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# Cash Transfers in Development and Relief Contexts: A Review of the Recent Literature

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\* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of SDC

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## Executive summary

This literature review is an update of the paper Farrington, J., Harvey, P. and R. Slater (2005) "Cash transfers in the context of pro-poor growth" and forms part of ODI's three-year research programme on "Cash transfers and their role in social protection". It reviews the most recent developments in, and emerging lessons from, the implementation of cash based transfers in Africa, Asia and Latin America.

This paper reviews the recent evidence and thinking around these debates with a specific focus on the following seven themes:

- Affordability and sustainability for national governments and donors
- Acceptability and political economy of cash transfers
- Complementarities between cash and other approaches
- Targeting
- Aid modalities and practicalities
- Growth and Graduation
- Relief and Development

### *Acceptability and political economy of cash transfers*

Cash transfers have risen rapidly up the political, donor and development agenda and are being increasingly seen as feasible, affordable and a key part of social protection and poverty reduction strategies. This has been driven by a number of interlocking factors, including the strong evidence base from Latin America of positive experiences with conditional cash transfers, advocacy by civil society actors, such as HelpAge's campaign for pensions, increasing acceptance of the need for social assistance for those seen to be particularly vulnerable such as the elderly or chronically ill and a desire to find alternatives to emergency relief that has continued for decades in contexts such as Ethiopia and northern Kenya. Fears that cash transfers might be particularly prone to corruption, that recipients would misuse the money, that women might be disadvantaged by the use of cash and that transfers might cause inflation are being allayed by positive evaluations of effectiveness and impact where cash transfer projects are being implemented. Cash is increasingly considered as an alternative (to food aid) or additional (cash plus food aid) mechanism to tackle poverty and as an emergency response.

### *Affordability*

Calculations about what is and isn't affordable for developing country governments depend in part on whether spending on cash transfers is seen as an additional investment or as replacing other forms of social assistance. In Ethiopia and northern Kenya, for instance cash transfers are seen in part as an alternative to food aid. In India, Farrington et al. (2003) argue that efficiency and productive gains could be made by spending less on the inefficient and leakage-prone Food Distribution System and more on pensions.

Recent claims for the affordability of social protection include projections at approximately 1% GDP for African countries, based on a \$15 a month transfer to the bottom 10% of the population (households). 1% of GDP is arguably affordable even for low-income countries, but looking at social protection spending as a proportion of national budget expenditure raises critical questions about the perceptions of affordability from these projections. For instance, total South African spending on social transfers at 3.5% of GDP equals more than the total GDP of 35 African countries.

Affordability questions are thus importantly about donor government willingness to support social protection in at least the short to medium term, particularly in sub-Saharan Africa where many governments continue to rely on international aid for large percentages of government expenditure.

### *Rights and citizenship*

Internationally, a rights-based approach to social protection has largely been pushed by the international NGO agenda (see for example the UK based Grow-up Free from Poverty coalition) and the ILO's "progressive universalism" (Thompson 2007a: 60). Whilst no-one would argue against a right-based approach in principle, the question remains over whether it can be realised within existing public budgets. Devereux and Sabates-Wheeler (2007b) recognise the need for a social protection agenda that encompasses equity and social rights, but warn that in many countries the drivers of social protection initiatives are bilateral or multilateral donors and international NGOs, not national governments and not local civil society. In this case the social contract, which should be created from political will by governments and political pressure by citizens, is largely missing.

### *Cash transfer instruments*

There are clear choices to be made in the design of cash transfer programmes. Thus far the debate in the literature has tended to centre on whether or not conditions should be attached to cash transfer programmes. The programmes in Latin America which have helped to drive the debate have often included an element of conditionality with people expected to attend health clinics or send their children to school before receiving transfers. There is now a heated debate about the usefulness of conditions and whether or not conditions would be appropriate in contexts in Africa where access to services such as health and education are limited.

There are also choices around the type of transfers with advocates for universal non-contributory pensions, for child benefits and for transfers targeted at particular groups according to poverty or vulnerability. This is partly a debate about affordability with the argument being that relatively narrow targeting is needed for cash transfers to be affordable. However, it is also about the practicalities of targeting and capacities of governments to target effectively.

### *Targeting*

Advocates of more universal benefits such as non-contributory pensions highlight the relative simplicity of targeting broad categories such as the elderly and the potential for universal benefits to garner wider political support. In practice, however, more narrowly targeted cash transfers are mostly being planned and adopted with the notable exception of Lesotho's introduction of a universal pension and South Africa's continuing commitment to both pensions and child grants.

Many cash transfer programmes are implemented through community targeting, often including complex procedures and requiring a great deal of capacity both from local government and community representatives. The issue of targeting women in the household is under discussed in the literature, but emerging evidence from cash transfer programmes suggests that cash is more likely to be spent on household needs when targeted at women, which is similar to experience with in-kind transfers.

### *Roles and capacities of government and international actors*

At least as great a challenge as affordability, particularly in Africa, is the capacity of governments to effectively implement cash transfers. Many of the projects currently being implemented are still benefiting from pilot project effects of being intensively managed, relatively small scale and supported by international aid actors. Question marks still remain over the capacity of governments to successfully scale-up cash transfer projects and this is a key area for further research. Experience in Lesotho and Ethiopia does provide some grounds for optimism and ambitious plans to implement large-scale projects in contexts such as Malawi, Kenya and Uganda in the near future will provide plenty of evidence and learning on which to draw.

### *Growth and graduation*

The evidence from cash transfers projects is on the whole positive and shows that cash transfers can successfully improve and smooth consumption and income, can prevent the sale of households assets, can enable investment in productive assets (even if small), and can help households repay loans. Furthermore, the emerging evidence points to the positive role that cash transfers can play in a wider supportive environment to increase people's productivity and stimulate local markets. The long-term impacts of cash transfers are however less clear. Important issues around the potential impact include: i) the size of the transfer: small scale transfers are unlikely to show increases in poverty reduction at a large scale; ii) the objectives of cash transfers vary: many programmes aim to reduce the poverty gap, not the incidence of poverty; and iii) many programmes have not been running long enough to generate accurate data on the long term poverty impacts of transfers.

### *Complementarities between cash and other approaches*

Complementary interventions may be needed to maximise the impact of cash transfers. Actions to support markets such as road building may be needed particularly in the short and medium term whilst the market adjusts and particular attention needs to be given to areas with weak markets in remote areas or places affected by conflict to anticipate inflation risks. There may also be a need to maintain the flexibility to switch between cash and in-kind transfers in some contexts where markets are particularly weak. If cash transfers aim to increase access to health and education services then investments to ensure that services are available may be needed. Clearly cash transfers are only part of wider social protection and development strategies and are likely to be insufficient to address deep rooted poverty and social exclusion on their own. There's a need to guard against portraying cash transfers as a magic bullet for poverty reduction but equally a need to guard against assuming that a whole array of complementary actions need to be in place for cash transfers to be useful.

### *Relief and Development*

There is an increasing body of experience with the use of cash transfers in emergencies, as both an alternative and a complement to the provision of in-kind assistance where markets are still functioning sufficiently for people to be able to buy what they need for survival and recovery in the face of crisis. This, combined with the growing acceptability of longer term social assistance programmes has reinvigorated debates about how to link relief and development.

Whilst this link may still not be explicit, it is starting to emerge particularly in contexts where humanitarian relief has become embedded in local economies such as in northern Kenya, Ethiopia and Malawi. Cash transfers designed as longer term social assistance for the chronically poor and destitute are seen as an alternative to recurrent provision of large volumes of food aid through annual emergency appeals. Cash transfers are also seen as having the potential to help reduce people's risk to disasters and resilience in the face of shocks, reducing the need for relief and as having the potential to be expanded during times of crisis to help people cope with disasters. In practice, however, countries are still struggling to coordinate and make links between disaster responses and longer term social protection strategies and there is a need for caution in assuming that longer term safety nets can be a complete substitute for short term humanitarian responses.

## 1. Introduction

This literature review is an update of the paper Farrington, J., Harvey, P. and R. Slater (2005) “Cash transfers in the context of pro-poor growth” and forms part of ODI’s three-year research programme on “Cash transfers and their role in social protection”.

This paper reviews the most recent developments in, and emerging lessons from, the implementation of cash based transfers in Africa, Asia and Latin America. Proponents of cash-based approaches argue that they can be more cost effective and timely than transferring in-kind resources, allow recipients greater choice and dignity, and have beneficial knock-on effects for local economic activity. Sceptics fear that cash approaches are often impractical due to additional risks of insecurity and corruption, and that targeting cash may be particularly difficult (Harvey et al. 2005). This paper reviews the recent evidence and thinking around these debates with a specific focus on the following seven issues:

- Affordability and sustainability for national governments and donors
- Acceptability and political economy of cash transfers
- Complementarities between cash and other approaches
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**Social protection** is referred to here as encompassing a sub-set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty. Devereux and Sabates-Wheeler (2007) usefully summarise the wider debate on definitions of social protection. Operationally, social protection can be defined by sub-dividing it into three key components:

- **Social insurance** involves individuals pooling resources by paying contributions to the state or a private provider so that, if they suffer a shock or a permanent change in their circumstances, they are able to receive financial support. Social insurance is, in general, more appropriate for better-off individuals although it can have an important role in preventing them from dropping into poverty. Examples of social insurance include unemployment insurance, contributory pensions, health insurance.
- **Social assistance** involves non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. Examples include social transfers (non-contributory pensions, children welfare grants) and other initiatives such as public works and school or health fee waivers.
- **Standards** refer to the setting and enforcing of minimum standards to protect citizens within the workplace (although this is difficult to achieve within the informal economy).

**Cash transfers** are a form of social assistance and in this paper they refer to:

- Cash that is given to individual households, as distinct from communities or governments
- Cash grants, cash for work and voucher programmes rather than interventions such as monetisation, microfinance, insurance, budget support and fee waivers
- Cash as an alternative or a complement to in-kind transfers such as food aid, agricultural inputs, shelter and non-food items.

Table 1 shows examples of different types of cash transfers. Transfers can be conditional on school or clinic attendance, taking part in public works or building a house or they can be unconditional. They may be targeted on the basis of poverty or vulnerability to relatively narrow groups or more universally targeted such as pensions which are provided to all people over a certain age.

**Table 1: Examples of different types of cash transfers**

Conditional cash transfers	Brazils's Bolsa Familia Mexico's Oportunidades Programme	Grants targeted at poor households with conditions such as having to attend school or health clinics
Public Works	Maharashtra employment scheme in India PNSP in Ethiopia	People receive cash payments for labour on public works projects
Social Pensions	Lesotho, Namibia and South Africa	Lesotho's pension is universal. South Africa's is targeted at the poorest
Child benefits	South Africa UK child benefit	People with children receive cash grants (may be targeted at the poorest)
Disability grants	South Africa	Support for people with disabilities
Targeted cash grants	Kalomo pilot project in Zambia	Poorest households are targeted for a small grant

## 2. Recent cash transfer experiences in developing countries

There has been a recent explosion of interest in cash transfer programmes as part of social protection strategies particularly in sub-Saharan African and a large number of projects are being planned and piloted in many different contexts. This section does not claim to be comprehensive in part because events are moving too fast to be able to keep up with all of the new developments. However, it does attempt to map some of these recent developments with a particular focus on sub-Saharan Africa which is where change has been most rapid.

**Malawi:** UNICEF and the Government of Malawi introduced a social cash transfer pilot scheme in Mchinji in July 2006. The aims of the programme are multiple: to reduce poverty, hunger and starvation in all households living in the pilot area which are categorised as ultra poor and at the same time labour constrained, and to increase school enrolment and attendance of children. Households with children of school-going age receive a cash bonus to cover schooling expenses. The size of the transfer increases according to the number of household members from US\$ 4 to US \$13 a month. By April 2007, 7,480 children from 2,442 households were targeted. The project aims to expand to 12,000 households by the end of 2008. Initial findings indicate that money has been used to meet basic needs in terms of food, clothing, education materials and access to health services. Some have invested in improving their shelter and in acquiring small livestock (Schubert and Huijbregts 2006).

Other cash transfers in Malawi have been short-term emergency responses (for example Oxfam and Concern Worldwide response to the food crisis in 2005-2006). In December 2006-April 2007 Concern Worldwide implemented an emergency cash transfer to enable households to meet their "food entitlement" to over 8,000 beneficiaries in December and over 10,000 in April. An evaluation of the economic impact of the programme showed that the cash transfer had positive multiplier effects on the local economy (Davies 2007).

**Kenya:** UNICEF and the Government of Kenya started implementing the Pilot Cash Transfers for Orphans and Vulnerable Children (CT-OVC) in 2005. In the context of high HIV and AIDS rates, the pilot aims to encourage the adoption/fostering of orphans, reduce poverty and promote household investment in health and education. The pilot is experimenting with a conditional and unconditional transfer comparison. Households either receive additional income for health and education expenses *conditional on* children going to school and members visiting health centres or households receive additional income for these expenses but there is no official requirement to invest in these social services. The aim is to target 7,500 children by the end of 2007 (McCord 2006, Pearson et al. 2006).

The Hunger Safety Net Pilot programme (HSNP), a cash transfer scheme targeted at pastoralists in arid and semi-arid lands with high poverty rates, is still in the pipeline. The objectives of the programme will be to protect the consumption levels of the destitute that have lost their assets due to a poverty shock, enable the vulnerable to preserve their productive assets and avoid extreme poverty, and provide resources to the poor to support a platform for livelihood promotion. The programme will aim to target 120,000 beneficiaries (McCord 2006).

**Uganda:** In 2006 the process to design a pilot cash transfer in Uganda was initiated following requests from the Government's Social Protection Task Force. The pilot has now been designed to transfer cash in six districts to the poorest 10% of households, with a basic monthly transfer (18,000 Uganda Shillings – about £6 – enough to raise consumption levels of the average person in the bottom 10% up to the next decile), plus supplementary transfers for children and older people (2,000 UgSh per person up to a limit of five people per household). As with the Kenyan experiment on conditionalities, half the recipients will receive the supplementary payments if they adhere to conditions that school-age children are in school, vaccinations are completed and illnesses are treated at health centres, where these facilities are accessible. The other half will receive the transfer unconditionally. Sensitive issues such as dependency and the impact on gender relationships will also be explored. The project will be accompanied by a policy engagement process to broaden support for social protection (Shepherd 2007).

**Ethiopia:** Ethiopia's cash-for-work programme, the Productive Safety Net Programme (PSNP) started in 2005. A number of evaluations have taken place in the first year of implementation looking at institutional linkages, targeting, impact and the effects on local prices and markets. The overall impacts of the programme suggest that households' food security has improved, the cash income has helped protect productive assets and cash is also being used for a range of productive investments including in education, livestock, savings schemes and for paying back loans. Linkages between the PSNP and other food security programmes are found to be critical for graduation, but the potential for households to graduate is inhibited by a number of design and implementation issues within the PSNP (Slater et al. 2006). The targeting study revealed that the PSNP is now reaching the poor and that the institutional structures for combined administrative and community targeting are in place in most areas (though not all), and are functioning with varying degrees of success (Sharp et al. 2006). Price inflations were reported in the first year and as a result additional market supply interventions are recommended (Kebede 2006).

**Sierra Leone:** In the last year the Government of Sierra Leone has started implementing two cash transfer schemes. The Ministry of Labour is implementing a six month pilot programme which transfers cash directly to the elderly and most vulnerable. It is currently targeting 6,000 beneficiaries with US\$11 a month. Secondly, the Ministry of Youth and Sports is implementing a cash-for-work programme targeted at 5,000 young people. The wage rate is set at US\$2 a day.

**Pakistan:** In 2006 a pilot cash transfer programme was designed to support the Food Support Programme delivered through the Ministry of Social Welfare and Special Education, with the purpose of testing whether linking cash transfers to school attendance could achieve improvement in primary education coverage. In this pilot phase 125,000 households (10% of Food Support Programme beneficiaries) in 5 districts of every province in the country are targeted. Households receive US\$3.5 per child per month, rising to US\$6 if there are two or more children conditional on children attending school and passing examinations. The programme is supported by the World Bank and DFID (Barrientos and Holmes 2007).

**India:** The National Rural Employment Guarantee Act (NREGA) is probably the largest rights-based social protection initiative in the world at this juncture. The national budget for financial year 2006-7 was approaching US\$2.5bn, with a coverage of some 60% of India's districts, and aiming at full implementation to cover some 40 million households classified as "below the (Indian) poverty line", and costing over 1% of GDP. However, early reports suggest that implementation problems abound, especially in the weakly administered States, where the poor are increasingly located, and that actual disbursements are falling well below budgetary provisions.

### 3. Acceptability and political economy of cash transfers

Whether or not cash transfers are seen as a feasible part of social protection programmes and poverty reduction strategies depends on a combination of factors which shape perceptions about their acceptability on the part of developing country and donor governments. As Devereux and Sabates-Wheeler (2007) argue there has been a sudden shift from the 1990s when safety nets were seen as 'politically expedient, socially stigmatising and fiscally unaffordable in poor countries' to the current situation where social protection has been 'triumphantly reborn'.

In Africa, DFID have been a strong driver of cash transfers through supporting pilot programmes. The White Paper (2006) on poverty reduction recommends cash transfers as a viable poverty reduction tool, and as such DFID are committed to spending resources on, for example, financing cash transfer pilots in Ethiopia, Uganda and Zambia. Other donors and international organisations working in Africa are also working closely with national governments to support pilot projects and discussions around the use of cash transfers (e.g. UNICEF in collaboration with the Government of Kenya are implementing a pilot cash transfer to Orphans and Vulnerable Children (OVCs) affected by HIV and AIDS). Furthermore, in March 2006 the Intergovernmental Conference in Zambia brought thirteen African governments together around social protection and resulted in a commitment to put social protection on the national agenda by putting costed transfer plans in place within their national development programmes within three years<sup>1</sup> (Grow up Free from Poverty Coalition).

The expense and recurrent problems of previous (non-cash) programmes and the need to address chronic poverty and vulnerability in a more comprehensive and predictable manner are key causes of a shift to try new ways to build sustainable livelihoods. In Kenya, cash transfers have emerged as an alternative to existing delivery mechanisms by Civil Society Organisations which were reported to have high overhead costs (30-60%) and problems of corruption. The government considered that a cash transfer programme instead could reduce the costs going on overheads and increase the amount of the overall project budget to reach targeted families directly (Pearson et al. 2006). Ethiopia's Productive Safety Net Programme (PSNP) which targets 5 million people has been designed to address year on year food insecurity and to engage households in sustainable productive activities (Devereux et al. 2005). The HIV/AIDS pandemic also played a role in increased support for social transfers as a way of addressing needs of OVCs and the chronically ill but within a wider framework rather than having to target on the basis of illness (Harvey 2004).

Barrientos (2006) argues that strong monitoring and evaluation has been effective in securing political support for cash transfer programmes in Latin America, which has prevented them from getting tied up in day-to-day politics. Assessments on the use of cash transfers by poor households has demonstrated that most poor households manage small amounts of money very wisely which makes government spending on cash transfers seen as more acceptable by the wider community (Barrientos 2006).

Furthermore, pilot programmes in a number of African countries are being used not only as feasibility assessments prior to commitment on a full scale, but also as a means of building up political awareness and interest. In Kenya, the pilot phase for cash transfers to OVCs was used to find out how people would spend the cash, and how it could be delivered. Political interest was also drawn from visits to the programmes by ministers and media, and donor interest was driven in part by the renewed focus on poverty reduction in achieving the MDGs (Pearson et al. 2006). Pearson et al (2006) suggest that one of the preconditions needed for the success of cash transfers as a national programme is political support. Indeed, the Kenyan government and donors are in the process of establishing a National Social Protection Framework, of which the integration of the Hunger Safety Net and Cash Transfer-OVC pilots may be incorporated (McCord 2006 pp45).

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<sup>1</sup> "A transformative agenda for the 21<sup>st</sup> century: Examining the case for basic social protection in Africa" Intergovernmental Regional Conference, 20-23 March 2006

The high profile of Zambia's Kalomo pilot programme has generated an extraordinary high profile internationally, not least from lessons learnt generated throughout the pilot, but also from civil society actors engaged in advocacy activities such as HelpAge International. Whilst there has also been much emphasis on regional and inter-regional lesson learning conferences, like the Intergovernmental conference in Zambia which brought together participants from Latin America and Africa, there is concern that the high profiles of such context specific programmes like the small scale programme in Kalomo in Zambia, or Mexico's experience from *Oportunidades*, overshadows some of the bigger questions about appropriateness and feasibility of cash transfers in different contexts.

As Devereux and Sabates-Wheeler (2007) point out however, seemingly technical choices around design and instruments in social protection policies and programmes mask more fundamental ideological battles. The concerns about cash transfers are partly practical (security, corruption, targeting feasibility, gender) but they're also about attitudes to poor people and the very idea of welfare. Many elites are more fundamentally opposed to the idea of handouts because they see this as encouraging poor people to be lazy (Harvey and Lind 2005) so the mounting evidence about the practicalities of cash transfers (for example that they can be delivered safely, that they're not more prone to corruption than other transfers) only gets you so far. Debates around the acceptability of cash transfers also have a more fundamental and explicitly political dimension about the role of welfare within societies and where responsibility lies for those unable to support themselves.

## 4. Affordability and sustainability for national governments and donors

Calculations about what is and isn't affordable for developing country governments depend in part on whether spending on cash transfers is seen as an additional investment or as replacing other forms of social assistance. If cash transfers are seen as a form of additional expenditure then the affordability question is how can governments get more revenue or more international support to finance them? If cash transfers are seen as a replacement for other forms of social assistance, then the key question is more one of political acceptability than affordability and whether for instance, lobbies in favour of food aid or subsidies are too powerful to push through change.

In Ethiopia and northern Kenya for instance cash transfers are seen in part as an alternative to food aid. In these cases it has sometimes been argued that cash transfers can be more cost effective than food aid and therefore actually save money (or allow greater levels of assistance) but this depends entirely on context; on where the food aid comes from, the cost of buying food in local markets and the comparative costs of delivering and administering food and cash. In India, Farrington et al. (2003) argue that efficiency and productive gains could be made by spending less on the inefficient and leakage-prone Food Distribution System and more on pensions. However, the cost of cash transfers may increase if simultaneous interventions are needed to improve the impact of cash transfers such market supply interventions, strengthening banking systems, improved infrastructure etc. (Kebede 2006).

Recently the ILO has strongly pushed the financial affordability side of the social protection debate. They argue that basic social protection benefits are not unaffordable in low-income countries in Sub-Saharan Africa, even though some international assistance would be necessary for a transitory period (Pal et al. 2005). Simulations show that a universal old-age and invalidity pension can be provided for less than 1.5 per cent of GDP throughout a projection period of 2005 to 2033 for case studies including Ethiopia, Senegal, Kenya and Tanzania. A transfer of US\$ 13.71 (Purchasing Power Parity) per month to the bottom 10% most destitute households is estimated at costing about 0.7 per cent of GDP in Ethiopia and Tanzania, and 0.5 per cent of GDP in Kenya (Pal et al. 2006). Initial international assistance would be needed to cover a basic social protection package (consisting of universal old-age and invalidity pension, universal access to basic education, universal access to basic health care and a child benefit) but if governments increased their spending to one third of national budgets on basic social expenditure, by 2033 all the case study countries would be able to afford the package from their own resources (Pal et al. 2005). Other evidence supports these projections: Pearson et al. (2006 p13) shows that for seven countries in Africa, implementing a transfer of US\$15 per month per household to the poorest 10% of the population would cost less than 1% of GDP and between 0.5% and 3.5% of government expenditure. Evidence from Latin America demonstrates an average of 1% of GDP spending on conditional cash transfers for human development (Barrientos and Holmes 2006).

However, just how useful are comparisons of countries' GDP expenditure, or projected expenditure of social protection? In a recent presentation, Professor van der Berg (2007) argued that social assistance expenditure in South Africa is 3.5% of GDP. Put another way, 3.5% of South Africa's GDP is more than the total GDP of 88 countries, including 35 African countries. This puts some of the above affordability models into perspective and critically questions the arguments on which affordability are based. In order to get a far more realistic idea of how much social protection is really going to cost governments, national budgets and current revenues and expenditures is needed (see Box 1).

In China, whilst resource allocation to the Minimum Living Standard Scheme (MLSS) has increased from 0.28% of total consolidated expenditure in 2001 to 0.57% in 2005, the level and coverage of the MLSS depends on achieving growth targets and the state of public finances which implies a trade off between the level of entitlements and coverage, at least in the short term (Chen and Barrientos 2006). Furthermore, each city sets its own minimum living standards, which are largely determined by local financial capability rather than on a researched baseline due to fiscal

constraints, and the number of potential beneficiaries is reduced through tightening the qualifications for receiving assistance (Hussein 2003 cited in Chen and Barrientos 2006). This measure is a much more realistic assessment of how spending on social protection is budgeted, and includes critical questions of economic growth, revenues and choices about how much to spend on what.

### Box 1: Affordability of cash transfers in Sierra Leone

The total Non-Salary, Non-Interest recurrent (NSNIR) expenditure of the Government of Sierra Leone was approximately US\$ 104.2 million in 2006. **Total government expenditure on social protection in Sierra Leone was budgeted at around US\$1.5 million in 2006** and US\$ 2.8 million in 2007. Social protection expenditure is estimated at around 1.5 percent to 2.5 percent of non-salary, non-interest recurrent Government expenditure, 0.3 percent to 0.6 percent of total Government expenditure and between 0.1 percent and 0.2 percent of GDP.

In per capita terms, this works out as around US\$ 0.3 per person in 2006 for the total population (70% of the population are estimated to live below the poverty line). This is tiny amount which would not make a dent in the poverty levels in the country.

Several indicative options for cash transfer schemes illustrate the level of additional resources required:

(1) Scaling Up the Ministry of Labour's Cash Transfer to the elderly (approximately US\$10 a month)

- 200,000 recipients = **US\$ 27.2 million** (1.8 percent of GDP)

(2) Target the Bottom 10 Percent households: Close the Poverty Gap (approximately US\$6 a month)

- 100,000 households = **US\$ 8.5 million** (0.6 percent of GDP)

(3) Support to Vulnerable Children (approximately US\$12 per child per month)

- 200,000 recipients = **US\$ 31.68 million** (2.1 percent of GDP)

Source: Holmes and Jackson (2007)

Box 1 clearly shows that the question of financing social protection is as much about donor willingness to support social protection interventions as about national government commitment and issues of affordability. At least the short to medium term, particularly in sub-Saharan Africa, many governments will continue to rely on international aid for large percentages of government expenditure.

In 2006 the UK's Department of International Development committed to "significantly increase spending on social protection in at least ten countries in Africa and Asia by 2009", and recommends social transfers as a viable option for governments reducing poverty (DFID 2006 pp85).

The Inter-American Development Bank (IADB) support for cash transfer programmes in Latin America between 2000 and 2005 totalled \$4.5 billion (Inter-American Development Bank 2006). In 2005 alone, the IADB approved loans of \$1.2 billion for Mexico's *Oportunidades* Programme, \$700 million for Argentina's *Plan Familias* and \$57 million for El Salvador's *Red Solidaria* (Inter-American Development Bank 2006). Given current levels of economic growth and government revenues in Latin America the use of loans to finance social protection may be appropriate but there are clear concerns about using loans to finance recurrent social protection expenditure, particularly in the more fragile economies of sub-Saharan Africa.

In sum, the way in which the affordability debate is currently being constructed raises a number of questions. Often, affordability is being calculated as the cost of a given social protection investment as a percentage of GDP. This can be useful from an advocacy point of view and to allow comparisons between countries but an equally useful measure is often costs as a percentage of

government revenue and expenditure. Not least because this then leads naturally into a more detailed interrogation of national budgets and the choices that may need to be made to free up space for greater social protection expenditure or between different social protection instruments.

## 5. Rights and citizenship

Devereux and Sabates-Wheeler (2007a) argue that social protection continues to be conceptualised by many development agencies in terms of a response to *economic* livelihood shocks, and that a concern for *equity and social rights* is largely missing. They present a “transformative social protection” approach which encompasses an appreciation of structural vulnerabilities, and for this, they maintain that a political approach to social protection is needed which focuses on rights, duties, democracy and advocacy (2007a: 23).

Indeed, social protection has sometimes been presented as an agenda that can strengthen the legitimacy of the state by allowing it to re-shoulder responsibilities for ensuring the basic survival of its citizens (Christoplos 2004). Social protection mechanisms such as pensions can be seen as a central part of the social and political contract between a state and its citizens and in South Africa the Basic Income Grant campaign was the biggest post-apartheid civil society mobilisation (Thompson 2007b). On the other hand Box 3 discusses some of the challenges in building this type of relationship between the state and citizens through a conditional cash transfer in Peru.

### Box 2: State-led social programmes and citizenry in Peru

One of the longer-term aims of the conditional cash transfer Juntos is to change the paternalistic relationship between the citizenry and state-funded social programs, and to present accessing basic services for children as a joint responsibility of both parents and the state. Core to this is the idea that in order to ensure that service providers are held accountable for the provision of quality services, citizens have to demonstrate their demand for access to quality services. In order to do this, there is a need to reconceptualise the way the population views government services from that of largesse to fulfilling its responsibility to meet citizen's economic and social rights.

However, interviews with participants suggested that while some respondents were using the language of rights, this was far from widespread. Many of the women in particular knew about the demands of the program they had to meet but couched this in terms of tasks to be completed due to instructions from authorities rather than about a balance between citizenship rights and responsibilities.

Some male interviewees talked about the notion of reparation to compensate the poorest population for their unequal standard of living and for having been the victims of political violence.

*...surely they have seen we are poor, the people in the fields are poor, and nor is it the money of the government, it's returning our money that we have given, because when we buy things, we are paying taxes, so for me I don't see it as a present (Focus group with male beneficiaries, Arizona).*

It is interesting to note that beneficiaries and service providers alike believe it is necessary to apply pressure to ensure compliance with the conditions. However, although this strategy seems to be effective, there is a risk of infantilising participants if the discourses used to inform them about the conditions focus on compliance rather than about balancing rights and responsibilities. Some of the respondents suggested that discursive practices in the study communities erred towards the former, and promoted a submissive attitude which is unlikely to be sustainable over time.

Source: Jones et al. (2007: 16/7)

Internationally, a rights-based approach, or a universal social minimum, to social protection has largely been pushed by the international NGO agenda (see for example the UK based Grow-up Free from Poverty coalition) and the ILO's “progressive universalism” (Thompson 2007a: 60). A universal social minimum has two objectives: the first is to create a coherent framework that responds to the increasing social, economic and environment vulnerabilities and risks; and second, to frame the arguments as a political programme and creating the possibility for political vision and will (Ibid.). Thompson further argues that this relates to social protection in two ways. The universal social minimum can be seen as a social protection framework for those with a comprehensive

approach to social protection. For those with a narrower approach it could provide a framework within which social protection sits. Either way he argues, social policy which addresses vulnerability and risk should be shaped from a human rights and social justice perspective.

Whilst no-one would argue against a right-based approach in principle, the question remains over whether it can be realised within existing public budgets. Devereux and Sabates-Wheeler (2007b) recognise the need for a social protection agenda that encompasses equity and social rights, but warn that in many countries the drivers of social protection initiatives are bilateral or multilateral donors and international NGOs, not national governments and not local civil society. In this case the social contract, which should be created from political will by governments and political pressure by citizens, is largely missing.

## 6. What types of cash transfers?

There are clear choices to be made in the design of cash transfer programmes. Thus far the debate in the literature has tended to centre on whether or not conditions should be attached to cash transfer programmes. The programmes in Latin America which have helped to drive the debate have often included an element of conditionality with people expected to attend health clinics or send their children to school before receiving transfers. There is now a heated debate about the usefulness of conditions and whether or not conditions would be appropriate in contexts in Africa where access to services such as health and education are limited (Schubert and Slater 2006, Devereux and Sabates-Wheeler 2007).

There are also choices around the type of transfers with advocates for universal non-contributory pensions, for child benefits and for transfers targeted at particular groups according to poverty or vulnerability. This is partly a debate about affordability with the argument being that relatively narrow targeting is needed for cash transfers to be affordable. However, it is also about the practicalities of targeting and capacities of governments to target effectively.

The choice of cash transfer instruments, how to target and whether or not to impose conditionality should depend in large part on the social protection objectives of cash transfer projects but these have often been poorly articulated in practice. In many programmes, the amount of cash transferred is intended to support a household's living expenses and reduce the severity of their poverty rather than to lift people above the poverty line.

Table 2 shows some of the typical objectives of different cash transfer programmes. Many Latin American conditional cash transfer programmes aim to reduce the *poverty gap* not the poverty incidence and therefore the level of the benefits is not sufficient to lift poor households to the poverty line (Barrientos 2006). If the objective of the programme is to compensate poor households for the additional costs of accessing basic services, the level of the benefit must be tied to a calculation of the direct and indirect costs for the poor of accessing health care and education (Barrientos 2006). For example, in Kenya, less than a dollar a day<sup>2</sup> (which aims to reach up to 300,000 households by 2011) aims to cover part of children's basic food, health and education costs, and has been specifically calculated not to take a household above the poverty line per household member<sup>3</sup> (Pearson et al. 2006). Whilst the aim of the transfer is to keep the most vulnerable children within their families and communities, McCord (2006) argues that the transfer levels were not calculated in relation to particular developmental or social protection outcomes, and as such the analytical rationale for setting transfers at KShs 1,000 (or KShs 1,667) is weak. She argues that the social protection outcome should be the starting point for determining the transfer level, which would form the indicator against which the success of the transfer intervention should be judged.

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<sup>2</sup> US\$ 13.7 a month for one child in a household to US\$27.4 for three or more

<sup>3</sup> Households with one child receives Ksh. 1,000 (US\$13.7) per month, poverty line for rural households is Ksh. 1.667 per household member (Pearson et al. 2006).

**Table 2: Types of cash transfers and their objectives**

Type of cash transfer	Objectives
Conditional transfer: cash-for-work	To smooth seasonal income fluctuations and reduce long-term poverty through asset creation
Conditional transfer: human capital	To reduce current and intergenerational persistence of poverty
Unconditional transfer: direct targeted transfer	Income transfers to smooth consumption and income of poorest households, to improve food security
Unconditional transfer: social pension	To reduce poverty and vulnerability among the elderly
Unconditional transfer: child grant	To reduce poverty among children in poor households

Some types of cash transfers are relatively simpler and cheaper to administer than others. Conditional cash transfers (cash-for-work, cash for human development) are more expensive to run because of the additional administrative expenses involved. A key question is whether the extra administrative costs are worth the outcomes. Barrientos (2006a) argues that the benefits accruing to girls' education from conditional cash transfers (for human development) could be seen as worth the administrative cost: within two years of the Progresa/Oportunidades programme starting in rural Mexico (1997) in areas where dropout rates, especially for girls, were extremely high, enrolment rates increased by 1% for boys and around 9% for girls at an administrative cost of 2% of transfers (cited in Caldès, Coady and Maluccio 2004). Indeed, the multiple objectives of conditional cash transfers within one programme and budget line could be one of the reasons for their increasing uptake in Africa (even though capacity and budgets are arguably less).

Even though public works programmes are probably one of the most expensive types of cash transfers (Devereux and Macaulan 2006, Subbarao et al. 1997), they are one of the most popular policy responses to poverty (McCord 2005). Wages typically comprise between 30% and 60% of the total programme cost with the rest of the budget being spent on material and management costs (Subbarao et al. 1997). McCord (2005) points out however, that the benefits of assets created are rarely measured in a cost-benefit analysis.

The popularity of both conditional cash transfers for human development, and cash-for-work schemes suggest that political acceptability is as much, if not more, important than affordability in the choice of cash transfer instruments. These types of programmes are more popular than direct cash transfers because rather than being seen as a "handout" people are doing something in return for the benefits they receive. This popular perception translates into greater political acceptability.

## 7. Targeting

Mkandawire (2005) suggests that for much of its history, social policy has involved choices about whether the core principle behind social provisioning will be “universalism”, or selectivity through “targeting”. Under universalism, the entire population is the beneficiary of social benefits as a basic right, while under targeting, eligibility to social benefits involves some kind of means-testing to determine the “truly deserving” Mkandawire (2005).

Numerous targeting methodologies are used to target cash transfers, and different types of cash transfers have different objectives and target different groups. Conditional cash transfers in Latin America aim to target the poorest of the poor, as do many unconditional direct cash transfers; social pensions target the elderly on the basis that poverty is disproportionately concentrated amongst the elderly; and public works target poor people with available labour.

However, efficient targeting remains a major challenge in most countries. Many studies clearly show that identifying the poor with the precision suggested in the theoretical models involves extremely high administrative costs and an administrative sophistication and capacity that may simply not exist in developing countries (Mkandawire 2005).

Ethiopia’s experience of targeting the PSNP is a case in point, and shows that previous experience and capacity of targeting is critical. Targeting Ethiopia’s PSNP is a complex process, but its structure builds on years of experience in targeting emergency aid and public works programmes, including multi-agency work to develop and disseminate guidelines. Sharp et al. (2006) question whether without years of previous experience and continuities the rapid introduction of such a huge targeted programme in so many districts would have been feasible (pp. 6).

Mkandawire (2005) also suggests that targeting is as much about political processes that determine what is to be allocated and to whom and for what reasons as being a technical process. He argues that social policies not only define the boundaries of social communities and the position of individuals in the social order of things, but also affect people’s access to material well-being and social status.

In Latin America, because the criteria of many conditional transfers is dependent on social service provision, and is also dependent on having children living in the household, exclusion errors can be high, even though communities without schools and clinics tend to be the poorest (Handa and Davis 2006). Public works programmes also have obvious exclusion errors in programme design, including labour constrained households, such as the elderly, people living with HIV and AIDS and female-headed households with high number of dependents. Recent cash transfer programmes have tried to avoid this by implementing a two-pronged approach – public works and direct cash transfer to people who cannot or should not work. However, this is a difficult and complex process (see Box 2).

**Box 3: Targeting Ethiopia's Productive Safety Net**

The PSNP targets both households with labour (participants are required to work 5 days per month per beneficiary household member) and households with no labour, including sick or mentally challenged people unable to undertake even light work; pregnant women after the sixth month; lactating women in the first ten months after child birth; and orphaned teenagers. However, these strict targeting criteria disadvantages those vulnerable households who do not have enough labour to work the 5 days per household member, but also do not qualify for the direct transfer, such as female headed households with large number of dependents (Sharp et al. 2006). There appears to be tension within the programme between the "graduation" objective and the commitment to supporting the poorest. Whilst there are no official limits on beneficiaries receiving direct support, the pressures to reduce the number of households receiving these has meant that in many areas officials are applying pre-set quotas which do not necessarily match the community needs assessments. Additionally, because of the need for households to graduate as a key objective of the PSNP, households who were not in the poorest categories and with already the potential criteria to move out of the programme (e.g. owning a number of assets) were targeted so as to ensure a percentage of households graduating from the programme (Slater et al. 2006).

In the context of Kenya's cash transfer to OVCs affected by HIV and AIDS, McCord (2006) argues that targeting a broader vulnerable group would ensure greater efficiency. Given the financial and capacity constraints within which any state social protection system will be operating, McCord questions whether it is appropriate to establish a delivery structure exclusively to service one sub-segment of the vulnerable. She argues that developing a system to support a broader vulnerable group (e.g. poor households), would avoid the need for a range of different transfers and delivery systems for different sub-groups of the vulnerable, if a comprehensive social protection system is desired. In Kenya, the proposed cash transfer for OVCs carries major costs in terms of establishing management and administrative capacity and delivery systems, at national, provincial and local levels.

It is rarely expected that targeting individuals will *not* result in sharing or diluting a transfer with other household or family members. Indeed, increasingly, it seems, targeting a specific group is *expected* to have knock-on effects to other family or community members. The case for pensions has been strengthened because of the positive impacts on children's health and education, especially in the context where grandparents are carers of orphans and vulnerable children (Devereux and Macauslan 2006). Similarly, conditional cash transfers for human development target the household on the argument that strengthening the agency of the poor lies in targeting the household as unit. Whether a cash transfer is targeted at the household or the individual, intra-household dynamics have rarely been discussed further than assuming that giving income to the mother (in the case of CCTs) or grandmother (in the case of pensions) is empowering and strengthens their bargaining power within the household. How additional responsibility may increase women's unpaid caring responsibilities is not explored and there is a critical lack of knowledge on the impacts of targeting cash transfers to women at the intra-household level. Devereux et al.'s (2006) evaluation of the FACT programme in Malawi is one of the few that looks into these issues. It finds that on the whole, depending on the gender of the person receiving the transfer, resources are spent differently. As has been found in recent years, when women control the resources they are mainly spent on food and other goods to benefit the family. The experience of FACT which targeted women highlights three points:

1. women's empowerment can be enhanced if the programme explicitly and systematically pre-empts and addresses its potential gender implications
2. This should be linked to sympathetic and powerful community actors who can serve as women's allies, if necessary

3. Community leaders and structures can be a positive force in projects such as FACT, though gender sensitisation training may be required, and involving them in the supervision of the project represents a further example of community ownership.

In sum, given limited resources, targeting cash transfers is often seen as preferable to universal benefits. However, this is still hotly debated and there are valid arguments on both sides of the debate. Coady, Grosh and Hoddinott (2004), and Samson et al. (2006), argue that a universal rather than targeted approach may be particularly relevant for low income countries, suggesting that perfect targeting may not be necessary where poverty is extremely high. Furthermore there is an argument that relatively universal benefits such as pensions or the child benefit in the UK can generate political acceptability because everyone gets them and so the middle class benefit too rather than perceiving it as a benefit for the “undeserving” poor. The other argument in favour of universal benefits is that they often have much greater take-up rates and so have less of an exclusion rate of poor people.

However, targeting is still largely adopted, for three main reasons: the need to achieve best poverty impact from scarce resources; the public perception that untargeted transfers may be wasteful; and the fact that some forms of targeting (e.g. geographical, or to categories such as the elderly or disabled) are relatively easy to design and implement.

## 8. Roles of capacities of government and international actors

At least as great a challenge as affordability, particularly in Africa, is the capacity of governments to effectively implement cash transfers. Many of the projects currently being implemented are still benefiting from pilot project effects of being intensively managed, relatively small scale and supported by international aid actors. Question marks still remain over the capacity of governments to successfully scale-up cash transfer projects and this is a key area for further research. Experience in Lesotho and Ethiopia does provide some grounds for optimism and ambitious plans to implement large-scale projects in contexts such as Malawi, Kenya and Uganda in the near future will provide plenty of evidence and learning on which to draw.

Providing assistance to enable people to meet basic needs requires some sort of delivery capacity. Whether it is food aid, cash transfers or seeds that are being provided, there is a need for some way of getting it to people. Ideally, of course social transfers should be provided by the state but many contexts, states do not have the capacity, illustrating Devereux's classic Catch 22 that those countries whose people are most in need of social protection have the least ability to provide it (Devereux 2003). In fragile states and complex emergencies in addition to limited capacity, donors may not be willing to work with states for political reasons, or states may simply not have control over some of their territory. The following discussion draws heavily on Harvey and Holmes (2006).

In any given context, it should be possible to map the range of actors involved in implementing programmes but these will include UN agencies, international financial institutions, private sector organisations, NGOs, both international and local, and other civil society organisations such as churches. The key question is which actors (or combination of actors) could deliver social transfers at scale? This question is clearly context specific. In some contexts there may still be enough state capacity for the state to play a central role and for donors to be willing to fund a state and where this is the case that is clearly preferable (Harvey and Holmes 2006).

There is, however, a need to be realistic about the delivery capacity of the state (see Box 4 for the example of Sierra Leone). In particular there is a need to guard against moving from a situation of expensive and patchy but effective NGO delivery to one where in theory the government is providing services but in practice it does not have the capacity. This can result in a collapse in entitlements as health clinics or schools stop functioning because people are not being paid or supplies such as drugs are not being delivered (Ibid.).

### Box 4: Delivering social protection in Sierra Leone

The war in Sierra Leone has left the country with extremely limited institutional capacity (both in terms of staff numbers and skills and resources) and also limited infrastructure (roads, financial systems). Key existing challenges in delivering social protection programmes include:

- i) Lack of staff and financial capacity of Ministries, especially as the need to reach more beneficiaries increases.
- ii) Limited infrastructure and transport constraints can increase delays of deliveries and hinder the impact of the programme
- iii) Accountability is a crucial component of effectively delivering materials and payments in Sierra Leone. Whilst this is a continuing challenge, some mechanisms are being put in place to improve accountability, for example through Public Expenditure Tracking Surveys (PETS) or using private companies
- iv) Banks are emerging (although are still by no means wide spread) in rural areas and can offer a more feasible way to deliver cash to some areas (currently to schools and paying salaries)

Source: Holmes and Jackson (2007)

In situations where the state is weak there may be a role for other organisations (NGOs, private sector, or UN agencies) in implementing or augmenting the capacity of a state-run programme. This is the sort of model being talked about for piloting cash transfers in northern Kenya for instance and that has been used in Afghanistan for the National Solidarity Programme. It is important to recognise that this is not without its risks. In Afghanistan for instance, significant resentment has started to build over the role of international agencies that are seen as more expensive and less effective than national actors (Ghani et al. 2005). Ghani et al. highlight problems with the creation of a dual bureaucracy in Afghanistan where salaries of people working for international aid agencies are massively higher than for government civil servants.

In some situations, working with the state is not possible at all, either because it does not control parts of the country where services still need to be delivered or because donor governments are unwilling to work with it for political reasons. In these circumstances it might still be possible to deliver long-term social transfers purely through non-governmental and UN actors. This is arguably what is already happening in the case of social transfers of food aid through WFP and its implementing partners (Harvey and Holmes 2006).

Even if transfers are provided primarily through non-state actors there may still be a need to respect state sovereignty and attempt to involve the government in some way. One way of approaching this is shadow systems alignment which aims to ensure that the capacity of the state to deliver in the future is not undermined. Shadow systems alignment, in the short-term, would organise aid delivery to be compatible with existing or future state structures rather than duplicating or undermining them. The long-term aim is for government itself to provide these services. Such an approach is deemed to be appropriate in a situation where there is a:

- Lack of, competing or multiple systems
- Concerns about legitimising a particular government or authority
- Serious concerns about the intentions of the authorities towards their own population
- A significant and prolonged humanitarian presence (ODI, 2005).

Where government capacities to deliver large-scale social transfers are limited it may still be possible to engage with relevant line ministries in the development of policy. Often ministries responsible for social protection and welfare safety nets have become relatively weak because of the lack of investment in this field, compared to, for example, Ministries of Health and Education. Engaging relevant line ministries in debates about the social protection policies may be part of a process of rebuilding some analytical and implementation capacity within governments to deliver social protection. Experience of scaling up programmes in Kenya and Zambia show how important links are between ministries and departments. Especially if the programme is implemented from an under-funded department, such as ministries and departments of social welfare, without strong links to more powerful central ministries such as finance and/or planning (Devereux et al. 2005).

Indeed, whilst unconditional direct cash transfers are perhaps the simplest type of cash transfers to implement the very nature of conditional cash transfers for work as well as cash for human development means that capacity building among the staff in charge of the programme and also in those government agencies covered by the conditions is necessary. For health and education conditional cash transfers to work effectively, inter-agency cooperation across several Ministries at the central, federal, and municipal levels is often required, and developing capacity among teachers and health professionals is often needed alongside the coordination of their contribution to the programme. In many conditional cash transfer programmes in Latin America, payment or transfer to teachers was also required to facilitate their participation in the programme (Barrientos 2006).

International aid agencies working in emergencies often work primarily with government departments dealing with emergency response which can be relatively well resourced (at least in emergency prone countries) but have little knowledge of debates around longer-term social protection. There may be a need to encourage links between these departments (Harvey and Holmes 2006).

## 9. Impact: growth and graduation

Devereux and Macauslan (2006) argue that the poverty impact of unconditional cash transfers depends primarily on the size of the transfer. They cite that generous transfers can reduce poverty significantly, using evidence from South Africa's pension which transfers around \$75 a month to men over 65 and women over 60. Similar evidence is also found in Brazil and Argentina (which in 2002 were transferring US\$55 a month). At the same time however, even smaller-scale cash transfers have been shown to smooth consumption and protect assets as well as enable productive investment in assets such as buying seeds or livestock, enable households to diversify their income sources and repay debts (Devereux et al. 2005).

However, there is little evidence in the literature that relatively small-scale pilot schemes have a positive effect on poverty reduction on a large scale. Devereux et al (2005) emphasise the caution needed in reporting the impacts of small cash transfers. Whilst cash transfers raise incomes directly, the amount transferred is not usually enough to lift people above the poverty line, but rather, will reduce the severity of their poverty. In many cases, the amount of cash transferred is intended to support a household's living expenses rather than reduce the depth of poverty. Of course, reducing the severity of poverty even if only slightly is still hugely beneficial, and furthermore if this is across millions of households then poverty would be expected to be reduced on a larger scale.

The PSNP also helps some households secure their income enough to be willing to take the risk of loans. Are these steps enough to enable a household to "graduate" out of a scheme, out of poverty, and be resilient to future shocks and stresses? Box 5 discusses some of the factors affecting graduation from the PSNP, and suggests that apart from an enabling environment, for certain households to continue to accumulate assets, access to a wider range of package options (other than the PSNP and other food security programmes) is needed to support diversification into new agricultural activities, specifically high value crop production and irrigated agriculture (Slater et al. 2006).

### Box 5: Factors affecting graduation from Ethiopia's Productive Safety Net

Whilst graduation from the programme is one of the key objectives of the PSNP, a number of design and implementation issues challenge its success. There appears to be a lack of clarity over what it means for a household to graduate which creates uncertainties in target setting, programme planning, re-targeting, household selection and monitoring; the timing of payments is not yet reliable or predictable, and could be better synchronised with periods of need – the delayed delivery of the PSNP can push households into indebtedness; staff and institutional capacity needs improving; and the labour requirements of the PSNP draw labour away from households' own livelihood activities - in some cases, it is detrimental to people's investment in their own livelihoods and responsibilities, and where seasonal public works are required at the same time as peak agricultural periods, the long hours of work compete with other productive and domestic responsibilities - and affect their choice of packages - a broader intervention (more than cash and food) package is needed to enable a diversified and sustainable livelihood outside the programme. Given the complexity of the situation there may be a need to extend the five years programme period of the PSNP to achieve sustainable graduation.

*Source:* Slater et al. 2006

There is also little evidence over the long-term poverty reduction benefits of various other cash transfer programmes. Barrientos (2006) asks whether there is there a danger that unconditional cash transfers will be used only to meet short-term expenditure needs rather than be invested to address longer-term poverty reduction aims. He argues that cash transfers conditional on investing in human development are a way to avoid this, and evidence from Latin America's conditional cash transfers indicates that most programmes have largely been successful in their short term goals of raising household consumption, and improving schooling, especially for girls, and improving the

health status of the beneficiaries. However, the impacts of conditional cash transfer programmes on long term poverty reduction are less clear and less well documented (Britto 2005 cited in Devereux and Macauslan 2006). Some evaluations claim a reduction in the severity of poverty, e.g. 45% in Mexico, Nicaragua's RED programme is reported to have supplemented per capita annual household expenditure by 18%; however, others estimate that, in the case of Brazil's Bolsa Escola for example, the small size of the transfer means that the reduction in the incidence of poverty will be just over 1% with little impact on reducing inequality (Devereux and Macauslan 2006).

Furthermore, Handa and Davis (2006) argue that the focus on younger children within conditional cash transfer programmes in Latin America can overshadow the broader context of poverty reduction programmes within rural development. They argue that conditional transfers miss the opportunity to maximise the synergies between agricultural and non-agricultural productive activities at the household level, they ignore the potential to promote asset building for parents to enable resilient and sustainable livelihoods in the future outside of the programme, and there has been little attention on how to maximise the benefits of the cash transfer in the local economy (pp. 532).

In Malawi the potential impacts of cash transfers on the local economy have been an upcoming area of investigation. In 2006, Concern Malawi's DECT programme evaluated the multiplier effect of its emergency cash transfer. It found that DECT beneficiaries spent a large proportion of their transfer with village and small traders, who, in turn source their produce from larger traders and farmers of all sizes. The evaluation suggests that small and medium farmers benefit from the expenditure from the programme. Overall, it is the smaller farmers that gained, which led to the conclusion that any increase in food demand due to the DECT project would certainly benefit this group (Davies 2007). These initial findings from the effects of a cash injection into the local economy are positive, as expected. However, Devereux et al (2005) exercise some caution, suggesting that whilst cash transfers can generate income multipliers that imply positive impacts on the poverty of many others, apart from the beneficiaries, because of the small amount of transfer these claims should be treated with caution.

McCord (2005) argues that public works programmes may have limited impacts because of the small scale and short-term nature of job creation in the context of massive unemployment. The long term poverty reduction potential in the creation of assets depends on the quality and economic or developmental relevance of the asset being created (McCord 2005). A recent study of the Maharashtra Employment Guarantee Scheme indicates that earnings from the programme contributed substantially to household income and stability and contributed a small increase of agricultural wages. Employment in the programme also prevented the need to pursue employment in neighbouring villages, which was often expensive and time consuming. The benefits of the assets created however, were less pro-poor as most of them disproportionately accrued to large landowners (Gaiha and Imai 2005).

The Chronic Poverty Report (2005) identifies that the most innovative schemes for helping the chronically poor escape poverty were programmes such as BRAC's Income Generation for Vulnerable Group Development and Ultra-poor programmes and Bonded Labourer Schemes in Nepal which conceptualise social protection and income generation as integral, not as a choice between consumption/ welfare or investment/growth expenditures. The report argues that transfers enhance efficiency and growth when they reduce risk and excessive inequality that prevent people participating in and contributing to growth (CPRC 2005)

Indeed, McCord (2005) also stresses that public works should be designed so that employment on the scheme is not required at the expense of time spent on a household's own productive activities. This could be particularly problematic in situations where participants are engaged in small scale agriculture, and programme implementation coincides with periods of high agricultural activity. Equally, the work requirement may lead to foregoing alternative income generating or subsistence activities (McCord 2005).

It is therefore also important to recognise the social roles and responsibilities which may prevent individuals from being able to participate in productive activities. Overlooking the domestic and reproductive responsibilities of women was an issue highlighted by evaluations of the PSNP. Women working on the PSNP reported that the labour requirement represented a significant addition to their workload. Many women said they found it difficult to manage their essential domestic and childcare responsibilities alongside the public works, and were forced to work extremely long days (Sharp et al. 2006). Recommendations to the PSNP thus suggested that women should be allowed to work fewer hours than men for the same daily wage given women's domestic responsibilities. Alternatively, the number of hours for both men and women should be reduced to take into account other responsibilities. In this sense, women's reproductive work should be valued equally with farming and other productive activities (Sharp et al. 2006). Furthermore, Lund (2006a) argues that conditional cash transfers also place demands on the mothers' time when there is no required change in responsibilities of fathers and while women juggle even more responsibilities. Furthermore, promoting 'family' and 'community' responsibility for social provision nearly always conceals the fact that it is women who do the provisioning and caring (Lund, 2006a).

## 10. Complementarities between cash and other approaches

It is widely accepted that cash transfers alone are not a panacea for development, and that the success of cash transfers as part of a broader poverty reduction strategy lies in part with wider linkages to other programmes. Cash injections are clearly likely to work best in areas with integrated markets (Davies 2007, Kebede 2006). The decision about which resources are most appropriate in any given context (cash, food, other in-kind inputs or a combination) should always be based on a market assessment (Devereux et al. 2006, Harvey 2007, Gentilini 2007). Market conditions are thus critical in the implementation of a cash transfer, as are institutional linkages and coordination between complementary services to enable positive outcomes from a cash transfer programme.

### *Markets*

A key rationale for providing inputs or in-kind assistance rather than cash has been the argument that weak market integration and inadequate supply of inputs would fuel inflation when coupled with the low purchasing power of cash during seasonal price spikes leaving a severe impact on beneficiaries. Experience from Ethiopia's PSNP suggests that a number of factors can contribute to already increasing volatile food prices. Kebede (2006) finds that these include targeting errors (inclusion of richer households<sup>4</sup>), the late start of implementation of the programme (and related programmes) and further irregularities in the payment schedule. Instead of regular and equal cash injections into the local economy, rapid and irregular payments pushed prices up more (Kebede 2006).

Devereux et al. (2006) suggests that price inflation might only be a transitional problem as traders adjust their volumes to the increased purchasing power that cash has introduced to rural markets, but warns that in the short to medium term the implications for household food insecurity could be quite severe. As a result of these findings, Kebede (2006) argues that stand-alone cash interventions are likely to be ineffective and create new problems elsewhere without taking an integrated approach to local developments such as improved infrastructure and without additional market supply interventions including ways to facilitate information collection and sharing as it relates to prices and markets.

Recent innovative cash transfer interventions in Malawi implemented by Concern Worldwide in 2005 and 2006 attempts to curtail some of the challenges associated with transferring cash in areas with food shortages and volatile market prices. In 2005 Concern Worldwide transferred a combination of cash and food whilst simultaneously monitoring food prices and successfully increasing the amount of cash given to households as prices increased, thus increasing households' purchasing power (Devereux et al. 2006). The following year, in 2006, Concern Worldwide Malawi's five month cash transfer (DECT) targeted up to 10,000 beneficiaries, and although the programme was still small scale and short term in nature, supply was able to respond to increased demand in accessible areas which minimised any potential inflationary effects. Concern Worldwide had played an active role in informing traders of prices in different parts of the programme region to assist the market in responding and keeping prices down. Some traders set up temporary stalls near the site on distribution day. However, in more inaccessible areas the programme may have created additional inflation<sup>5</sup>, and anecdotal evidence suggests this is partly

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<sup>4</sup> Interviewees reported that "cash payments were being made to too many households of wealthier families. As a result, wealthier families were no longer taking produce to the market as they had previously done, because they were using their cash payments for taxes and other needs and were not forced to sell their food production after harvest in order to get cash" (Kebede 2005: 594).

<sup>5</sup> The evaluation also points out that inflationary pressure caused by the project is difficult to assess in the Malawian context of excess maize supply and nation-wide price crash in January (Davies 2007).

due to risk aversion on behalf of traders who are unwilling to travel to new areas even if they were known to be areas of potential high profit (Davies 2007).

### *Institutional linkages*

Evidence from the PSNP highlights both the importance and the challenges of ensuring institutional linkages between the PSNP and other food security programmes. One of the main objectives of the programme is to address acute food insecurity, and on paper at least, the PSNP has a structure for linkages between different institutions for the successful implementation of the programme (Slater et al. 2006). Food Security Steering Committees or Task Forces provide critical coordination roles between all institutional actors and the transmission of policy objectives into consistent implementation depends on effective vertical linkages<sup>6</sup>. Slater et al. (2006) found that whilst the actual linkages between institutions still face some constraints, at the planning stage the importance of vertical linkages has been recognised and taken account of (Slater et al. 2006). Making *horizontal* linkages work is identified as more of a challenge – although the roles and responsibilities of each woreda-level institution for horizontal linkages may be clear, there is little guidance on *how* they might carry out some of their roles (Slater et al. 2006). The evaluation showed that the key factors which weaken *woreda* ability to make the necessary vertical and horizontal linkages include shortages of staff and skills, rapid staff turnover, and additional work load created by the PSNP (Slater et al. 2006).

### *Coordination between complementary services*

Recent evidence from other cash transfer interventions indicates that both conditional and unconditional cash transfers can increase demand for health and education services (Freeland 2007). Whilst there is an argument that conditions will actively strengthen linkages and co-ordination between the implementing ministry and health and education ministries at community, district and national level, Slater and Schubert (2006) argue that in Africa it is simply not realistic to assume that the capacity is available, in terms of quality or quantity, to respond to increased demand.

In Ethiopia, the increase of supply arose through PSNP public works and their contribution to building clinics and schools. Increased demand came from income from PSNP being used to pay for health and education services (Slater et al. 2006). However, evaluations from the first year showed that the investments in health and education infrastructure were not matched by additional teaching posts or health workers, and the evaluation team recommended that greater harmonisation between PSNP and health and education sector planning at *woreda* level is needed. A main challenge identified for the PSNP is to enhance coordination capacity and behaviours at *woreda* level to lead to successful impacts of future works (Slater et al. 2006).

Interestingly in India, the provision of publicly funded health and education areas is marked by corruption and inefficiency so efforts to increase demand are unlikely to succeed unless supply also improves. Instead, a number of households pay for private health and education even though they may not be getting value for money (Farrington, John pers. comms. July 2007).

There is a danger that cash transfers are expected to do too much; they should smooth consumption/income; increase health and education demand, enable productive activity or investment; and create multiplier effects in the local economy. We know that in order to achieve these, timely investments are also needed in markets, infrastructure and other services etc. Devereux and Macauslan (2006) argue that investment in improving service delivery should be prioritised first, and only then should cash transfers conditional on human development boost the demand for services. As an intermediate option, they argue that linking cash transfers to basic

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<sup>6</sup> Vertical linkages between Federal, Regional, Zonal, woreda, kebele, community and household levels.

services should be done on a voluntary basis rather than a necessary requirement (Devereux and Macauslan 2006). In the context of Malawi, Slater and Tsoka (2007) also argue it would be better to give additional cash to households that have children of school-going age, irrespective of whether they are enrolled or not, and to arrange for teachers / education officials to give speeches when beneficiaries receive their cash to encourage parents / guardians to enrol their children in school.

## 11. Relief and Development

There is an increasing body of experience with the use of cash transfers in emergencies, as both an alternative and a complement to the provision of in-kind assistance where markets are still functioning sufficiently for people to be able to buy what they need for survival and recovery in the face of crisis. This, combined with the growing acceptability of longer term social assistance programmes has reinvigorated debates about how to link relief and development.

However, this role is still not explicit, but is starting to emerge particularly in contexts where humanitarian relief has become embedded in local economies such as in northern Kenya, Ethiopia and Malawi. Cash transfers designed as longer term social assistance for the chronically poor and destitute are seen as an alternative to recurrent provision of large volumes of food aid through annual emergency appeals. Cash transfers are also seen as having the potential to help reduce people's risk to disasters and resilience in the face of shocks, reducing the need for relief and as having the potential to be expanded during times of crisis to help people cope with disasters. In practice, however, countries are still struggling to coordinate and make links between disaster responses and longer term social protection strategies and there is a need for caution in assuming that longer term safety nets can be a complete substitute for short term humanitarian responses.

Ethiopia's PSNP is a key example of a programme designed to move away from year on year emergency food aid to developing a long-term safety net to enable chronically food-insecure households to move from a dependence on emergency appeals to a sustainable and resilient livelihood by providing them opportunities to earn a predictable cash income (GFDRE, 2004 cited in Harvey 2007).

Similar debates are emerging elsewhere, but have not been articulated yet to the same extent in policy or programme design. For example, although recent developments in cash transfers in Kenya have included the cash based OVC programme, and the proposed cash-based safety net in Turkana, northern Kenya, the dominant response to chronic poverty and drought-related problems remains food-based. These smaller-scale cash transfer projects are starting to be implemented, but the concept of cash transfers is not widely adopted in Kenya and is still not reflected in mainstream governmental thinking in relation to social protection or in key policy documents guiding the development and implementation of social protection in Kenya. This tends to continue to focus on i) provision of emergency food and ii) basic service delivery (McCord 2006, pp81). In Malawi, the National Social Protection Technical Committee currently recommends that social protection interventions should favour a shift away from relief, and discussion is focusing on identifying how social protection (cash and in-kind) can support the transition from emergencies to growth (Slater and Tsoka 2007). Emerging evidence from Sierra Leone also suggests that cash transfers may become a key tool in the transition from relief to longer-term development activities (Holmes and Jackson 2007) but as yet is not articulated in any policy documents.

Whilst both cash-based emergency responses and long-term cash transfers are starting to be implemented, there is little interaction, at this stage, between the two. Humanitarian response is still more likely to be in the form of in-kind assistance, but in the last few years there has been a notable increase in the use of cash based responses in emergencies, for example in the Indian Ocean tsunami (2004) and relief responses in southern Africa by Oxfam and Concern Worldwide (Harvey 2007).

Harvey (2007) argues that some of the previous reluctance to use cash in emergencies is starting to erode as institutions start to experiment with cash transfers, such as WFP, and donors acknowledge the evidence from experiences and become more receptive to funding cash-based responses. Recent evidence from cash-based emergencies suggests that ways can be found to deliver and distribute cash safely even in conflict environments, that corruption and security risks associated with cash are not necessarily greater than those associated with in-kind transfers, but should be viewed as different. The use of banks and other financial institutions potentially reduces the security and corruption risks associated with cash transfers. Another key issue with delivering cash is the concern over what people will buy with it. Evaluations overwhelmingly suggest that

people spend cash on the basic items that they need to survive and protect their livelihoods, and there is very little evidence of cash being “misused” by beneficiaries.

Similar to the pre-requisites for implementing cash transfers in a development context, Harvey (2007) and Gentilini (2007) argue that it is important to have the capacity to make an informed decision about what range of mechanisms should be used in responding to emergencies. Gentilini (2007) identifies six key determinants when selecting cash and food transfers: 1) programme objectives 2) market conditions 3) transfer effectiveness and efficiency 4) level of administrative capacity 5) robustness of delivery mechanisms and 6) beneficiary preferences. Furthermore, Harvey (2007) adds that 7) social relations and power within the household and community 8) cost-effectiveness 9) corruption and 10) coordination and political feasibility, need to be assessed when considering the appropriateness of cash.

There is also little evidence of longer term social protection policies and programmes being deliberately designed to expand during periods of crisis. However, the PSNP does provide some evidence on this, at least on the conceptual side. The PSNP and Government of Ethiopia emergency systems work alongside one another. The PSNP contingency fund provides a mechanism for the horizontal scaling of the safety net to increase the number of beneficiaries when the number of chronically vulnerable households increases. However, the PSNP is not meant to deal with additional acute needs of existing beneficiaries during especially bad years when their food gaps may increase significantly. At these times, the DPPA is meant to address all acute food insecurity (Slater et al 2006). This suggests that it should not be assumed that longer term safety nets will be a complete substitute for short term humanitarian responses (Harvey and Holmes 2006). Indeed, longer term safety nets will need to be flexible enough to adapt to changing circumstances in long running crises (see the example of China in Box 6).

**Box 6: The Minimum Living Standard Scheme, China**

Chen and Barrientos (2006) strongly argue that the recent extension of the Minimum Living Standard Scheme (MLSS), given the rapid demographic, social and economic transformation in China, has been possible because of existing structures of MLSS. It confirms that safety nets must be in place before rapid transformation or economic crisis occur – if social assistance programmes are in place in stable and permanent institutions, with flexibility to respond to a crisis, they have a better chance of succeeding to minimise the adverse social impacts from crises or transformation.

In reality most countries are still struggling to coordinate disaster and development activities, but emerging social protection activities, like the PSNP, and the developments in Malawi, reflect some changes in this discusses some of the considerations in using cash as a seasonal safety net in Malawi (see Box 7)

### Box 7: Malawi's FACT programme

In Southern Africa, seasonal fluctuations in the real value of cash often lead to some recipients preferring to receive a combination of food and cash (Devereux et al. 2006) especially in a context where food prices are high when hunger is also the highest (Devereux and Macauslan 2006). Concern Worldwide Malawi implemented an innovative response to 5,050 households in rural Malawi during the food crisis from January to April 2006. The Food and Cash Transfers (FACT) project had three innovative design features: it delivered both food and cash (rather than either food or cash alone); the value of the cash transfer was adjusted ('banded') for household size; and the value of the cash transfer was adjusted each month by the price of food. The cash transfer distributed to households was adjusted each month to allow for changes in food prices and ensure that a constant entitlement to food was maintained throughout the project period. While retail maize prices doubled between January and March 2006 (from MK34/kg to MK69/kg) in FACT project areas, these costs were underwritten by Concern, and so not borne entirely by poor households (Devereux et al. 2006).

FACT was a successful, but small scale, part of a wider emergency relief intervention. The successes of FACT appear to be down to its attention to detail and administrative capacity as much as the programme delivery itself. Devereux et al. (2006) make a strong case for expanding the FACT into a seasonal safety net in Malawi, at least in the short term until markets are better integrated and function competitively to avoid demand and supply fluctuations. They argue that the scale of the intervention would vary according to the severity of the season and the numbers of vulnerable households affected. Cash should contribute over time to stabilising supplies and integrating markets (Devereux et al. 2006 pp62).

But to scale up the FACT intervention would raise crucial issues. First, there is a question as to whether the FACT project was successful partly because it complemented other activities undertaken by the coordinated emergency response – would it have been less successful had it been implemented 'to scale' at national level? A national cash transfer programme that substituted for food aid might have had substantial inflationary effects. And second, the question arises as to what extent the principles underlying FACT (especially its defining, and highly innovative, combination of food plus cash transfers) would be accepted as appropriate and feasible by those who design and implement national emergency relief programmes for Malawi

(Devereux et al. 2006).

## 12. Conclusion

Cash transfers have risen rapidly up the political, donor and development agenda and are being increasingly seen as feasible, affordable and a key part of social protection and poverty reduction strategies. This has been driven by a number of interlocking factors, including the strong evidence base from Latin America of positive experiences with conditional cash transfers, advocacy by civil society actors, such as HelpAge's campaign for pensions, increasing acceptance of the need for social assistance for those seen to be particularly vulnerable such as the elderly or chronically ill and a desire to find alternatives to emergency relief that has continued for decades in contexts such as Ethiopia and northern Kenya. Fears that cash transfers might be particularly prone to corruption, that recipients would misuse the money, that women might be disadvantaged by the use of cash and that transfers might cause inflation are being allayed by positive evaluations of effectiveness and impact where cash transfer projects are being implemented. Cash is increasingly considered as an alternative (to food aid) or additional (cash plus food aid) mechanism to tackle poverty and as an emergency response.

Whilst advocates for social protection strongly argue, based on comparisons of GDP percentages, that cash transfers are affordable, there are many other factors which should be taken into consideration. Firstly how much do cross-GDP comparisons tell you about individual country income and expenditure to spend on cash transfers? A more useful way to discuss affordability would be to look at national government budgets and expenditure. A calculation about what is and isn't affordable for donors and developing country governments depend in part on whether spending on cash transfers is seen as an additional investment or as replacing other forms of social assistance. In Ethiopia and northern Kenya, for instance cash transfers are seen in part as an alternative to food aid. In India, Farrington et al. (2003) argue that efficiency and productive gains could be made by spending less on the inefficient and leakage-prone Food Distribution System and more on pensions. Furthermore, other programme costs such as targeting, and supporting programmes such as market interventions and investments in health and education services rarely appear to be taken into consideration around the discussion on affordability. Additional investments at the local level raises a key question around what kind of transfers are required from central to local government to enable appropriate interventions to be made.

The type of cash transfer clearly affects affordability and political acceptability issues and there are choices to be made in the design of cash transfer programmes. Conditional cash transfers arguably require more resources and capacity to implement, yet they are politically popular in Latin America (and emerging in Africa) because income is tied to children attending health clinics or sending their children to school before receiving transfers. There is now a heated debate about the usefulness of conditions and whether or not conditions would be appropriate in contexts in Africa where access to services such as health and education are limited.

There are also some big questions around how different types of cash transfers may or may not support or build the citizen and state contract by framing the programme around rights. Where conditions are imposed, do citizens feel that their social protection is a "right"?

There are also choices around the type of transfers with advocates for universal non-contributory pensions, for child benefits and for transfers targeted at particular groups according to poverty or vulnerability. This is partly a debate about affordability with the argument being that relatively narrow targeting is needed for cash transfers to be affordable. However, it is also about the political acceptability as well as practicalities of targeting and capacities of governments to target effectively.

Emerging evidence shows that cash transfers can successfully improve and smooth consumption and income, can prevent the sale of households assets, can enable investment in productive assets (even if small), and can help households repay loans. It is less clear in the literature how far cash transfers can go to reduce long-term poverty, but suggests that cash transfers can have a positive role within a wider supportive environment to increase people's productivity and stimulate local markets. There are however some important issues around this assumption. Do cash

transfers discourage workers from moving to economic growth poles where work is available or where they can acquire new skills? This might be particularly true of employment generation programmes.

At least as great a challenge as affordability, particularly in Africa, is the capacity of governments to effectively implement cash transfers. Many of the projects currently being implemented are still benefiting from pilot project effects of being intensively managed, relatively small scale and supported by international aid actors. This also raises questions around the types of mechanisms used to monitor the implementation of programmes as well as monitoring conditions when they are in place. What is currently lacking in the literature are questions around new technology for the implementation of programmes. As banks and post office introduce electronic means of transferring payments, does this offer prospects for reducing petty corruption at local levels? And can such technologies be made useable by beneficiaries who may be non-literate?

The impact of cash transfers can be maximised by complementary interventions such as actions to support markets particularly in the short and medium term whilst the market adjusts and particular attention needs to be given to areas with weak markets in remote areas or places affected by conflict to anticipate inflation risks. If cash transfers aim to increase access to health and education services then investments to ensure that services are available may be needed. Clearly cash transfers are only part of wider social protection and development strategies and are likely to be insufficient to address deep rooted poverty and social exclusion on their own. There's a need to guard against portraying cash transfers as a magic bullet for poverty reduction but equally a need to guard against assuming that a whole array of complementary actions need to be in place for cash transfers to be useful.

There is an increasing body of experience with the use of cash transfers in emergencies, as both an alternative and a complement to the provision of in-kind assistance where markets are still functioning sufficiently for people to be able to buy what they need for survival and recovery in the face of crisis. This, combined with the growing acceptability of longer term social assistance programmes has reinvigorated debates about how to link relief and development. However, this link is certainly not explicit, but is starting to emerge particularly in contexts where humanitarian relief has become embedded in local economies such as in northern Kenya, Ethiopia and Malawi. Cash transfers designed as longer term social assistance for the chronically poor and destitute are seen as an alternative to recurrent provision of large volumes of food aid through annual emergency appeals. Cash transfers are also seen as having the potential to help reduce people's risk to disasters and resilience in the face of shocks, reducing the need for relief and as having the potential to be expanded during times of crisis to help people cope with disasters. In practice, however, countries are still struggling to coordinate and make links between disaster responses and longer term social protection strategies and there is a need for caution in assuming that longer term safety nets can be a complete substitute for short term humanitarian responses.

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