Cash Transfers and Poverty Reduction in Sub Saharan Africa: Pragmatism or Wishful Thinking?

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The Context

- Growing interest in SP in SSA during 2000s (donors, governments, regional bodies)
- Shift from repeated humanitarian interventions to regular and predictable SP
- Growing interest in CTs
- Lessons from Latin America
- Donor CT enthusiasm (cost effective and pragmatic)
- Donor attempts to promote CT expansion
- Government attitude varied, some ambivalence
- Smaller scale and less widespread cf Latin America
- Many donor-led CT pilots

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Research Background

- Research project 2006 -2009 (SDC & DFID)
- Are cash transfers appropriate, feasible and affordable in low-income countries?
- Key findings series of ODI Briefing Papers
- Much evidence cash transfers have had positive benefits, including reducing poverty rates and gap; reduced seasonal consumption shortfalls; improved access to and utilisation of basic services.
- But, examining the political economy of cash transfers uncovered some critical issues

Presentation Overview

- Share key insights from research
- Focus on a political economy analysis of cash transfer programming in three low income sub-Saharan African countries; Kenya, Malawi and Zambia
- Commissioned work by Ikiara, Chinsinga and Habasonda
- Share five key issues, shed light and stimulate reflection on current donor practice in CT programme development;
  - coverage,
  - targeting,
  - transfer value,
  - financial commitment and
  - national ownership.

Coverage

- In Kenya, Malawi and Zambia, there are a range of social protection interventions and a limited number of cash transfer programmes
- CT programme names are familiar within the discourse; Kalomo
- Kenya - 3 main CT, for children, elderly, and those in destitution in arid areas,
- Malawi and Zambia have 1 major programme each, focusing on transfers to ‘ultra-poor’ households with labour constraints, many of whom are elderly headed households including OVCs.

Coverage

- All are currently in pilot or initial roll-out stages
- None are implemented on a national scale
- Adopt targeted based on categorical targeting criteria – demographic or geographical groups – rather than being targeted exclusively on the basis of poverty.

	Major cash transfer Programmes (major international partner indicated in parenthesis)	Coverage (households)	Eligible Households Nationally	% of Eligible households included in cash transfer programme, (actual and target)	Total Number of Poor Households Nationally	Coverage as ' Poor Househ (actual and ta where availa
Kenya	Child Benefit (UNICEF)	75,000 Target: 125,000 by 2015	1.4 million Eligibility: Hard core poor (19% of all households)	5% (8.7%)	3.5 million	2.0% (3.6%)
	Hunger Safety Nets (DFID)	60,000 Target: 300,000 by 2017		4.2% (20.8%)		1.7% (8.6%)
	Cash Transfers for the Elderly (Government)	300 Target: 8,000+ by 2011		0.0% (0.6%)		0.0% (0.2%)
Malawi	Social Cash Transfers (UNICEF)	24,000 Target: 296,000 by 2014	296,000 Eligibility: Ultra-poor and labour constrained (10% of all households)	8% (100%)	1.3 million	2% (23%)
Zambia	Cash Transfers (GTZ, DFID, Irish Aid, Care International)	7,000 households Target: All eligible households by 2012	200,000 Eligibility: Destitute and labour constrained (10% of all households)	3.5%	1.3 million	0.5% (15%)

Coverage

- High profile – but low coverage
- Eligible groups comprise only 10% of population of Malawi & Zambia, 19% in Kenya.
- 3% of eligible households in Zambia
- 8% in Malawi
- 9% in Kenya

In terms of all poor households, the programmes cover less than 1% of all poor households in Zambia, 2% in Malawi, and 4% in Kenya.

Even if implemented nationally would exclude more than 1 m poor hh in Malawi & Zambia, 2m Kenya.

Targeting

- Programme eligibility focus on
  - the “ultra-poor” or the “poorest”
  - social or geographical categorical groups
- Problematic when significant proportion of the population are poor and income differences in bottom deciles are marginal (Ellis, 2009)
- Exclusion of many of the poor, including the working poor
- Targeting criteria informed by ‘rules of thumb’ such as targeting a percentage of the population in an area, households affected by AIDS, or those that face labour constraints – not empirical basis

Targeting

- Sub division of the poor
- Challenge, especially to rights based approaches to addressing poverty
- Risk re-emergence of concept of ‘deserving poor’
- Exploration of categorical targeting in Malawi

Number and percentage of poor(est) households not eligible and non-poor(est) households eligible under different targeting criteria in Malawi

Selected household characteristic / targeting proxy indicator	Poverty line				Poorest 10%				Poorest 20%			
	No of poor households not eligible*	Percentage of poor households not eligible	Non-poor households eligible	Percentage of non-poor households eligible	No of Poorest households not eligible	Percentage of poorest households not eligible	Other eligible	Percentage of non-poor households eligible	No of Poorest households not eligible	Percentage of poorest households not eligible	Other eligible	Percentage of non-poor households eligible
Aged 65 or above	4329	87%	727	54%	709	88%	1,255	93%	1457	88%	1,148	85%
Female headed hh	3716	75%	1344	52%	572	71%	2348	91%	1225	74%	2146	83%
Disabled	4848	98%	106	50%	792	98%	198	93%	1629	98%	180	85%
Children under18	222	4%	4,677	50%	28	1%	8611	92%	8	2%	7,776	83%

Note * Numbers are given in thousands of households

Categorical Targeting Efficacy

- Social categorical targeting results in exclusion of many of the poor.
- Targeting on basis of hh member 65+ - 87% of poor households would be ineligible.
- Targeting on disability – 98%
- Targeting on female headed-households - 75%
- Research from Ghana - other non social categorial indicators (mud walls, mud floors) or years of education of the head may offer better proxy indicators of poverty
- For effective demographic /geographical approaches, need empirical evidence of correlation with poverty

Value of the Transfer

- Real transfers values vary significantly
- Kenya, 10-20% of the household ultra poverty line
- The Malawi Social Cash Transfer programme 100% of the ultra poverty line - not changed since 2005
- The level of transfer may reflect ideological concerns /donor interests, rather than empirically- or ethically-based criteria linked to particular outcomes
- Eg value of transfers under the child and elderly cash transfer programmes in Kenya is kept low deliberately to avoid a ‘dependency’ effect

Transfer Value

- A transfer value limited to 10 to 30% of the ultra poverty line has become accepted practice in several programmes in Africa based on the analysis of programme performance in Latin America, irrespective of African national or local poverty profiles or income levels.
- The risk of a benefit level being limited in this way is that the transfer may not have a significant impact on poverty
- May undermine the purpose of the cash transfer programme.

National Financial Commitment to Cash Transfer Programmes

	Major cash transfer programmes	Current government contribution (2009/10)
Kenya	Child Benefit (UNICEF)	$3.9 million (30% of programme cost)
	Hunger Safety Nets (DFID)	No government contribution
	CT for the Elderly	$7.2 million (all programme cost)
Malawi	Social Cash Transfers	No government contribution
Zambia	Social Cash Transfers	Approx 5% of programme cost

Domestic Financial Commitments

- Low domestic financial commitment to donor-led CT
- While the Kenyan government covers a significant percentage of some cash transfer costs from domestic resources, government contributions to cash transfer programming in Zambia and Malawi are not significant
- CT may not be a priority for governments despite more than five years of donor and NGO support, influencing and advocacy

National Ownership of Cash Transfer Programmes

- Limited government support stems from a range of issues, central among which are:
- Concern lest programmes will create dependency, welfare traps and distort the local market
- Concern regarding the fiscal implications in terms of recurrent costs of social protection programme expansion
- Factors have significant impact, not adequately addressed in programming

Conclusion

After decade of donor led cash transfer pilots in SSA, many are still limited in scale & coverage

- Programmes remain heavily dependent on donor funding
- Significant design challenges and anomalies remain
  - Exclusion of working-age poor
  - Sub-division of the poor, excluding those who are not the "poorest"
- National commitment to donor led cash transfers remains limited – concerns regarding dependency and fiscal prudence
- Significant forward research and programming agenda to support extension of effective CT programming