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Unconditional Cash Transfers in Africa

Support is growing for unconditional cash transfers as a social protection response to hunger, HIV/AIDS and chronic poverty in many parts of sub-Saharan Africa. A study commissioned by UNICEF and undertaken by Save the Children UK, HelpAge International and IDS examines the range and impacts of cash transfer programmes.

Following the southern Africa food crisis of 2001/2 and the recent series of droughts in the Horn, governments in parts of east and southern Africa lack the resources to implement comprehensive social security systems, and are increasingly dependent on externally financed safety nets.

Although donor and NGO responses to crises have conventionally been dominated by food aid, there is a growing recognition that institutionalised food aid in Africa has achieved little in terms of addressing underlying problems of food insecurity, and may have introduced additional problems, such as dependency and disincentives to production and trade. In an effort to 'break the cycle' of food aid dependency in countries like Ethiopia, and to avoid the long-term institutionalisation of food aid programmes in southern Africa, governments and their donor and international NGO partners are exploring innovative alternatives to food-based safety nets. Many of these involve unconditional cash transfers to a range of identified vulnerable groups.

Cash or food?

A persuasive argument in favour of cash rather than food transfers is that they give people choices, and available evidence suggests that cash transfers are put to a wide range of uses, from purchases of food and clothes to meeting the costs of services such as health, and even investing in small enterprises. Generally, spending of cash transfers benefits entire households and extended families, not just the intended beneficiary. For example, social pensions targeted at older people benefit children directly and indirectly, since grandparents are increasingly caring for orphans and other vulnerable children.

Spending of cash transfers also generates a range of income, employment and trade 'multipliers', stimulating local economies and promoting market development. However, the magnitude of these multipliers has not yet been quantified, and this is an important knowledge gap. Also, not enough is known about intra-household decision-making over the allocation and spending of cash transfers. One concern often raised against cash transfers is that the benefits in terms of household food security and children's nutrition might be less than with equivalent food transfers, since household heads may use this cash to meet different priorities.

The impact of purchasing power

This study finds little evidence to support fears that cash transfers might be inflationary, probably because most programmes transfer small amounts of cash to limited numbers of people. However, this varies greatly across programmes: from less than US$3 per month in Mozambique's Food Subsidy Programme to US$111 in South Africa's social pension. Where transfers are made on a regular and predictable basis (e.g. social pensions that are delivered every month), the positive impacts on trade could help to integrate markets and reduce price fluctuations. But the purchasing power of cash varies from season to season, and between rural and urban markets – unlike commodity transfers (e.g. a bag of maize or fertiliser), which retain their value over time and space. This variability in purchasing power suggests that a case could be made for index-linking the amount of cash transferred to food price movements, and for setting the transfer equivalent to the cost of a minimum basket of food and non-food items, adjusted for household size.

What are Unconditional Cash Transfers?

Unconditional cash transfers include social pensions, disability pensions, child and family support grants, and other cash grants to vulnerable individuals and households.

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The key ingredients

Three key ingredients are essential for effective implementation of cash transfer programmes: adequate and sustained financing, administrative and management capacity, and political commitment. Government-run programmes have the advantages of being national in coverage and nationally owned, but delivering transfers to all beneficiaries every month presents challenges, especially in contexts where physical infrastructure is inadequate and public sector capacity is constrained. Within governments, Ministries of Social Welfare are often relatively weak and, if insufficient attention and budget resources are dedicated to monitoring and supervision, cash transfer programmes can be susceptible to mis-targeting and corruption.

On the other hand, social protection projects implemented by NGOs or donors enjoy the advantages of working closely with communities, so can involve local people directly in identifying priority needs, and in delivering transfers to the neediest individuals and families. The advantages of local engagement and community participation are difficult to replicate when scaling up to the national level. One disadvantage of the 'NGO model' is that the community-level focus excludes all vulnerable people living outside the project area. This approach also tends to be time- and resource-intensive, which is not compatible with large-scale programmes across the country at minimum overhead cost.

In Africa, conditional cash transfers are less popular than in Latin America, where transfers to poor families are often linked to compulsory attendance of children at schools or clinics. One explanation could be that the accessibility and quality of education and health services are often so poor that it is doubtful whether conditional cash transfers would produce positive outcomes for children. Another way of trying to achieve multiple impacts through cash transfers is to link their delivery with the provision of basic services. Some cash transfer projects are exploring possibilities for delivering the cash through banks and post offices.

Unconditional cash transfers are a relatively new policy instrument in Africa, and as cash transfer schemes proliferate, the evidence base needs to be built. Knowledge gaps that need to be filled most urgently include:

- rigorous and comprehensive assessments of impacts;
- comparative cost-benefit analyses (e.g. of cash transfers versus food aid);
- quantification of 'multiplier effects';
- monitoring of intra-household spending patterns, especially by gender,

Despite their current popularity, there are a number of risks and potential pitfalls that unconditional cash transfer schemes need to overcome if they are to become prominent in the range of social protection instruments in Africa.

- Cash transfers are rarely sufficient in isolation; they need to be integrated into a package of social protection measures that are adapted to different contexts and needs.
- Successful pilot projects should be scaled up, to increase their coverage, and institutionalised within government, to increase their national ownership and political sustainability.
- Adequate investment in management capacity, monitoring and supervision must be budgeted for.
- Delivering regular and predictable cash transfers should be seen as a 'social contract' between governments and its vulnerable citizens that must be upheld and sustained in the long-term, with or without donor support.

Further reading

Save the Children UK, HelpAge International and Institute of Development Studies (2005) *Making Cash Count: Lessons from Cash Transfer Schemes in East and Southern Africa for Supporting the Most Vulnerable Children and Households*, London: Save the Children UK
www.ids.ac.uk/ids/pvty/pvsocprot.html#Cash

Credits

This In Focus was written by **Stephen Devereux** and edited by **Clare Gorman.**
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