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Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?

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Conventional wisdom hails Latin American experience with conditional cash transfers (CCTs) as successful, but, to the authors' knowledge, there have been no rigorous analyses of the respective costs and benefits of conditional versus unconditional transfers. The impact of conditionality itself is therefore not known. This article argues that the important contextual differences between Africa and Latin America, in quality and quantity of service provision, capacity to implement conditionality, socio-cultural, ethnic and political contexts, and, potentially, the benefit:cost ratio of conditionality, may well make the introduction of CCTs in Africa inappropriate. It sets out a number of questions and points to a new case in Chipata, Zambia, which will be rigorously monitored from the outset.

1 Introduction: changing approaches to social protection

Cash transfers are increasingly on the agenda of governments, donors and NGOs in the developing world. Whilst high-income countries in Europe and North America have well-established and complex systems which provide social protection in the form of both conditional and unconditional cash transfers to people and households that, for various reasons, are temporarily or permanently unable to provide for themselves, transfers in the developing world, until the 1980s, largely came in the form of in-kind transfers such as in food or agricultural inputs. In the 1990s, a number of Latin American countries, including Brazil, Mexico and Nicaragua, established means-tested transfer schemes that targeted poor households, some of them providing vouchers but most disbursing benefits in cash. In-kind transfers or subsidies on commodities and services remained the norm in the poorest countries, particularly in Africa.

In recent years, however, a small number of very poor countries, including Mozambique, Zambia, Malawi and Ethiopia, have begun to design and implement social cash transfer schemes. These differ from the Latin American ones in a number of ways. The Latin American programmes combine immediate poverty reduction with long-term human-capital development by focusing on education and health outcomes. To achieve these outcomes they target poor households with school-age children, irrespective of the causes of their poverty. Receipt of the transfers is subject to conditions regarding school enrolment and/or attendance at certain health services. Handa and Davis (this volume) provide an overview of the performance of several of these.

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The African programmes do not target all poor households, but focus on those that are extremely poor and at the same time labour-constrained, generally because of high dependency ratios. In other words, they try to reach households that are unable to access labour-based interventions such as food-for-work programmes. They aim at reducing food insecurity, or at least ensuring the survival of people living in destitute households, irrespective of whether these households contain school-age children. While there is empirical evidence that the African schemes also have a positive impact on enrolment and attendance (MCDSS/GTZ, 2005), this is not their primary objective. None of the African schemes has yet introduced conditionality.

Based on the Latin American experience, some agencies, including the World Bank, are encouraging African countries to also establish Conditional Cash Transfer schemes (CCTs). Other organisations, including the UK Department for International Development, argue that in low-income African countries social cash transfer schemes should be unconditional. There are four types of concerns with regard to the applicability of the Latin American experience with CCTs to low-income African countries:

(i) On the supply side, there are questions about whether service delivery agencies – largely meaning government-administered education and health services – will be able to meet any additional demand likely to arise when beneficiary households try to meet the conditions.
(ii) Implementation capacities for managing social cash transfer schemes are weak in low-income African countries. This weakness is the main bottleneck impeding the scaling-up of social cash transfer pilot projects. Would the social welfare administrations in these countries be able to meet the additional administrative demands related to conditionalities?
(iii) Administering conditionality implies additional administrative costs. Would cost-benefit analysis justify these additional costs?
(iv) Are there socio-cultural, ethnic and political differences between Latin American and African countries that have to be taken into account?

This article first reviews some of the experience with conditionality, and then explores these four issues.

2 Experience with conditionality

Conditional cash transfers (CCTs) are transfers made subject to certain actions or activities by the beneficiaries. Conditions are applied in order to ensure that the beneficiaries act in a way that the programme designers consider appropriate, and/or avoid inappropriate actions such as ‘undesirable spending’. The essence of conditional transfers therefore is that there is not merely more (or smoother) consumption, but that it is consumption of items preferred by the funder. This section first examines the rationale behind conditionality, and then provides a number of illustrations.

The main motives for linking social transfers to conditions seem to be the following:

- Some financing agencies see poverty as, according to context, particularly associated with inadequate access to, for example, nutrition, health, education or housing. They therefore see enhanced expenditures on these as potentially desirable with respect to poverty reduction, and so 'tie' transfers in various ways and to varying degrees to evidence that recipients have been spending them as intended.
- In addition to influencing how the transfer income is spent, programme designers try to influence the behaviour and attitudes of target group households in a way that they consider conducive to long-term poverty reduction. They try to establish a contract with beneficiaries whereby they 'buy' desirable behaviour such as reducing child labour.
- Many programme designers are convinced that conditional transfer schemes are more acceptable to policy-makers and to taxpayers than unconditional schemes. This perception is not only linked with a desire to see poverty reduced through higher consumption of particular goods or services, but also reflects a deeply rooted fear that poor people behave irresponsibly and need close supervision.

Financing agencies' perceptions of 'inappropriate' beneficiary behaviour depend to a large extent on their mandate and cultural background. This means that the same behaviour in the same circumstances can be deemed appropriate by one organisation and unacceptable by another.

In effect, there is usually some form of conditionality in every cash transfer programme, but it is not always transparent. Overt and explicit conditionality is common – where certain behaviours are required of transfer beneficiaries, such as school enrolment or attendance at health posts. Examples include the oft-cited *Progresa/Oportunidades* programme in Mexico, the cash-for-education programme in Bangladesh, and Jamaica's Programme of Advancement Through Health and Education (PATH).

There are also less direct mechanisms through which conditions are applied. The mode of payment can, for instance, be made to influence beneficiary behaviour. For instance, differing perceptions between GTZ/BMZ and the World Food Programme of how transfers should be used are reinforced by differing modes of payment. GTZ/BMZ view savings and investments as an appropriate way of stabilising household livelihoods and reducing vulnerability (GTZ/BMZ, 2005). They recognise that paying cash transfers directly into people's bank accounts, rather than into their hands, is one way of encouraging them to save. In contrast, the WFP considers the same savings behaviour as inconsistent with its mandate of promoting food security. In a Sri Lanka cash transfer pilot project, the WFP refused to deliver cash through beneficiaries' bank accounts (which were readily available because the Government of Sri Lanka had paid weekly cash transfers to the same tsunami-affected households through this delivery mechanism).[1] The reason given by the WFP project management for insisting on handing out 'cash vouchers', which had to be cashed at post offices, was that bank accounts could encourage beneficiaries to save part of the transfers which would be

1. This account is based on direct observation by Bernd Schubert.

detrimental to the WFP's objectives. By paying transfers as vouchers, the WFP encouraged the use of cash for consumption, rather than savings.

In the health and education sectors, transfers are sometimes described as 'consumer-led demand-side financing' (Chapman, 2006), when interventions on the demand side are specifically designed to result in behaviour change without formal conditions. The best examples of this, however, are not from cash transfers, but from transfers in kind or via vouchers that can be redeemed against certain types of goods or services. These transfers are less fungible and therefore, indirectly and informally, encourage certain behaviour.

The focus of this article is on the first type of conditionality – that which is explicit in the programme design. These types of conditional cash transfer scheme in Latin America have been assessed favourably by a number of studies. Handa and Davis (this volume, Tables 2 and 3) provide an overview of the types of conditionality and the outcomes of these assessments for six schemes, in Brazil (*Bolsa Familia* and related schemes), Mexico (*Oportunidades*, previously *Progresa*), Colombia (*Familias en Acción*), Jamaica (Programme for Advancement Through Health and Education), Honduras (*Programa de Asignación Familiar*) and Nicaragua (*Red de Protección Social*).

Currently, there are practically no CCTs in poor African countries. However, there are clearly perceptions that CCTs are both feasible and desirable. For instance, Kakwani et al. (2005 and this volume), in a simulation study of the likely costs and benefits of CCTs in Africa, conclude that in Africa 'school or any other human capability-enhancing conditionality should be part of any cash transfer programme aiming at a sustainable reduction in poverty'. However, their argument derives from computer simulations based on aggregate data from 15 countries and relies heavily on certain assumptions.

3 Four main issues about conditionality

3.1 Supply-side constraints

When researching the feasibility of a CCT scheme in the municipality of Chipata (the provincial capital of Eastern Province, Zambia), a CARE International team found that the primary schools were turning away applicants for enrolment because they had no capacity to absorb additional children. The number of applicants is thought to exceed the capacity of schools by 20% already (Schubert and Mwiinga, 2005).

In addition to the quantitative constraints, there are quality problems, especially in rural areas where teacher absenteeism is high and where children often have to walk for more than an hour to reach the nearest school. In such situations, the main bottleneck to enrolment and attendance is not the willingness of children and their carers to invest in education, but the quantitative and qualitative constraints of the education system.

Similar constraints are hampering access to health services, especially in sparsely populated and/or remote rural areas. Distances are immense, the transport infrastructure is deficient, health personnel have limited transport and even the most basic drugs are in short supply. In these cases it is not the demand- but the supply-side deficits that limit the access of poor villagers to basic health services.

3.2 Implementation-capacity constraints

The limited number of low-income African countries that have started to set up social cash transfer schemes all face implementation-capacity constraints. In Zambia and Malawi, a district with a population of 200,000 to 500,000 people has only one or two Social Welfare Officers. They have limited administrative skills and little experience in results-oriented management, and their motivation is affected by low salaries and the lack of guidance and supervision from their headquarters. In most cases, the Ministries or Departments of Social Welfare are the weakest of all the social sector departments.

Capacity-building interventions to strengthen the social welfare services involve more than supplying them with computers, vehicles, administrative budgets and training courses. They require behavioural changes at national, provincial and district levels, through public-service reform combined with long-term development assistance for organisational change. Even given the political commitment to such reforms and appropriate donor assistance, it would still take years for the social welfare services to be able to run cost-effective and reliable social cash transfer schemes covering all regions of the relevant countries.

Taking these basic conditions into account, the organisation and procedures for social cash transfer schemes have to be kept as simple and as undemanding as possible. The focus should be on a clear definition of objectives and target groups, on effective targeting and on reliable delivery. To achieve this country-wide and in a cost-effective way is already a mammoth task. The additional workload required to apply conditions, to monitor compliance and to respond in cases of non-compliance would overburden the implementation capacities of the social welfare services in low-income African countries.

3.3 Cost-benefit considerations

While pilot social cash transfer schemes are usually donor-funded, their scaling-up and eventual national coverage involve cost-sharing between governments and donors. Taking the budget constraints of low-income African countries into account, the design of social cash transfer schemes has to ensure that administrative costs are kept as low as possible.

The fact that conditionality, if at all feasible, involves additional administrative costs, calls for cost-benefit analysis. Will the impact of imposing conditions in terms of the behavioural change achieved at the target-group level justify the additional administrative costs? To answer this question empirical data are required. Unfortunately an analysis comparing the costs and benefits of impacts achieved among a comparable sample with and without CCT is available neither for African schemes nor for Latin America. In other words, Latin American countries assisted by the World Bank and the Inter American Development Bank are spending millions of dollars on administering conditionality without ever having analysed how much the conditions contribute to the impact of social cash transfer programmes and whether this contribution is worth the costs involved. Assuming that a CCT scheme has approximately 20% higher administrative costs as compared with an unconditional scheme, and taking further into account that in many African countries education is such a high priority in poor households that children are in any case sent to school if there are no serious supply-side problems, then the costs of administering conditions may well outweigh the benefits.

An experiment aiming at generating data on the costs and benefits of conditions will be started in September 2006 by the Zambian Social Welfare Department and CARE International in the Chipata scheme mentioned above. When expanding to additional households, the scheme will apply conditions to new beneficiaries in one area of the municipality and will simultaneously provide the same level of transfers without conditions in another area. Impacts in both groups will be carefully monitored.

A cost-benefit analysis should, however, also take the dimensions of human dignity, self-esteem and autonomy into account. Imposing conditions on people may smack of top-down attitudes of 'we know better' and 'the poor cannot be trusted'. Why should households receiving income from income-generating interventions, from a micro credit scheme or from pensions be free to spend their income according to their own priorities, while the beneficiaries of social transfers are exposed to conditions and threatened with sanctions if they do not comply? They may have good reasons for non-compliance which are beyond the understanding of scheme designers and operators, and attempts to change their behaviour could damage their well-being.

3.4 Differences in socio-cultural and political conditions

As discussed above, one of the motives given by programme designers for linking social transfers to conditions is to make them acceptable to policy-makers and taxpayers. Handa and Davis (this volume) observe that:

> … public support for safety-nets in general and the provision of cash in particular is a function of the values of the society as well as the characteristics of the poor. Support will be less in countries where citizens feel that poverty is due to individual lack of effort or responsibility, for example, or when the poor are easily identified as 'different'. In Latin America the 'face' of the poor is typically different from mainstream society, and the poor are often geographically marginalised.

They also quote Graham (2002) who reports that the Latinobarometro poll finds that citizens in Latin America are remarkably similar to those in the United States in their attitude towards the perceived causes of poverty, feeling that it has to do more with individual failure than with a lack of opportunity.

Taking into account that attitudes towards poverty are culture-specific, programme designers should investigate the attitudes of policy-makers and taxpayers in African countries towards the perceived causes of poverty. Are their attitudes similar to those found in the United States and in Latin America? Do they also have a strong preference for conditionality? If not, the political-economy reason for conditionality may not be valid in their respective countries. However, this North American attitude is found among a number of the technocrats employed by donor agencies that advise African governments on the design of social transfer schemes, and may contribute to opting for conditionality without prior analysis of the indigenous attitudes and preferences in the countries concerned.

4 Conclusions

In view of the fact that the underlying conditions in low-income African countries are different from those in middle-income Latin American countries, the Latin American experience with CCTs cannot directly serve as a blueprint for African countries. Many would argue that donors and international financial institutions have already mistakenly glossed over differences in underlying conditions both within Africa and between Africa and elsewhere – not least in imposing standardised structural adjustment conditions. To avoid a repetition of mistakes of these kinds in relation to social protection, those mandated to design cash transfer schemes in an African country should be required to ask a number of questions concerning the underlying conditions, including:

- Are social services like schools and primary health centres available in sufficient quantity and quality to absorb additional demand?
- Are the implementation capacities of the social welfare services sufficiently strong to administer the complexities of CCTs?
- Do the benefits resulting from imposing conditions outweigh the additional administrative costs and the concerns with regard to human dignity and autonomy?
- Do policy-makers and taxpayers in the country in question prefer conditional schemes and if so, do such preferences have a firm empirical grounding, or is there some need to expand the empirical basis of policy preferences?

In order to provide further guidance for the designers of social cash transfer schemes, action research on the pros and cons of CCTs versus unconditional schemes under different underlying conditions is required. This research can best be carried out in partnership with national governments (specifically with their social welfare departments), donor agencies willing to co-fund social cash transfer schemes, and social research institutes.

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