



Key points

- Donor enthusiasm, rather than government impetus, drives the growth of cash transfer programming in some countries
- Government concerns about fiscal prudence and the risk of dependency are limiting national demand for cash transfer programmes
- Government commitment to cash transfer programmes may be greater where there is a need for social stabilisation and state legitimisation

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Cash transfers and political economy in sub-Saharan Africa

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The provision of cash transfers to alleviate poverty may not be a policy priority for low-income countries, despite donor enthusiasm to promote such interventions as a cost effective social protection mechanism. This Project Briefing looks at cash transfers and political economy issues, drawing on case studies from Kenya, Malawi and Zambia, low-income countries which have started to implement cash transfer programmes in recent years. The research was carried out as part of a wider, three-year study by ODI on cash transfers, funded by the Swiss Agency for Development Cooperation. In all three countries, cash transfers were generally perceived as an acceptable and appropriate response to poverty by key national stakeholders. However, there was little evidence of political will to provide cash transfers to the poor as a whole, and a strong preference for cash transfers that reach only particular sub-categories of the poor. Even within these categories, however, coverage is low in all three countries. It is only in middle-income countries – such as Brazil, Mexico, South Africa – that higher levels of coverage of target groups are achieved.

Many low-income countries cannot afford cash transfer programmes funded from domestic resources, except on an extremely limited basis, and for this reason governments are often willing to accept donor funds for such programmes. Even the limited programmes currently in operation rely on significant donor support. Governments are concerned that programmes that are too 'generous' or reach too many people, would create dependency, welfare traps and distort the domestic labour market. They also fear the significant long-term fiscal liability that would be implied if cash transfer programmes were extended beyond a limited sub-section of the poor.

These fundamental concerns with cost and dependency are mediated by issues relating to

the social contract between a state and its citizens in a given context, and the extent to which cash transfers contribute to social and political stabilisation.

Dependency and fiscal prudence

The concerns of policy makers and civil servants, particularly in Africa, about dependency and fiscal liabilities are often articulated around cash transfer programmes and restrict the adoption of cash transfer programming as a social protection instrument.

Concerns about labour market distortion in general, and dependency in particular, make governments keen to restrict the scale of cash transfer provision. With the exception of some humanitarian interventions, such as the cash transfer programme for vulnerable drought-affected households in Kenya (Hunger Safety Nets Programme) funded by DFID, the poor of working age tend to be excluded from participation in cash transfer programmes. Instead, governments focus, for example, on households with vulnerable children (Malawi and Kenya), the poor with limited labour (Zambia), or the elderly (Kenya). This has led to a reworking of the concept of the 'deserving poor' in recent years, based on the assumption that households with available labour have the potential to generate income, regardless of labour market realities. Underlying this position is an assumption that labour markets function adequately, with sufficiently remunerated employment available for all those seeking it. It does not take into account the chronic levels of unemployment, under-employment and the existence of the working poor – those who are in the labour market, but receive incomes so low that they remain poor (Wood, 1999) – situations that are common in most low-income countries, and limit the actual, rather than potential, productive capacity of household labour. Despite this

reality, labour availability is used explicitly as a criterion for exclusion from cash transfer programme participation in many cases (for example in Malawi and Zambia).

There are two aspects to concerns about the fiscal prudence of adopting large scale cash transfer programmes. First: cash transfers are considered to represent consumption rather than investment expenditure – addressing individual poverty but not contributing to broader economic growth. Some governments, such as Zambia and Malawi, are reluctant to fund this form of social protection from limited domestic resources, and prefer to invest in ‘productive’ social protection interventions, such as public works, agricultural input or subsidy programmes that promote production at household level, or in infrastructure that could address poverty indirectly, through growth. Second: cash transfer provision implies significant future liabilities that cannot be underwritten domestically, and result in ongoing reliance on external funding sources, potentially rendering national governments vulnerable to donor, rather than national, policy preferences.

Because of the twin concerns of dependency and fiscal prudence, cash transfers were seen as acceptable and indeed desirable in the three countries studied if they were i) targeted to a sub-section of the poor and offering a limited transfer value, and ii) externally funded.

Political economy and targeting

The capacity of countries and donors to identify the poor is limited, and hence a pragmatic approach is often taken to restrict eligibility, adopting crude rules of thumb such as targeting a percentage of the population in any area, or households that are affected by AIDS or that face labour constraints.

In this way, the case studies suggest that the poverty reduction goal posts are being shifted downwards, with a creeping redefinition of the poor, in which the rights of certain groups are prioritised over others who are excluded from support, and the emergence of arbitrary targets relating to certain deciles or quintiles of the poorest, challenging the international standards. There is no empirical or ethical justification for this emerging practice.

The sub-set of the poor considered eligible for cash transfer receipt is sometimes described as the ‘ultra poor’, or the ‘poorest’, and is in some instance limited to a particular percentage of the population (10% in the cases of Zambia and Malawi). While this is consistent with the Rawlsian approach of addressing the needs of the poorest first, limiting programme objectives to meeting the needs of only a certain percentage of the population is problematic, when the majority of the population fall under the poverty line, and the income difference between those in the bottom five to six deciles is marginal (Ellis, 2009). This approach is particularly open to criticism when programme design is not dictated by

binding financial constraints, (given the ready availability of donor funding), and when targeting (exclusively to the lowest decile) is based on an emerging donor orthodoxy (Stewart and Handa, 2008), rather than empirical argument.

Labour constraint is a condition that is often added to the poverty criterion, on the basis of an emerging language of the ‘incapacitated’ or ‘non-productive’ poor, a contemporary reworking of the older concept of the ‘deserving’ poor. In some cases labour constraint is used directly as a proxy for poverty (Malawi), irrespective of the empirical weakness of this approach and the exclusion errors that may result, in terms of the exclusion of the poor. Rationing on the basis of labour availability is intended to exclude those with the capacity to engage in the labour market. By limiting eligibility in this way, both cost and ideological concerns are resolved simultaneously, reducing the risk of dependency and also of domestically unsustainable fiscal liabilities, although in practice even programmes with limited coverage are, primarily, donor funded. Sometimes cash transfer programmes for the ‘non-productive’ are designed as a complementary ‘back up’ to public works-based social protection interventions for those unable to participate, as in the case of the Productive Safety Net Programme (PSNP) in Ethiopia. This is also consistent with the preference for the implementation of ‘productive’ forms of social protection interventions for those with adequate labour.

The use of restrictive eligibility criteria to ration access to cash transfers is however informed not only by the national concerns regarding dependency and cost, but also by international funding priorities (Stewart and Handa, 2008). The targeting of households with limited labour, and those containing orphans and vulnerable children, particularly in southern and eastern Africa, coincides with the fact that cash transfer activity is substantially funded in these regions by resources established exclusively to support those affected by HIV/AIDS. The focus on these demographic groups in current cash transfer programming is a consequence of the coincidence of two agendas: domestic concerns with dependency, the ‘deserving poor’ and the prioritisation of domestic resources for ‘productive’ investment; and donor concerns to support households affected by HIV/AIDS, often proxied by those with limited labour or those containing orphans and vulnerable children (OVCs). These agendas have coincided with current enthusiasm in influential international agencies for promoting cash transfers as a cost-effective and ‘affordable’ form of social protection provision, to profoundly shape the nature of cash transfer programmes currently being championed particularly in sub-Saharan Africa. Recent work by Slater and Farrington (2009) and Stewart and Handa (2008) has highlighted the weakness of such targeting criteria in terms of reaching the poorest, and the ethical ambiguities of adopting this approach,

suggesting that directly targeting the poor would be significantly more effective.

Political economy and transfer values

Political economy concerns have also influenced the value of cash transfers. In many instances low values have been adopted, not because of fiscal constraints, but to pre-empt 'dependency' (Pearson and Alviar, 2009). A transfer value limited to 10 to 30% of the ultra poverty line has become accepted practice in several programmes in Africa including Kenya (Ikiara, 2009, Pearson and Alviar, 2009 and Stewart and Handa, 2008), based on the analysis of programme performance in Latin America, irrespective of national or local poverty profiles or income levels. This emerging 'rule of thumb' (Pearson and Alviar, 2009) owes more to concerns about dependency than poverty reduction. The risk of a benefit level being limited in this way is that the resultant transfer may not have a significant impact on household poverty, thereby undermining the very purpose of the cash transfer programme. Elsewhere in the region, in Malawi, donors are recommending the provision of a transfer level equivalent to 100% of the ultra-poverty line (Chisinga, 2009), highlighting the unresolved nature of the debate.

Political economy and 'graduation'

Political economy concerns have led to the concept of 'graduation' – recipients moving out of poverty as a result of cash transfer receipt – being adopted within many of the cash transfer programmes reviewed (for example Zambia, Ethiopia and Bangladesh), and the incorporation of 'programme exit' – participants leaving a programme once they no longer require the cash transfers it provides – as a central component of programme design. This is an attempt to recast cash transfers as productive rather than consumptive. The implication is that cash transfer programming is not an ongoing commitment, but a temporary intervention that will 'treat' a problem and help people move out of poverty. The adoption of graduation-oriented cash transfers addresses, at least rhetorically, both dependency and the issue of recurrent costs, although these aspirations are in tension with the explicit targeting of the 'incapacitated' poor in many cases, and the low value of the transfer (Slater, 2009).

National ownership

Activity by the African Union suggests a growing commitment to social protection provision in general, and cash transfers in particular, with the 2006 Livingstone Conference bringing ministers and senior representatives from 13 African countries together with development agencies, donors and INGOs to discuss social protection provision. The 2008 Social Policy Framework for Africa (SPF) includes the goal of

introducing cash transfer schemes throughout the region. However, these initiatives have not necessarily been translated into national enthusiasm for cash transfer programming across governments or for commensurate budgetary allocations.

If fiscal allocations to cash transfer programming demonstrate state commitment to social protection provision, national ownership looks extremely limited, far below the levels anticipated by the SPF. Current and programmed domestic fiscal contributions to cash transfer programmes are limited in all three case study countries. They are almost insignificant in Malawi and Zambia, where the programmes are predominantly donor funded, although there is a greater level of domestic funding for two of the three cash transfer programmes under development in Kenya (McCord, 2009). This is indicative of divergent perspectives within government, with more support for cash transfer programming from parts of government concerned with social protection, and less support from those with responsibility for fiscal matters.

Rights based programming

A rights-based approach underlies much recent extension of cash transfer programming, as in the case of Malawi. However, the nominal adoption of such an approach does not necessarily result in domestic legislative change, which would be binding on government, or the implementation of policies that are consistent with a rights approach. Recent regional developments have not yet generated the significant legislative changes required to underwrite and support the provision of social protection in general, or cash transfers in particular, such as those seen in India and South Africa, where the state-citizen compact is clearly articulated in terms of the obligation of the state to provide some form of minimal of social protection to its citizens. While the Livingstone process initiated regional civil society mobilisation around social protection provision, this has not yet created sufficient demand to influence policy, fiscal or legislative change in favour of social protection.

When is cash transfer provision a national priority?

The ODI review of national fiscal allocations, social protection legislation, civil society mobilisation, and the basic design of cash transfer programmes does not suggest a high level of national ownership of donor-led cash transfer programming in the case study countries or in low-income countries in general. In many instances where donors play the dominant role in programme initiation, design and funding national ownership is limited.

This is not however the case in all instances. Research from Nepal (Holmes and Upadhyaya, 2009) and Kenya (Ikiara, 2009) indicates that state ownership is not just a consequence of how cash transfer



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programmes are funded, but on the challenges facing a state at any particular time, and the role of cash transfers in addressing these challenges. Cash transfers can play a role in the legitimisation of the state and the promotion of the state-citizen compact. In Kenya, for example, the state is extending cash transfer provision, and making significant fiscal allocations to social protection, even in the context of the financial crisis, in an attempt to promote stability following the civil disturbances of 2008. Similarly in Nepal cash transfers have been used by successive governments since the end of the conflict to integrate groups who were previously marginalised and reduce the likelihood of further conflict. In this way the implementation of cash transfer programmes can be used to extend support to populations with limited allegiance to the state and at the same time establish a symbolic legitimacy for a post-conflict government, in terms of its ability to honour the state-citizen compact.

The level of government commitment to cash transfer programming, and extent of fiscal reallocation to support such programmes, is thus in part contingent on whether a government needs, for stability and political survival, to ensure that cash transfer programming reaches certain groups. In such instances, it is more likely that a state will allocate significant domestic resources to cash transfers, as in Kenya, than in more stable contexts where a cash transfer is likely to be of more limited significance in terms of peace or political survival. Even where a government is unable to contribute significant financial resources, its level of support for cash transfer programming is likely to be greater if successful programme implementation will have beneficial political outcomes.

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Conclusion

There is a common view across stakeholders in the case study countries that, in principle, it is appropriate for the state to help the poorest, but not necessarily using national resources. Several cash transfer programmes, including those used as models for cash transfer advocacy across Africa, are funded primarily by donors with no plans for significant state financing or budgetary reallocation, despite engagement with the 'Livingstone' process. Cash transfer programming is, in many cases, subject to a power imbalance, led by donors who are enthusiastic to fund activities which are not necessarily domestic policy priorities. The resources they are allocating to programmes far exceed what is affordable domestically despite the trivial coverage of many donor-funded programmes, with cash transfers currently reaching less than 4% of the poor in the case study countries.

Research suggests that governments tolerate donor-funded cash transfer programming, even if it does not reflect domestic priorities. However, this tolerance has sometimes been confused with ownership, and there is little evidence in the case study countries that the adoption of cash transfers is a major policy priority, or that budgetary reallocation in favour of this sector is seen as desirable or feasible. In two of the case study countries, the extension of cash transfer programming was being fuelled by donors, rather than an emerging social contract. However, governments are inherently pragmatic, and the findings suggest that where cash transfer programming has a contribution to make to political stability it is more likely to enjoy support and ownership.

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Project Information:

This briefing is one of a series of six produced as an output from a three year ODI research study on cash transfers and their role in social protection. The study explores issues of interest to donors and governments, comparing cash with other forms of transfer, identifying where cash transfers are appropriate, examining how contextual, design and implementation factors affect their impact, and how they may best be targeted and sequenced with other initiatives, and also reviewing affordability and the political economy of cash transfer provision. This project is funded by the Swiss Agency for Development and Cooperation (SDC).

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