main contact person on this evaluation? What work will be carried out internally?
- **Aim and objectives**
  Document the main single aim and the objectives, and how and who will use the impact assessment.
- **Specify the assessment's scope and methodology**
  - Specify the work requirements for the evaluation team.
  - Identify the main research questions.
  - Indicate relevant partners and stakeholders for the impact assessment.
  - Identify the appropriate methodology for the assessment.
- **Outputs**
  The terms of reference should specify the general outcome and expected deliverables. Each activity should be associated with an expected output. Include consultation of the draft report with stakeholders to reflect their role in the process. Also include dissemination of the report as an outcome.
- **Required experience, competency, qualifications, and expertise**
  The terms of reference should indicate the minimum requirements and request appropriate documentation, including résumés, CVs,

It may be possible to use existing national surveys if they capture sufficient information about the programme. In many cases new data must be collected – requiring the development of a survey instrument, hiring and training fieldwork teams, pilot testing the survey tools, the fieldwork itself (including validation), the design of the appropriate databases and tools, and the entry and cleaning of the data.

Increasingly social transfer programmes begin the evaluation process prior to the implementation of the programme – so this phase begins with the collection of baseline data. Subsequent follow- up steps collect additional waves of data in order to track the impact of the social transfer programme over time.

capability statements, description of country knowledge, and other appropriate information. Specific requirements include:

- How does their professional expertise relate to the subject of the assessment?
- What is their evaluation experience, including experience with methodologies?
- What is their knowledge of the country or region?
- What is their previous experience with this specific type of assessment?
- What is their experience and awareness with gender and cultural issues?
- Do they possess the necessary language skills?

- **Conduct of the work**
  This should set out clearly how the project will be implemented:
  - The role of the evaluators – both the team leader and team members
  - The design, implementation and target dates of the work programmes,
  - Specify how the local counterpart personnel will participate in the process.
- **Specify your reporting requirements**
  Clearly indicate the schedule of progress reports as well as the deadlines for the final report. In particular, carefully document:
  - A schedule for the timing of the work, including an indication of any flexibility that is available.
  - A full schedule of progress reports, interim and final reports, and requirements for result reporting.
  - What kind of final report is required, and will this include a formatted presentation?
  - Specify intellectual property ownership – who will own the rights to the work and the copyright?
- **Dissemination of findings**
  Depending on the requirements of the project, the needs for dissemination can be planned and included in the terms of reference so that the budget contains sufficient resources. Reports or summaries should be translated into local languages as appropriate and costs for this included in the budget. Several methods of dissemination can be considered:
  - The results can be presented at conferences or in workshops or seminars
  - Formal reports presenting the results of the impact evaluation, as well as briefs and summaries
  - Academic articles and more accessible stories in appropriate publications.
- **Budget allocation**
  If appropriate, indicate your available budget allocation for the assessment, and whether it includes VAT.
- **Timing of the call for proposals**
  What is the submission date required for the proposals? It is useful to specify if you plan to have any arranged interview dates. Give details about the person to contact for any clarifications or further information.

SOURCE: draws from Charities Evaluation Services (2004).

STEP 6: Analysing the data

A plan for data analysis should precede the commencement of fieldwork. Once the survey is in the field, the range of possible analyses will face constraints imposed by the data. It is critical that the required analysis be conceptualised hand-in-hand with the design of the data requirements.

The evaluation should achieve more than the identification of programme effects. Analysis of programme processes can identify operational shortcomings and proposals for improved cost- effectiveness. In addition, qualitative analysis and more sophisticated data analysis can shed light on the causal reasons for the observed impacts.

Box 15.10: Budgeting for impact evaluation

The following elements determine the cost of an impact evaluation. It is useful to include detailed specifications for these steps in the evaluation's request for proposals so that the cost of the project can be accurately estimated.

- **Collection of baseline data**
  The most effective evaluations require baseline data collected prior to the implementation of the social transfer programme. The costs depend on the type of data required, how it is collected, and by whom. The availability of skilled local enumerators – and their training requirements – also affects the cost. Likewise, the need for external consultants can significantly affect budget requirements.

- **Impact evaluation design**
  The design of the impact evaluation requires thorough consultation with the stakeholders in order to ensure a comprehensive approach. The cost of this component will depend in part on these meetings – how many, who is involved, the costs of participation and the need (if any) for external facilities. The type of impact analysis selected also determines the budget required for the evaluation – balancing the costs of various options against the benefits in terms of better information, considering the opportunities to train local staff to carry out the work.

- **Regular data collection**
  Impact evaluations require an ongoing process of collecting data that measures the programme's impact. In some cases, existing governmental statistical surveys may provide sufficiently

STEP 7: Reporting the results

The final step for the evaluation team is the writing up of the analysis, conclusions and policy recommendations and the reporting of these findings to the programme managers, policymakers and other stakeholders – including the reference group if established in step 2 above. In many cases, the reports are not available for one to two years after the final wave of data collection. The evaluation plan should carefully (and generously) schedule milestones and deliverables to reflect the decision-making calendar of policymakers.[45] Distinct forms of the report will target different audiences. A rigorous technical analysis is the bedrock of the evaluation. Clear and accessible presentations maximise the impact on policymakers. Concise and attractive policy briefs can broaden the policy impact and provide a vehicle for communicating the value of the programme to a more expansive audience. Making the reports and datasets available on the Internet can nurture important external benefits – creating public goods for the rest of the world and perhaps eliciting further independent studies that provide additional information for the benefit of the programme.

STEP 8: Reflecting the results in improved programme delivery

The decision in step 1 to go ahead with an evaluation should reflect a plan for using the results to improve the delivery of programme objectives. Evaluations that simply meet legislative or donor requirements are unlikely to justify their costs. Keeping the reference group (established in step 2) informed of progress through periodic workshops can lay the foundation for more effective results by contributing to the stakeholders' participatory ownership of the evaluation. Mexico's *Oportunidades* and South Africa's comprehensive system of social grants provide two examples (certainly among many others) of programmes detailed data. There may be significant analysis required to process the existing data into a format usable for the evaluation. In other cases, the evaluation will require quantitative or qualitative surveys to generate the information necessary for the assessment. The cost will depend on the magnitude of this task and the availability of skilled local staff or other personnel who can carry out this work.

- **Analysis of information**
  The heart of the impact evaluation is the analysis of the information. The cost will depend on the technical requirements from the design phase, which determines the level of skill and experience required. The duration of the programme and the number of progress reports required will also have a significant impact on the necessary budget. The availability of local staff or external consultants will also affect the cost.

- **Reporting and disseminating the findings**
  The impact evaluation produces a final report as its key output, which must be effectively disseminated. The cost of this component depends on the reporting requirements and the extent of dissemination. Translating the report into local languages may be necessary for it to have the desired impact. Workshops may be useful to convey the results and involve the stakeholders. Who should receive the report and who should participate in the workshops? Is it useful to publish articles in journals and present the results at conferences?

SOURCE: Kirkpatrick and Hulme (2001), page 17.

that have continuously used evaluations to improve and expand the delivery of social transfers.

Conclusions

This chapter highlights the importance of an eclectic approach to monitoring and evaluation. A variety of methodologies serve the diversity of objectives policy analysts seek to meet. Good assessments are rooted in a thorough understanding of the social transfer intervention and the context of poverty it addresses, and the groundwork for monitoring and evaluation begins with the initial design documents for the programme. Quantitative and qualitative techniques complement each other, and rigorous analysis must grapple with the omnipresence of the potential for error.

The illuminating power of effective monitoring, evaluation and impact assessment provides the essential evidence linking programme performance to improvements in design and implementation. Positive evaluations can mobilise political support and expand the resources available for scaling up scope and coverage. Monitoring and assessment can identify problems and propose solutions, and the evidence generated can serve not only the programme itself but also the global community involved in designing and implementing social transfer programmes.

Endnotes

1 Blomquist (2003), page 3. See also Ezemanari et al. (1999), page 1.
2 Kusek and Rist (2004), page 227.
3 Blomquist (2003), page 3.
4 Adapted from Kusek and Rist (2004), page 225.
5 Kusek and Rist (2004), page 117.
6 Blomquist (2003), page 3.
7 Baker (2000), page 1.
8 For more detail on different evaluation approaches and strategies, see Chen (2005), page 48; Bamberger et al. (2006), page 46.
9 Baker (2000), page 7. See also Duflo and Kremer (2003).
10 Bamberger et al. (2006), page 19.
11 Baker (2000), page 1; Blomquist (2003), page 3.
12 See Bamberger et al. (2006), page 27 and chapters 3 and 4 for more detailed information on these.
13 Blomquist (2003), page 4.
14 Baker (2000), page 1.
15 Charities Evaluation Services (2004), page 2.
16 Kirkpatrick and Hulme (2001), page 2.
17 Ibid.
18 Baker (2000), page vi; Blomquist (2003), pages 1–2.
19 Blomquist (2003), page 19.
20 Ibid., page 22
21 Ibid., citing Babu (2000).
22 Baker (2000), page 1.
23 Duflo and Kremer (2003).
24 See Box 7.4 for more detail.
25 Bamberger et al. (2006) identifies these categories and provides more detail (page 42).
26 Kusek and Rist (2004), page 226.
27 Bamberger (2006), page 27 and World Bank (2004f).
28 World Bank (2004f), page 23; Blomquist (2003), pages 17–18.
29 Blomquist (2003), page 22.
30 Duflo and Kremer (2004).
31 Duflo and Kremer (2003).
32 Ibid., pages 5–18.
33 Blomquist (2003), page 8.
34 Baker (2000), page 8.
35 Blomquist (2003), page 8.
36 Ibid., page 3.
37 Ibid., page 4.
38 Ibid.
39 Ibid.
40 For example, see Ravallion (1999), Ravallion (2001). The following considerations draw substantially on the lessons illustrated and concluded in these papers.
41 Ravallion (2001), page 136.

42 This section consolidates and adapts the frameworks of Baker (2000, chapter 2) and Blomquist (2003, page 22), which in turn draws on Ezemanari et al. (1999).

43 Baker (2000), pages 17–18.

44 Blomquist (2003), pages 14–16.

45 Baker (2000), page 39.

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Social transfers are regular money payments – or, in some cases, food or vouchers – provided by governments or other public-oriented institutions to poor individuals and households with the aim of reducing poverty. Around the world developing countries are increasingly recognising the value of this innovation in reducing extreme poverty – with success stories in Africa, Asia and Latin America. This guide serves as a tool for government policy-makers, programme officials and donor agency representatives responsible for designing, implementing, managing and monitoring cash-based social transfer programmes. The guide provides both concrete recommendations as well as a wealth of lessons from international experience.

The Economic Policy Research Institute (EPRI) produced this publication.

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