AFRICA SOCIAL PROTECTION POLICY BRIEFS

Safety Nets: Cash Transfers

OVERVIEW

Cash transfers provide recipients with sufficient resources to enable them to maintain a minimum level of consumption. These resources can be provided as child grants, disability benefits, targeted income support, and conditional and unconditional cash transfers. Cash transfers are typically targeted to the poor or to all people within certain vulnerable categories in the population such as orphans, older people, people with disabilities, and food-insecure households.

Making direct, regular, and predictable transfers of small sums of money to the poor has the potential to empower households in productive and life-improving ways. Providing cash transfers as part of a national safety net can also be a way to achieve other sectoral goals. For example, transfers to households can be accompanied by incentives and financial conditions to ensure that beneficiary households send their children to school and take advantage of health services.

Cash Transfers in Africa

Because of the success of these programs in other parts of the world, cash transfers have become increasingly popular among African policymakers. A 2010 review identified 123 cash transfer programs that have functioned since 2000 in 34 out of the 47 African countries that were reviewed. The coverage of these programs has ranged from large-scale programs in South Africa and Ethiopia to pilots in Senegal and Tanzania (see box). In addition, there is a growing trend towards shifting away from providing food aid towards providing cash transfers, as in Ethiopia, Kenya, and Niger.

These programs have had a variety of different objectives such as reducing poverty and food insecurity, meeting

### Coverage of Current Cash Transfer Programs in Africa, Recipients

<table>
<thead>
<tr>
<th>Program</th>
<th>Recipients</th>
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</thead>
<tbody>
<tr>
<td>South Africa Child Grants</td>
<td>10 million</td>
</tr>
<tr>
<td>Ethiopia PSNP- Direct Support</td>
<td>1.5 million</td>
</tr>
<tr>
<td>Rwanda VUP</td>
<td>143,000</td>
</tr>
<tr>
<td>Mozambique PSA</td>
<td>163,000</td>
</tr>
<tr>
<td>Kenya CT-OVC</td>
<td>137,000</td>
</tr>
<tr>
<td>Ghana LEAP</td>
<td>65,000</td>
</tr>
<tr>
<td>Malawi Social Cash Transfer</td>
<td>26,000</td>
</tr>
<tr>
<td>Nigeria COPE</td>
<td>22,000</td>
</tr>
<tr>
<td>Tanzania TASAF CB-CCT</td>
<td>22,000 phase 1</td>
</tr>
<tr>
<td>Senegal NETS</td>
<td>26,000</td>
</tr>
<tr>
<td>Mauritius Social Aid</td>
<td>17,000</td>
</tr>
</tbody>
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Source: Bank estimates.

Note: Most recent estimates. This does not include social pensions to the elderly, which are covered in the Pensions Policy Brief.
households’ short-term food needs, encouraging extended families to care for AIDS orphans, repatriating refugees, and building human capital.

Initial impact evaluations of African programs have found that, in general, cash transfers have had a range of positive effects in terms of increased household consumption, better school attainment, improved health status, and increased service usage.

Key Design Elements

With the growing number of cash transfer programs in Africa, there is now a body of operational experience from which several lessons can be drawn:

- All of the cash transfer programs are targeted to a specific poor or vulnerable group, most often using categorical and community-based targeting. Using a mix of methods can make targeting more effective.

- There are trade-offs and benefits to providing either cash or non-cash (or near-cash) substitutes like food and food vouchers depending on the program’s objectives, market competitiveness, and food availability, the cost effectiveness of the transfers, and consumer preferences.

- Cash transfer programs in Africa have tended to be unconditional (UCTs) rather than conditional (CCTs), but interest in CCTs has been growing in Africa. There is a heated debate about whether it is appropriate and even feasible to put conditions on transfers in the African context (see box). Some programs, including a current pilot in Togo, have applied “soft” conditions that encourage behavioral change but do not penalize beneficiaries for non-compliance.

- Paying transfers in cash has created opportunities for innovation that were not previously possible with in-kind transfers, such as using banking systems and cell phones. Evidence from South Africa, Kenya, and Liberia has demonstrated that electronic payment systems involving smartcards or mobile phones can significantly reduce costs and leakage, while promoting the integration of poor households into the country’s financial system.

- Strong, transparent systems with robust accountability measures are critical for retaining broad-based support for the safety net. For example, the PSNP in Ethiopia incorporates an appeals mechanism to allow complaints, for example, from people who may feel they were unfairly excluded from the program. Lesotho’s Child Grants Program plans to use community groups to monitor whether beneficiaries are using their unconditional transfers responsibly.

- Monitoring and Evaluation plays an important role in all cash transfer programs. Evidence on the impacts of cash transfers on a range of outcomes has made a strong case for continued investments in these programs. A series of robust impact evaluations of cash transfers in Africa that are currently underway will yield further important insights into the optimal design and processes for the next generation of programs in Africa. Additionally, national monitoring systems are becoming more efficient through the use of ICT. In Kenya beneficiaries can be identified by smartcards and by their fingerprints, and their information is contained in a single database.

To Condition or Not?

The evidence on whether it is better to have conditional or unconditional cash transfers (CCTs and UCTs) in Africa has been inconclusive to date. The basic model developed in Latin America made the receipt of transfers conditional on beneficiaries’ sending their children to school and making use of health services as a way to increase human capital and break the intergenerational transmission of poverty. Including conditions can also help to create political support for these kinds of programs.

Concerns have been raised about the feasibility of implementing CCTs in Africa, given the generally limited availability and poor quality of social services and given that African countries tend to have less implementation capacity than in Latin America.

By providing households with additional income, both CCTs and UCTs make it easier for households to access health and education services, among others. Recent analysis has begun to disentangle the effects of the cash transfer from the conditions. An experimental study in Malawi found that CCTs resulted in better school outcomes (lower dropout rates and higher attendance rates and test scores) than UCTs, while the UCTs resulted in lower levels of teenage pregnancy and marriage than CCTs.

These different effects suggest that the choice between a CCT and a UCT should be driven by what policymakers want to achieve and who they want to target with the program. When CCTs are the instrument of choice, these programs may need to allow conditionalities to differ depending on what services are available within a given area, an approach adopted in Nigeria’s COPE program and Tanzania’s CB-CCT.
COUNTRY EXAMPLES OF CASH TRANSFERS IN AFRICA

South Africa’s Social Grants is the largest cash transfer program in Sub-Saharan Africa. It includes several types of means-tested grants targeted to the older people, poor families with children, foster families, people with disabilities, and war veterans. Roughly 15 million people receive a social grant, or about 30 percent of the national population. The child support grant (CGS), introduced in 1998, reaches about 10 million people, while the old age grant, which applies to poor people over 60 years of age, reaches a little over 2 million people. According to household survey data, social grants make up over 60 percent of the income of the poorest 20 percent of recipient households, with child grants being the largest contributor. Children who were enrolled in the CSG at birth completed significantly more grades of schooling and achieved higher scores on a math test than children who were enrolled at the age of six. These effects were particularly significant for girls. For children whose mothers had less than eight grades of schooling, the impact was even greater. Enrollment in the CSG reduced the likelihood of illness among children by 9 percentage points. The main effects on adolescents were reduced sexual activity and teen pregnancies and less drug and alcohol use.

Ethiopia’s Productive Safety Net Program (PSNP) was launched in 2005 to transform the historic food aid system into a more predictable safety net that produces productive assets in poor communities. The PSNP provides cash and food transfers to food-insecure households through labor-intensive public works for households with able-bodied members (80 percent) and direct transfers to households that are unable to fulfill a work requirement (20 percent). Direct support cash and food transfers reach about 1.5 million people per year. Households receive transfers during six months of the year. The estimated annual transfers per household are equivalent to about 40 percent of their annual food needs. Impact evaluations found that providing direct support to households increases their food security and, in the few cases where average direct support transfers were large, this effect has been substantial. Increasing average direct support payments from 500 to 2,500 birr leads to a two-month increase in food security. Higher levels of direct support have also led to more rapid asset accumulation among beneficiary households. There is no evidence that direct support reduces (“crowds out”) private transfers, and in fact there is some evidence that private transfers have increased.

Kenya Cash Transfer for Orphans and Vulnerable Children (CT-OVC) was initiated in response to concerns about the wellbeing of orphans and vulnerable children, particularly AIDS orphans. The objectives of the program are to encourage the fostering and family retention of children and to promote their human capital development. Eligible households, which are those who are poor and contain an OVC, receive a flat monthly transfer of US$21. The program reached 150,000 households, including 495,000 OVC across the country as of June 2012, about 24 percent of the estimated number of households with OVCs. Impact evaluations have found significantly higher expenditures on food and health services among beneficiary households. The impact of the program on schooling is concentrated on the secondary level, where enrollment was increased by 9 percentage points and children from beneficiary households were less likely be behind a grade and more likely to progress to the next grade.

Ghana’s Livelihood Empowerment against Poverty (LEAP) Program is a social cash transfer program that provides cash and health insurance to extremely poor households across Ghana to alleviate short-term poverty and encourage long-term human capital development. Eligibility is based on poverty and having a household member in at least one of three demographic categories a single parent with an orphan or vulnerable child (OVC), an elderly poor person, or a person with an extreme disability (PWD) who is unable to work. LEAP started in a trial phase in March 2008 and, as of 2012, 65,000 households are enrolled. Beneficiaries receive bimonthly cash transfers of between US$4 and $8 per month. An impact evaluation is currently ongoing.
Additional Resources and Readings:


Further guidance and toolkits on the design and implementation of cash transfers can be found on the World Bank’s Social Protection and Labor website: www.worldbank.org/sp.